

**A\$250,000,000****Rabobank Capital Funding Trust VI****Noncumulative Guaranteed Trust Preferred Securities****(Liquidation Preference Amount of A\$1,000 per Trust Preferred Security)**

The Noncumulative Guaranteed Trust Preferred Securities, liquidation preference amount of A\$1,000 per security (the **"Trust Preferred Securities"**), offered hereby represent preferred undivided beneficial ownership interests in the assets of Rabobank Capital Funding Trust VI, a statutory trust created under the laws of the State of Delaware, United States of America (the **"Trust"**), which consist solely of an Australian dollar denominated fixed/floating rate series of the Class B Preferred Securities (the **"LLC AUD Series 2 Class B Preferred Securities"**) of Rabobank Capital Funding III LLC, a Delaware limited liability company (the **"LLC"**). The LLC will use almost all the proceeds from the issuance of the LLC AUD Series 2 Class B Preferred Securities to purchase an Australian dollar denominated fixed/floating rate subordinated note issued by Rabobank Nederland (the **"Initial AUD Series 2 Subordinated Note"**). Utrecht-America Holdings, Inc. (**"Holding"**), a direct wholly-owned subsidiary of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (**"Rabobank Nederland"**) and, together with its branches and its consolidated subsidiaries, and the Local Rabobanks (as defined below), the **"Rabobank Group"**, a cooperative entity with limited liability organized and licensed as a credit institution under the laws of the Netherlands, will own all the common securities (the **"Trust Common Securities"**) and, together with the Trust Preferred Securities, the **"Trust Securities"** representing common undivided beneficial ownership interests in the assets of the Trust. Rabobank Nederland will guarantee the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities on a subordinated basis to the extent set forth in this offering memorandum.

For each Dividend Period (as defined herein) ending on or before December 31, 2014, cash dividends on the Trust Preferred Securities will accrue at a rate of 6.415% per annum on the liquidation preference amount of A\$1,000 (the **"Liquidation Preference Amount"**) per Trust Preferred Security. For each Dividend Period commencing on or after December 31, 2014, cash dividends will accrue on the Liquidation Preference Amount at a rate per annum equal to BBSW for such Dividend Period plus 1.67%. See "Description of the Trust Securities – Dividends". The Trust Preferred Securities will be redeemed when, if and to the extent that the LLC AUD Series 2 Class B Preferred Securities are redeemed. The LLC AUD Series 2 Class B Preferred Securities may be redeemed by the LLC at its option, with the approval of Rabobank Nederland and, if then required, the Dutch Central Bank (a) in whole or in part, on December 31, 2014 or any Dividend Payment Date (as defined herein) occurring thereafter, or (b) in whole but not in part upon the occurrence of an LLC Special Event (as defined herein), at any time.

Except in the limited circumstances described herein, the Trust Preferred Securities will be represented by one or more Global Certificates. Trust Preferred Securities sold to qualified institutional buyers in reliance on Rule 144A (**"Rule 144A"**) under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**), will be evidenced by one or more global certificates in registered form representing the Trust Preferred Securities (collectively, the **"Restricted Global Certificates"**), which will be deposited on or about October 29, 2004 (the **"Issue Date"**) with, and registered in the name of a nominee for, a common depository for the accounts of Euroclear Bank S.A./N.V., Brussels, as operator of the Euroclear System (**"Euroclear"**) and Clearstream Banking société anonyme, Luxembourg (**"Clearstream"**). Trust Preferred Securities sold to non-U.S. Persons in compliance with Regulation S (**"Regulation S"**) under the Securities Act will initially be evidenced by one or more temporary global certificates (collectively, the **"Regulation S Global Certificates"**) and, together with the Restricted Global Certificates, the **"Global Certificates"** or each individually, a **"Global Certificate"**, in registered form which will be deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depository for the accounts of Euroclear and Clearstream. Beneficial interests in such Global Certificates will be shown on, and transfers thereof will be effected through, records maintained by Euroclear and Clearstream and their participants. Interests in such temporary Regulation S Global Certificates may be exchanged, not earlier than 40 days after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities, for interests in the permanent Regulation S Global Certificates upon certification of non-U.S. beneficial ownership. For a description of certain restrictions on subsequent transfers of these securities, see "Notice to Investors".

The Trust Preferred Securities are expected, on issue, to be assigned an "Aa2" rating by Moody's Investors Service Ltd. and an "AA" rating by Standard & Poor's Ratings Group. A rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension, or withdrawal at any time by the rating agency.

Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange.

An investment in the Trust Preferred Securities involves risks. See "Investment Considerations", beginning on page 33 of this offering memorandum.

	Price to Investors	Initial Purchasers' Commission <sup>(1)</sup>	Proceeds to Trust <sup>(1)</sup>
Per Trust Preferred Security	100%	1%	100%
<b>Total</b>	<b>A\$250,000,000</b>	<b>A\$2,500,000</b>	<b>A\$250,000,000</b>

(1) In view of the fact that the proceeds from the sale of the Trust Preferred Securities will ultimately be invested in the Initial AUD Series 2 Subordinated Note, Rabobank Nederland has agreed to pay the Initial Purchasers' commission in connection with the offering. See "Plan of Distribution".

The Trust Preferred Securities are not and will not be registered under the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except in a transaction that is exempt from, or in a transaction not subject to, the registration requirements of the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Trust Preferred Securities offered hereby are being offered and sold (i) in the United States in reliance on Rule 144A only to qualified institutional buyers, and (ii) outside the United States to non-U.S. Persons in offshore transactions in reliance on Regulation S. For a description of certain restrictions on transfer of these securities, see "Notice to Investors".

The Trust Preferred Securities are offered severally by the initial purchasers, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part, and subject to the approval of certain legal matters by counsel for the initial purchasers and to certain other conditions. It is expected that the Trust Preferred Securities will be ready for delivery in book-entry form through the facilities of Euroclear and Clearstream on or about October 29, 2004, against payment therefor in immediately available funds.

*Joint Bookrunners***Merrill Lynch International****Rabo Corporate Finance & Securities Pty  
Limited (ABN 31 084 923 124)****Westpac Banking Corporation  
(ABN 33 007 457 141)****Credit Suisse First Boston****TD Securities****UBS Investment Bank****Commonwealth Bank of Australia  
(ABN 48 123 123 124)****National Australia Bank Limited  
(ABN 12 004 044 937)**

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In this offering memorandum, “we”, “us”, “our”, “Rabobank Group”, “Group” and similar terms refer to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., including its branches and its consolidated subsidiaries, and the Local Rabobanks (as defined below).

We have not, and the initial purchasers have not, authorized any other person to provide you with information different from that contained in this offering memorandum. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the initial purchasers are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

We are relying on an exemption from registration under the U.S. Securities Act of 1933, as amended, for offers and sales of securities that do not involve a public offering. By purchasing Trust Preferred Securities, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading “Notice to Investors” in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

This offering memorandum has been prepared by us, the Trust and the LLC solely for use in connection with the offering of the Trust Preferred Securities. We have not authorized its use for any other purpose. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions. See “Notice to Investors”.

Notwithstanding anything to the contrary in this offering memorandum, effective from the date of commencement of discussions concerning the offering, you and each of your employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the offering and all materials of any kind, including opinions or other tax analyses, that we have provided to you relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorization to disclose the identity of Rabobank Nederland or its affiliates, agents or advisers, or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.

This offering memorandum summarizes certain documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of Rabobank Nederland and the terms of the offering and the Trust Preferred Securities, including the merits and risks involved.

We, the Trust and the LLC, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to us, the Trust and the LLC is true and accurate in all material respects, that the opinions and intentions expressed herein are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading. Each of us, the Trust and the LLC accepts responsibility accordingly.

Notwithstanding the foregoing, the information contained under the headings “Summary”, “Exchange Rates”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes extracts from information and data, including industry and market data, released by publicly available sources. While we accept responsibility for the accurate extraction and summarization of such information and data, we accept no further responsibility in respect of such information or data. In addition, the information concerning Euroclear or Clearstream contained in sections of this offering memorandum has been obtained from sources that we, the Trust and the LLC believe to be reliable, but neither we, the Trust or the LLC take responsibility for the accuracy level. None of us, the Trust, the LLC or any of the initial purchasers has independently verified such information or takes any responsibility for the accuracy of those sections; however, we, the Trust and the LLC have taken reasonable care to ensure that the information from these sources has been reproduced correctly. We, the Trust and the LLC accept responsibility accordingly. That information is also subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream. We, the Trust and the LLC advise investors who wish to use the facilities of any of those clearing systems to confirm the rules, regulations and procedures of the relevant clearing system. Neither we, the Trust or the LLC will have responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through any clearing system. Finally, neither we, the Trust or the LLC will have responsibility or liability for maintaining, supervising or reviewing any records relating to those book-entry interests.

We are not making representations to any purchaser of the Trust Preferred Securities regarding the legality of an investment in the Trust Preferred Securities by such purchaser under any applicable investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Trust Preferred Securities.

You should contact the initial purchasers with any questions about this offering or if you require additional information to verify the information contained in this offering memorandum.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The securities offered hereby are not deposits or other obligations of a bank and are not insured by the U.S. Federal Deposit Insurance Corporation or any other governmental agency.

The assets of both the Trust and the LLC may be treated as assets of an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), or Section 4975 of the Internal Revenue Code of 1986, as amended (the “**Code**”), that purchases and holds the Trust Preferred Securities (and, indirectly, the LLC AUD Series 2 Class B Preferred Securities, AUD Series 2 Subordinated Notes and Eligible Debt Securities). As such, if you are a plan subject to ERISA or the Code and are purchasing one or more Trust Preferred Securities (or an interest therein), you will be deemed to have represented and warranted that (A) your purchase and holding of the Trust Preferred Securities will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code, and (B) you have (1) directed the Property Trustee to invest the proceeds from the sale of Trust Preferred Securities to acquire the LLC AUD Series 2 Class B Preferred Securities, and directed the LLC to invest the proceeds from the sale of the LLC AUD Series 2 Class B Preferred Securities in AUD Series 2 Subordinated Notes and Eligible Debt Securities (as defined herein) and (2) directed the Property Trustee (which is not affiliated with and is independent of Rabobank Nederland), as holder of the LLC AUD Series 2 Class B Preferred Securities, to (a) exercise the rights of the LLC with respect to, and otherwise enforce the terms of, the LLC AUD Series 2 Class B Preferred Securities under the LLC Agreement (as defined herein), including the right to authorize the Independent Directors (as defined herein) (who are not affiliated with and are independent of Rabobank Nederland) to enforce the LLC’s rights with respect to AUD Series 2 Subordinated Notes and Eligible Debt Securities purchased by it, and (b) take direct action on behalf of the LLC against Rabobank Nederland to enforce the LLC’s rights under such AUD Series 2 Subordinated Notes and Eligible Debt Securities.

The Trust Preferred Securities may not be offered or sold into the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses (or in other circumstances that do not constitute an offer to the public in the United Kingdom for the purposes of the Public Offers of Securities Regulations 1995), and any invitation or inducement to engage in investment activity (within the meaning of section 21(1) of the Financial Services and Markets Act 2000 (the “**FSMA**”)) in connection with the issue or sale of the Trust Preferred Securities may only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply.

This offering memorandum is directed only at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (all such persons together being referred to as “**relevant persons**”). This offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

All applicable provisions of the Public Offers of Securities Regulations 1995 and the FSMA must be complied with in respect of anything done to the Trust Preferred Securities in, from or otherwise involving the United Kingdom.

This Offering Memorandum does not constitute a disclosure document, prospectus or product disclosure statement within the meaning of the Corporations Act 2001 of Australia (the “**Corporations Act**”) and has not been lodged with the Australian Securities and Investments Commission (“**ASIC**”).

**In connection with the issuance of the Trust Preferred Securities, Westpac Banking Corporation or any other Person acting for it, may engage in transactions that stabilize, maintain or otherwise affect the price of the Trust Preferred Securities. Specifically, the initial purchasers may over-allot the offering, creating a syndicate short position. In addition, the initial purchasers may bid for and purchase Trust Preferred Securities in the open market to cover syndicate shorts or to stabilize the price of the Trust Preferred Securities above independent market levels. Westpac Banking Corporation is not required to engage in these activities, and may end any of these activities at any time.**

## NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes with the State of New Hampshire nor the fact that a security is effectively registered or a Person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

## AVAILABLE INFORMATION

Rabobank Nederland is exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934 (the “**Exchange Act**”). As long as Rabobank Nederland is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, it will furnish its annual report and certain other periodic reports and information to the SEC. At such time of filing, Rabobank Nederland will be exempt from providing the information required under Rule 144A(d)(4) described in the paragraph below. Copies of the materials furnished to the SEC may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and will also be available for inspection and copying at the regional office of the SEC located at Citicorp Center, 500 West Madison Street (Suite 1400), Chicago, Illinois 60661 and at the specified office of the paying agent in Luxembourg.

Rabobank Nederland has agreed that, for so long as any Trust Preferred Securities are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), it will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Rabobank Nederland is not, nor does it intend to become, a reporting company under Section 13 or Section 15(d) of the Exchange Act. Any such request for information should be directed to Rabobank Nederland at its office located at Croeselaan 18, 3521 CB Utrecht, the Netherlands.

## SERVICE OF PROCESS AND ENFORCEABILITY OF CERTAIN FOREIGN JUDGMENTS

Rabobank Nederland is incorporated in the Netherlands, and most of Rabobank Nederland’s assets are located outside the United States. In addition, most of Rabobank Nederland’s directors and officers and certain experts named in this offering memorandum are non-residents of the United States and most of their assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon Rabobank Nederland or such persons with respect to matters arising under the federal securities laws of the United States, or to enforce against them judgments of courts of the United States whether or not predicated upon the civil liability provisions of the federal securities or other laws of the United States or any state thereof. The United States and the Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, you would not be able to enforce in the Netherlands a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, even if the judgment is not based only on the U.S. federal securities laws, unless and to the extent a competent court in the Netherlands gives binding effect to the judgment.

## FORWARD-LOOKING STATEMENTS

This offering memorandum includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in this offering memorandum, including, without limitation, those regarding the Rabobank Group’s financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Rabobank Group’s products), are forward-looking statements. Forward-looking statements may be, but are not necessarily, identified by words such as “believe,” “expect,” “anticipate,” “intend,” “target,” “estimate,” “plan,” “assume,” “may,” “will,” “could” and similar expressions. While we may make forward-looking statements in other parts of this offering memorandum, these types of statements are particularly likely to appear in the sections called “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Rabobank Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Rabobank Group’s present and future business strategies and the environment in which the Rabobank Group will operate in the future. In many cases, we include a discussion of the factors that are most likely to cause forward-looking statements to differ from actual results together with the forward-looking statements themselves.

The important factors that could cause the Rabobank Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, changes or downturns in the Dutch economy or in the economies in other countries in which the Rabobank Group conducts business and the impact of fluctuations in foreign exchange rates and interest rates.

These forward-looking statements speak only as of the date of this offering memorandum. Other than as required by law or the rules and regulations of the relevant stock exchange, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Rabobank Group’s expectations with regard thereto or any change.

## **PRESENTATION OF FINANCIAL INFORMATION**

The financial information contained herein relates to our audited financial statements, our interim financial statements 2004, which have been subject to a Dutch Generally Accepted Auditing Standards review by our auditors, and extracts from our unaudited interim financial statements 2003 which appear under “Index to Financial Statements” at page F-1 of this offering memorandum.

In this offering memorandum, references to “\$” are to United States dollars (unless otherwise noted), references to “£” are to pound sterling, references to “A\$” are to Australian dollars and references to “euro” or “€” are to the currency introduced at the start of the third stage of Economic and Monetary Union, pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the European Union.

Certain figures in this offering memorandum have been subject to rounding adjustments. Accordingly, amounts shown as totals in tables or elsewhere may not be an arithmetic aggregation of the figures which precede them.

Throughout this offering memorandum, we have used industry data and projections obtained from industry surveys, market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. We have not independently verified these data or determined the reasonableness of such assumptions. We have indicated in this offering memorandum where information has come from internal sources.

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## SUMMARY

*This summary highlights information contained elsewhere in this offering memorandum. This summary does not contain all of the information that may be important to you. You should read the entire offering memorandum, including all of the financial statements and related notes, before making an investment decision.*

### The Offering

Except for transactions which occurred on October 21, 2004, the following series of transactions will occur substantially simultaneously.

Rabobank Capital Funding Trust VI (the “**Trust**”) will issue all of its common securities (the “**Trust Common Securities**”) to Utrecht-America Holdings, Inc. (“**Holding**”), a Delaware corporation and a direct wholly-owned subsidiary of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (“**Rabobank Nederland**”). The Trust will issue to investors its perpetual Noncumulative Guaranteed Trust Preferred Securities, liquidation preference amount of A\$1,000 per security (the “**Trust Preferred Securities**” and, together with the Trust Common Securities, the “**Trust Securities**”). The Trust will use the proceeds from the offering and sale of the Trust Securities to purchase all of the Australian dollar denominated fixed/floating rate series of the Class B Preferred Securities (the “**LLC AUD Series 2 Class B Preferred Securities**”) issued by Rabobank Capital Funding III LLC (the “**LLC**”).

The LLC issued all of its common securities (the “**LLC Common Securities**”) to Holding. The LLC (i) issued its Class A Preferred Securities (the “**LLC Class A Preferred Securities**” and, together with the LLC Class B Preferred Securities (as defined below), the “**LLC Preferred Securities**” and, together with the LLC Common Securities, the “**LLC Securities**”) to RBPS III, Inc., a Cayman Islands company wholly-owned by Rabobank Nederland (“**RBPS III**”), and (ii) will issue its LLC AUD Series 2 Class B Preferred Securities to the Trust. The LLC will use almost all the proceeds from the issuance of the LLC AUD Series 2 Class B Preferred Securities to purchase an Australian dollar denominated fixed/floating rate subordinated note issued by Rabobank Nederland (the “**Initial AUD Series 2 Subordinated Note**”) and will use the proceeds from the issuance of the LLC Class A Preferred Securities and the LLC Common Securities as well as A\$1,000 from the issuance of the LLC AUD Series 2 Class B Preferred Securities to purchase eligible debt securities comprising cash or book-entry securities, negotiable instruments or other securities of entities which are identified as a permitted investment of a finance subsidiary pursuant to Rule 3a-5 under the Investment Company Act of 1940, as amended (the “**1940 Act**”), at the time they are acquired by the LLC (“**Eligible Debt Securities**”).

On October 21, 2004, the LLC issued (i) all of its U.S. dollar denominated series of the Class B Preferred Securities (the “**LLC USD Class B Preferred Securities**”) to Rabobank Capital Funding Trust III, an indirect wholly-owned subsidiary of Rabobank Nederland and (ii) all of its pound sterling denominated series of the Class B Preferred Securities (the “**LLC GBP Class B Preferred Securities**”) to Rabobank Capital Funding Trust IV, an indirect wholly-owned subsidiary of Rabobank Nederland, in connection with the related offerings of Noncumulative Guaranteed Trust Preferred Securities issued on that date by Rabobank Capital Funding Trust III and Rabobank Capital Funding Trust IV. Concurrently with this offering, the LLC expects to issue all of its Australian dollar denominated floating rate series of the Class B Preferred Securities (the “**LLC AUD Series 1 Class B Preferred Securities**” and, together with the LLC AUD Series 2 Class B Preferred Securities, the LLC USD Class B Preferred Securities and the LLC GBP Class B Preferred Securities, the “**LLC Class B Preferred Securities**”) to Rabobank Capital Funding Trust V, an indirect wholly-owned subsidiary of Rabobank Nederland, in connection with the related offering of Noncumulative Guaranteed Trust Preferred Securities expected to be issued concurrently with this offering by Rabobank Capital Funding Trust V. This offering is not conditional upon the closing of the offering by Rabobank Capital Funding Trust V. The LLC used almost all of the proceeds from the issuance of the LLC USD Class B Preferred Securities and the LLC GBP Class B Preferred Securities to purchase a U.S. dollar denominated subordinated note (the “**Initial USD Subordinated Note**”) and a pound sterling denominated subordinated note (the “**Initial GBP Subordinated Note**”), respectively, each issued by Rabobank Nederland, and used the remaining proceeds to purchase Eligible Debt Securities. The LLC expects to use almost all of the proceeds from the issuance of the LLC AUD Series 1 Class B Preferred Securities to purchase an Australian dollar denominated floating rate subordinated note (the “**Initial AUD Series 1 Subordinated Note**” and together with the Initial AUD Series 2 Subordinated Note, the Initial USD Subordinated Note and the Initial GBP Subordinated Note, the “**Initial Subordinated Notes**”) issued by Rabobank Nederland, and to use the remaining proceeds to purchase Eligible Debt Securities.

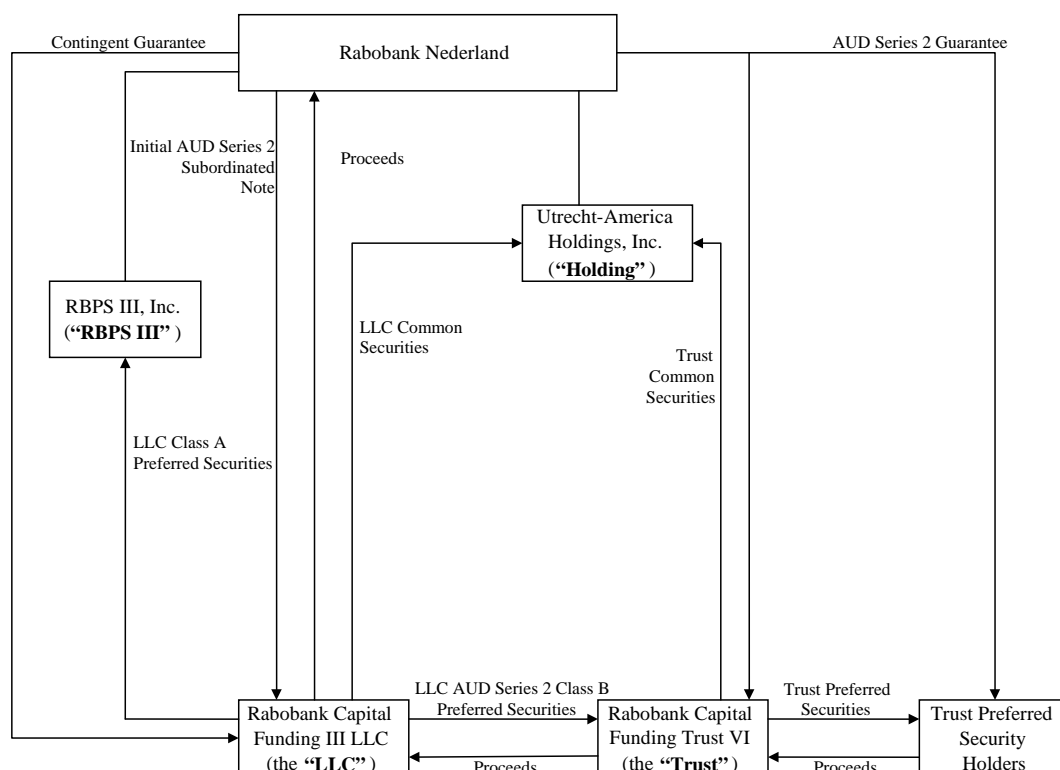
Rabobank Nederland will guarantee on a subordinated basis the LLC AUD Series 2 Class B Preferred Securities and the Trust Securities (the “**AUD Series 2 Guarantee**”). In addition, Rabobank Nederland has entered into a contingent guarantee (the “**Contingent Guarantee**”). Both the AUD Series 2 Guarantee and the Contingent Guarantee are more fully described in the section entitled “Description of the AUD Series 2 Guarantee and the Contingent Guarantee”. Rabobank Nederland has also entered into subordinated guarantees on substantially identical terms to the AUD Series 2 Guarantee in respect of (i) the LLC USD Class B Preferred Securities and the related series of

Noncumulative Guaranteed Trust Preferred Securities issued shortly before this offering by Rabobank Capital Funding Trust III (the “**USD Guarantee**”) and (ii) the LLC GBP Class B Preferred Securities and the related series of Noncumulative Guaranteed Trust Preferred Securities issued shortly before this offering by Rabobank Capital Funding Trust IV (the “**GBP Guarantee**”). Rabobank Nederland also expects to enter into a subordinated guarantee on substantially identical terms to the AUD Series 2 Guarantee in respect of the LLC AUD Series 1 Class B Preferred Securities and the related series of Noncumulative Guaranteed Trust Preferred Securities expected to be issued concurrently with this offering by Rabobank Capital Funding Trust V (the “**AUD Series 1 Guarantee**” and, together with the AUD Series 2 Guarantee, the USD Guarantee and the GBP Guarantee, the “**Guarantees**”).

Rabobank Nederland, through its New York branch (the “**Branch**”) and Holding entered into a services agreement with the LLC and will enter into a services agreement with the Trust (together, the “**Services Agreements**”) which are more fully described in the section entitled “Rabobank Capital Funding Trust VI”.

### Transaction Diagram

The following diagram outlines the relationship among Rabobank Nederland, Holding, RBPS III, the LLC and the Trust following the completion of the offering.



### Business Overview

The Rabobank Group is one of the largest banking organizations in the Netherlands and the largest mortgage lending and savings organization in the Netherlands by market share. We are one of the 25 largest banking institutions in the world in terms of assets and Tier 1 capital. We offer a broad range of financial, insurance and asset management services across retail, corporate and commercial sectors, both domestically and internationally. The Rabobank Group has the highest credit ratings awarded by the international rating agencies Moody’s (Aaa since 1986) and Standard & Poor’s (AAA since 1984). On a consolidated basis, our total assets were €440 billion at June 30, 2004. At June 30, 2004, we had 50,594 full-time equivalent employees.

The Rabobank Group is comprised of the cooperative Rabobank Nederland, the cooperative Local Rabobanks which are members of Rabobank Nederland and are also licensed credit institutions, and Rabobank Nederland’s specialized subsidiaries. We had 321 Local Rabobanks and 1,322 branches located throughout the Netherlands at June 30, 2004. The Local Rabobanks are themselves cooperative entities that draw all of their members from their customers. See “Business—The Rabobank Group Structure”.

Rabobank Nederland, the Local Rabobanks and certain subsidiaries in the Rabobank Group are linked through a “Cross-Guarantee System”. The Cross-Guarantee System provides for intra-group credit support among Rabobank Nederland, all Local Rabobanks and certain of our subsidiaries that are the other participating institutions. Under the Cross-Guarantee System, funds are made available by each participating institution if another participant suffers a shortfall in its funds. If a participating institution is liquidated and has insufficient assets to cover its liabilities, the other participating institutions are liable to cover its shortfall. See “Business—The Rabobank Group Structure –The Cross-Guarantee System”.

The various entities within the Rabobank Group comprise a network of “competence centers” which provide financial services and products to the Local Rabobanks and to each other. This networked expertise allows us to respond actively to the growing demand from business clients and private individuals for a balanced package of financial services and products. We therefore seek to combine the best of two worlds: the local presence of the Local Rabobanks and the expertise and scale of a large organization. The underlying purpose of Rabobank Nederland’s cooperative structure is to provide high quality services and products to its customers at reasonable prices, while maintaining the financial stability of the Rabobank Group.

Historically, we engaged primarily in lending to the agricultural and horticultural sectors in the Dutch market. Since the 1990s, we have also offered a wide variety of commercial banking and other financial services not only in the Netherlands but also internationally. As part of an ongoing program, we have increased both the number and type of products and services available to our customers in order to diversify from a traditional savings and mortgage-based business to be a provider of a full range of financial products and services, both in the Netherlands and internationally. To this end we pursue an “Allfinanz” concept, meaning that we provide an integrated range of financial services comprised primarily of retail banking, wholesale banking, asset management and investment, insurance, leasing and real estate to a wide range of both individual and corporate customers. As part of this Allfinanz strategy, we focus on operations that produce fee-based income in addition to our traditional interest-based income sources.

Through Rabobank Nederland, the Local Rabobanks and our specialized subsidiaries, the Rabobank Group provides services in the following six core business areas: Retail Banking, Wholesale Banking, Asset Management, Insurance, Leasing and Real Estate. The diagram below sets forth the organizational structure of Rabobank Nederland, the Local Rabobanks and the specialized subsidiaries that engage in our core business areas.

**Retail Banking.** We provide a variety of lending and savings services in the Netherlands through our network of Local Rabobanks and their domestic offices and agencies. From January 1, 2004 through June 30, 2004, we had a market share of 26% of new home mortgages (by aggregate amount of loans) in the Dutch mortgage market (21% by Local Rabobanks and 5% by Obvion N.V. (“**Obvion**”). According to a survey conducted by a third-party consulting firm at the end of 2003, 85% of customers in the Dutch primary agricultural sector and 39% of customers in the trade, industry and services sector (i.e., small and medium-sized enterprises with less than 100 employees) identified Rabobank Group as the most important bank to their business. At June 30, 2004 we had a 38% market share in the Dutch private savings market (by aggregate deposits). For the six months ended June 30, 2004, our Retail Banking operations accounted for 57%, or €797 million, of our operating profit before taxation.<sup>1</sup>

**Wholesale Banking.** Through Rabobank Nederland Corporate Clients (“**RNCC**”) and Rabobank International, which includes our subsidiary Rabo Securities N.V. (“**Rabo Securities**”), we provide a variety of wholesale banking services, including advising on mergers and acquisitions and stock transactions, lending and providing special financing arrangements to both domestic and international corporate clients. For the six months ended June 30, 2004, our Wholesale Banking operations accounted for 33%, or €464 million, of our operating profit before taxation.

**Asset Management.** We provide asset management, investment and private banking services to private, institutional and corporate investors through a number of subsidiaries. Robeco is the competence center for asset management services within the Rabobank Group, offering financial products and services to our Asset Management and Investment operations. Schretlen & Co. N.V. (“**Schretlen**”) operates our private banking activities in the Netherlands and internationally. Effectenbank Stroeve N.V. (“**Effectenbank Stroeve**”) provides asset management and investment advice to private individuals. In 2003, Rabobank Nederland acquired the internet-brokerage activities of Dexia Bank Nederland N.V., which are conducted under the trade name Alex (“**Alex**”). Alex provides investment services to its clients via the internet. For the six months ended June 30, 2004, our Asset Management and Investment operations accounted for 6%, or €80 million, of our operating profit before taxation.

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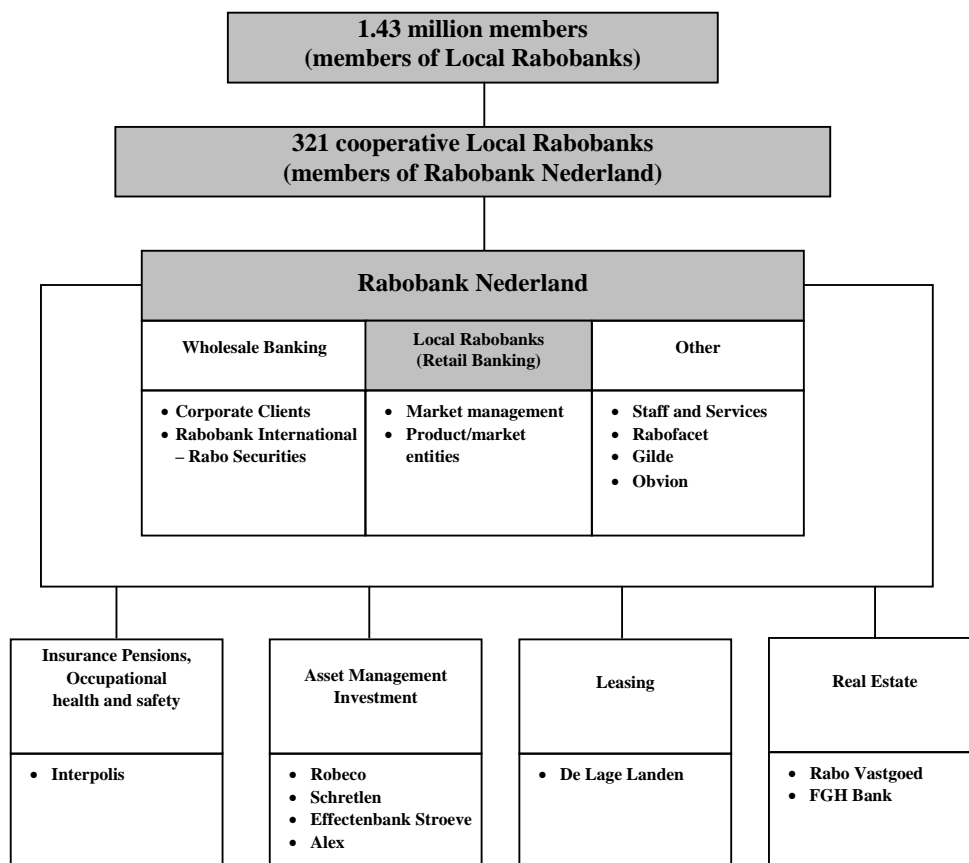
<sup>1</sup> As the Rabobank Group conducts more activities than the six core business areas, the operating profits before taxation of the six core business areas do not add up to 100% of consolidated operating profit before taxation.

**Insurance.** Our insurance activities are undertaken primarily through Interpolis (“**Interpolis**”), the sixth largest insurance company in the Netherlands in 2003 in terms of premium turnover. Through its subsidiaries, Interpolis provides comprehensive life and non-life insurance services to our retail, agricultural and corporate customers. For the six months ended June 30, 2004, premiums from life and non-life insurance activities were €1,311 million and €832 million, respectively. Operating profit before taxation from our Insurance operations, at €26 million, accounted for 9% of our operating profit before taxation for the six months ended June 30, 2004.

**Leasing.** Our leasing activities are undertaken primarily by De Lage Landen International B.V. (“**De Lage Landen**”). De Lage Landen provides factoring and leasing services to corporate borrowers, mainly in the food and agribusiness, technology, healthcare and banking industries. At June 30, 2004, De Lage Landen had a loan portfolio of approximately €2.6 billion. Operating profit from our Leasing operations, at €100 million accounted for 7% of our operating profit before taxation for the six months ended June 30, 2004.

**Real Estate.** We provide a variety of real estate services to institutional and corporate clients through Rabo Vastgoed B.V. (“**Rabo Vastgoed**”) and FGH Bank N.V. (“**FGH Bank**”), which we acquired in October 2003. Rabo Vastgoed is our real estate project development and finance arm and FGH Bank specializes in commercial real estate financing. For the six months ended June 30, 2004, our Real Estate operations accounted for 3%, or €37 million, of our operating profit before taxation.

**The Structure of the Rabobank  
Group**  
9 million customers



**Recent Developments**

*Farm Credit Services of America*

On July 30, 2004, we announced that we had entered into an agreement to acquire Farm Credit Services of America (“**FCSAmerica**”), based in Omaha, Nebraska. FCSAmerica has assets of approximately \$8 billion and 900 employees. FCSAmerica is a part of the Farm Credit System which is a network of cooperatively owned lending

institutions and related service organizations, supervised by the Farm Credit Administration on behalf of the U.S. government. The acquisition was subject to the approval of regulatory authorities in the United States and the Netherlands and a number of additional conditions, including approval of the transaction by the FCSAmerica board and approval of the board of the Farm Credit Administration and the stockholders of FCSAmerica of the withdrawal of FCSAmerica from the Farm Credit System. The board of FCSAmerica did not approve the transaction and consequently FCSAmerica terminated the acquisition agreement as of October 20, 2004. We remain firmly committed to expanding our presence in the U.S. market, particularly in the Midwest, by expanding our Rabo Agrifinance and Rabo Ag Services divisions and through acquisitions.

#### *Bank Gospodarki Zywnosciowej (BGZ)*

On September 3, 2004, we announced our intention to acquire a 35% interest in the Polish bank BGZ in part through a new share issuance by BGZ, and in part from selling shareholders. BGZ is one of the leading banks for the Polish agricultural and food economy sectors. The proposed acquisition is part of our strategy to expand our country banking in the United States, Canada, Ireland, Central and Eastern Europe and China.

#### *Operation Service*

In September 2004, we started implementation of "Operation Service," a reorganization program to transform Rabobank Nederland into a more efficient, customer and service-focused organization for the Local Rabobanks. The program is expected to generate cost savings of €200 million per annum and reduce the number of employees on a gradual basis by nearly 1,200 full-time equivalent employees. It will be implemented over the next couple of years.

#### *KBC Bank Joint Venture*

On June 10, 2004, we announced our intention to set up a joint venture with KBC Bank N.V. ("**KBC Bank**") to process securities transactions for both KBC and Rabobank Nederland. Based in Eindhoven, the Netherlands, the new company will start operations in 2005, processing securities transactions for Rabobank Nederland. When fully operational in 2006, it will also process KBC's securities transactions. It is expected that the new company will have approximately 160 employees by 2006.

#### *Eureko Group*

In February 2004, as part of our strategy to grow our market share in retail products in the insurance sector, we signed a letter of intent establishing a close cooperation with Eureko B.V. ("**Eureko**"). Headquartered in Zeist, The Netherlands, Eureko is a financial services provider and has subsidiaries in 15 European countries. Achmea Holding N.V. is the largest subsidiary within the Eureko group. As part of our cooperation, Interpolis, our insurance subsidiary, will sell health insurance provided by Achmea's subsidiary, Zilveren Kruis Achmea, via Local Rabobanks and via its own distribution channels. On March 31, 2004, we also acquired a 5% stake in Eureko for a consideration of €28 million. In addition, as from June 25, 2004, we effected an exchange of members at each company's Supervisory Board level. Mutual representation at the shareholder level, i.e., between the Vereniging Achmea and the Central Delegates Assembly (*Centrale Kringvergadering*) of Rabobank Nederland, is also being considered.

#### *Telia Finans*

On February 15, 2004, De Lage Landen, our leasing subsidiary, agreed to acquire Telia Finans, the wholly-owned subsidiary of the Swedish telecom company TeliaSonera. Telia Finans focuses on leasing IT and office equipment in the Scandinavian market and has a leasing portfolio of approximately €498 million as of December 31, 2003.

#### *FGH Bank*

On January 30, 2004, FGH Bank strengthened its position in commercial real estate financing through the acquisition of De Lage Landen Vastgoedfinancieringen B.V. ("**De Lage Landen Vastgoedfinancieringen**") from De Lage Landen, our leasing subsidiary. De Lage Landen Vastgoedfinancieringen had a loan portfolio of €1.1 billion as of December 31, 2003.

### **Group Strategy**

Our ambition is to achieve market leadership in financial services in the Netherlands, primarily through the Local Rabobanks, and to provide our clients, both private and business, with a comprehensive range of financial products and services. In addition, we aim to be the leading bank in the world to the food industry and agribusiness. We have taken significant steps to establish a leading role as a financial services provider through our wholesale business operations of RNCC, Rabobank International and Rabo Securities and our many specialized subsidiaries such as Robeco (asset management), Interpolis (insurance), De Lage Landen (leasing), FGH bank (real estate finance), Schretlen (private banking), Effectenbank Stroeve (securities brokerage) and Gilde (venture capital). Each of these subsidiaries not only provides financial advice and products to the Local Rabobanks and their clients, but also provides services to their own clients in the Netherlands and internationally. In order to establish ourselves as the market leader in financial services in our chosen markets, we have set the following four strategic priorities:

- Strengthening the Local Rabobanks;
- Strengthening our position as an “Allfinanz Group”;
- Developing international opportunities for growth; and
- Strengthening synergies and cooperation within the Rabobank Group.

## SUMMARY TERMS

<b>The Trust</b>	Rabobank Capital Funding Trust VI, a Delaware statutory trust, is a direct wholly-owned subsidiary of Holding and an indirect wholly-owned subsidiary of Rabobank Nederland. The Trust will issue the Trust Securities. The sole assets of the Trust will be the LLC AUD Series 2 Class B Preferred Securities.
<b>The LLC</b>	Rabobank Capital Funding III LLC, a Delaware limited liability company, is a direct wholly-owned subsidiary of Holding and an indirect wholly-owned subsidiary of Rabobank Nederland. The LLC has issued the LLC Common Securities, the LLC Class A Preferred Securities and two series of Class B Preferred Securities consisting of the LLC USD Class B Preferred Securities and the LLC GBP Class B Preferred Securities. The LLC is expected to issue two additional series of Class B Preferred Securities consisting of the LLC AUD Series 2 Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities. The LLC USD Class B Preferred Securities were purchased by Rabobank Capital Funding Trust III and the LLC GBP Class B Preferred Securities were purchased by Rabobank Capital Funding Trust IV in connection with the offerings of related series of Noncumulative Guaranteed Trust Preferred Securities issued shortly before this offering by Rabobank Capital Funding Trust III and Rabobank Capital Funding Trust IV. The LLC AUD Series 1 Class B Preferred Securities will be purchased by Rabobank Capital Funding Trust V in connection with the offering of the related series of Noncumulative Guaranteed Trust Preferred Securities expected to be issued concurrently with this offering by Rabobank Capital Funding Trust V. The initial sole assets of the LLC will be the Initial AUD Series 2 Subordinated Note, Eligible Debt Securities, subordinated notes issued by Rabobank Nederland and purchased by the LLC with the proceeds from, and denominated in the same currencies as, the issuance of the LLC USD Class B Preferred Securities, the LLC GBP Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities (the “ <b>Initial USD Subordinated Note</b> ”, the “ <b>Initial GBP Subordinated Note</b> ” and the “ <b>Initial AUD Series 1 Subordinated Note</b> ”, respectively, and, together with the Initial AUD Series 2 Subordinated Note, the “ <b>Initial Subordinated Notes</b> ”).
<b>Rabobank Nederland</b>	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a cooperative entity with limited liability organized under the laws of, and licensed as a credit institution in the Netherlands, and its successors.
<b>The Rabobank Group</b>	Rabobank Nederland, including its branches and its consolidated subsidiaries, and the Local Rabobanks are collectively referred to as the “ <b>Rabobank Group</b> ”.
<b>Securities Offered</b>	Trust Preferred Securities issued by the Trust having an aggregate liquidation preference amount equivalent to A\$250,000,000, liquidation preference amount of A\$1,000 per Trust Preferred Security. The Trust Preferred Securities represent undivided beneficial ownership interests in the assets of the Trust. The Trust Preferred Securities will have terms substantially identical to the terms of the LLC AUD Series 2 Class B Preferred Securities.
<b>Issue Date</b>	October 29, 2004
<b>Dividends on Trust Preferred Securities</b>	For each Dividend Period (as defined herein) ending on or before December 31, 2014, cash dividends (“ <b>Dividends</b> ”) will accrue at a rate of 6.415% per annum on the liquidation preference amount of A\$1,000 (the “ <b>Liquidation Preference Amount</b> ”) per Trust Preferred Security, payable semiannually in arrears on June 30 and December 31 of each year, commencing December 31, 2004 (each such date, a “ <b>Fixed Rate Dividend Payment Date</b> ”). Dividends payable on each Fixed Rate Dividend Payment Date will be calculated on an RBA Bond Basis (one divided by the number of Fixed Rate Dividend Payment Dates in a year), and will accrue from and including the immediately preceding Fixed Rate Dividend Payment Date (or the Issue Date, with respect to Dividends payable on December 31, 2004), to but excluding the relevant Fixed Rate Dividend Payment Date (each such period, a “ <b>Fixed Rate Dividend Period</b> ”). Dividends payable on December 31, 2004 will amount to A\$11.04 for each Liquidation Preference Amount.

For each Dividend Period commencing on or after December 31, 2014, Dividends will accrue on the Liquidation Preference Amount per Trust Preferred Security, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 2015 (each such date, a **“Floating Rate Dividend Payment Date”** and, together with each Fixed Rate Dividend Payment Date, a **“Dividend Payment Date”**) at a rate per annum equal to BBSW for such Dividend Period plus 1.67%, calculated on the basis of the actual number of days in the Dividend Period in respect of which payment is being made divided by 365 (or, if any portion of that Dividend Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Dividend Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Dividend Period falling in a non-leap year divided by 365), and will accrue from and including the immediately preceding Floating Rate Dividend Payment Date (or the final Fixed Rate Dividend Payment Date falling on December 31, 2014 with respect to Dividends payable on March 31, 2015), to but excluding the relevant Floating Rate Dividend Payment Date (each such period, a **“Floating Rate Dividend Period”** and, together with each Fixed Rate Dividend Period, a **“Dividend Period”**).

If any Dividend Payment Date or Redemption Date (as defined herein) on or before December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, the relevant payment will be payable on the next succeeding day which is both a Business Day and an Australian Business Day, unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day, in each case without adjustment, interest or further payment as a result thereof. If any Dividend Payment Date or Redemption Date after December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, such Dividend Payment Date or Redemption Date will be postponed until the next succeeding day which is both a Business Day and an Australian Business Day unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day.

All percentages resulting from any calculation related to a Floating Rate Dividend Payment Date will be rounded to the nearest one-thousandth of a percentage point, with five ten-thousandths of a percentage point rounded upwards. For example, 9.6545% (or 0.096545) would be rounded to 9.655% (or 0.09655). All Australian dollar amounts used in or resulting from any calculation related to a Floating Rate Dividend Payment Date will be rounded to the nearest cent (with one-half cent or unit being rounded upwards).

**“Australian Business Day”** means a day on which banks are open for business in Sydney and Melbourne.

**“Business Day”** means a day that is a day other than Saturday, Sunday or a day on which banking institutions in New York City are authorized or required by law or order to remain closed.

**“BBSW”** for any Floating Rate Dividend Period will mean the rate per annum (expressed as a percentage) calculated by The Bank of New York (New York branch) or any of its successors (the **“Calculation Agent”**) by taking the rates quoted on the Reuters Screen BBSW Page at approximately 10:10 am, Sydney time, on the first day of that Floating Rate Dividend Period for at least five banks quoting on that page, as being the mean buying and selling rate for a bill (which for the purpose of this definition means a bill of exchange of the type specified for the purpose of quoting on the Reuters Screen BBSW Page) having a tenor equal to or closest approximating the Floating Rate Dividend Period, eliminating the highest and lowest mean rates and taking the average of the remaining mean rates.

If in respect of the first day of a Floating Rate Dividend Period, fewer than five banks have quoted rates on the Reuters Screen BBSW Page, the rate for that Floating Rate Dividend Period shall be calculated as above by taking the rates otherwise quoted by five banks on application by the Calculation Agent for such a



bill of the same tenor. If in respect of the first day of a Floating Rate Dividend Period, the rate for that Floating Rate Dividend Period cannot be determined in accordance with the foregoing procedures, then the rates shall be the rate as reasonably determined by the Calculation Agent, having regard to comparable indices then available.

Dividends will not be cumulative and Dividend payments which are not declared or deemed declared will not accumulate or compound from Dividend Period to Dividend Period. This means that, if Dividends are not declared or deemed declared on the LLC AUD Series 2 Class B Preferred Securities in full or in part on any Dividend Payment Date, holders of the LLC AUD Series 2 Class B Preferred Securities (and consequently, holders of the Trust Securities) will not, and will have no right to, receive those Dividends at any time, even if Dividends or other distributions are paid in the future.

Dividends on the Trust Preferred Securities will be paid to the extent that the Trust has funds legally available for the payment of such Dividends. Amounts available to the Trust for the payment of Dividends and other distributions to the holders of the Trust Preferred Securities will be limited to payments received by the Trust from the LLC with respect to the LLC AUD Series 2 Class B Preferred Securities or from Rabobank Nederland under the AUD Series 2 Guarantee.

**Dividends on LLC AUD  
Series 2 Class B Preferred  
Securities**

Holders of the LLC AUD Series 2 Class B Preferred Securities will be entitled to receive, when, as and if declared or deemed declared by the Board, out of funds legally available for the payment of Dividends, non-cumulative Dividends for each Dividend Period ending on or before December 31, 2014 at a rate of 6.415% per annum on the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security, payable semiannually in arrears on each Fixed Rate Dividend Payment Date, commencing December 31, 2004. Dividends payable on each Fixed Rate Dividend Payment Date will be calculated on an RBA Bond Basis (one divided by the number of Dividend Payment Dates in a year), and will accrue from and including the immediately preceding Fixed Rate Dividend Payment Date (or the Issue Date, with respect to Dividends payable on December 31, 2004), to but excluding the relevant Fixed Rate Dividend Payment Date. Dividends payable on December 31, 2004 will amount to A\$11.04 for each Liquidation Preference Amount.

For each Dividend Period commencing on or after December 31, 2014, Dividends will accrue on the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security, payable quarterly in arrears on each Floating Rate Dividend Payment Date, commencing March 31, 2015 at a rate per annum equal to BBSW for such Dividend Period, plus 1.67%, calculated on the basis of the actual number of days in the Dividend Period in respect of which payment is being made divided by 365 (or, if any portion of that Dividend Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Dividend Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Dividend Period falling in a non-leap year divided by 365), and will accrue from and including the immediately preceding Floating Rate Dividend Payment Date (or the final Fixed Rate Dividend Payment Date falling on December 31, 2014 with respect to Dividends payable on March 31, 2015), to but excluding the relevant Floating Rate Dividend Payment Date.

If any Dividend Payment Date or Redemption Date (as defined herein) on or before December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, the relevant payment will be payable on the next succeeding day which is both a Business Day and an Australian Business Day, unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day, in each case without adjustment, interest or further payment as a result thereof. If any Dividend Payment Date or Redemption Date after

December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, such Dividend Payment Date or Redemption Date will be postponed until the next succeeding day which is both a Business Day and an Australian Business Day unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day.

All percentages resulting from any calculation related to a Floating Rate Dividend Payment Date will be rounded to the nearest one-thousandth of a percentage point, with five ten-thousandths of a percentage point rounded upwards. For example, 9.6545% (or 0.096545) would be rounded to 9.655% (or 0.09655). All Australian dollar amounts used in or resulting from any calculation related to a Floating Rate Dividend Payment Date will be rounded to the nearest cent (with one-half cent or unit being rounded upwards).

Terms used in this provision have the meanings assigned to them in the provision “–Dividends on Trust Preferred Securities”.

Dividends will not be cumulative and Dividends which are not declared or deemed declared will not accumulate from Dividend Period to Dividend Period.

**Required Dividends on LLC  
AUD Series 2 Class B  
Preferred Securities**

The LLC will be required to pay Dividends on the LLC AUD Series 2 Class B Preferred Securities (such Dividends, unless payment thereof is prohibited as set forth below, are referred to as “**Required Dividends**”) as set forth hereafter:

(i) *In full*

(a) The payment of full Dividends will be required:

- (1) for Dividend Periods covering 12 consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment with respect to (x) any share capital or other instrument of Rabobank Nederland (a “**Bank Instrument**”) which effectively ranks junior to a Parity Bank Share (as defined below), (y) any share capital or other instrument of any Local Rabobank which qualifies as consolidated Tier 1 capital for the Rabobank Group (a “**Local Rabobank Instrument**”) and effectively ranks junior to a Parity Local Rabobank Share (as defined below) or (z) any share capital or other instrument of any other member of the Rabobank Group which qualifies as consolidated Tier 1 capital for the Rabobank Group, effectively ranks junior to the most senior preferred equity securities or preferred or preference shares of such member and is guaranteed by Rabobank Nederland or any Local Rabobank and which guarantee effectively ranks junior to a Parity Share (as defined below), (as well as the Member Certificates issued by Stichting AK Rabobank Ledencertificaten and Stichting AK Rabobank Ledencertificaten II representing depository receipts of shares issued by Rabobank Ledencertificaten N.V. and Rabobank Ledencertificaten II N.V.) (a “**Junior Group Member Instrument**”) that, in the case of (x), (y) or (z), pays dividends or other distributions annually, if any (other than any declarations or payments with respect to any such share capital or other instrument held by any member of the Rabobank Group and any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank);

- (2) for Dividend Periods covering six consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment with respect to (1) any Bank Instrument or Local Rabobank Instrument which effectively ranks junior to a Parity Share or (2) any Junior Group Member Instrument that, in the case of (1) or (2), pays dividends semiannually, if any (other than any declarations or payments with respect to any such share capital or other instrument held by any member of the Rabobank Group and any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank); or
- (b) The payment of full Dividends will be required for Dividend Periods covering 12 consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group redeems, repurchases or otherwise acquires (x) a Parity Share, (y) any Bank Instrument or Local Rabobank Instrument which effectively ranks junior to such Parity Share or (z) any Junior Group Member Instrument, for any consideration, or any moneys are paid to or made available for a sinking fund, or for redemption of any such securities (other than (i) any redemption, repurchase or other acquisition of such share capital or other instrument held by any member of the Rabobank Group and any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank, (ii) as a result of a reclassification of the share capital of Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group or the exchange or conversion of one class or series of such share capital for another class or series of such share capital or (iii) the purchase of fractional interests in the share capital of Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged); and
- (ii) *Fractional or in full*

The payment of Dividends will be required on the Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment (other than any declarations or payments with respect to such share capital or other instrument held by any member of the Rabobank Group and any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank) with respect to (1) any Bank Instrument or Local Rabobank Instrument which effectively ranks junior to a Parity Share or (2) any Junior Group Member Instrument that, in the case of (1) or (2), pays dividends on a basis other than annually or semiannually, if any, at an amount equal to the stated Dividends on the LLC AUD Series 2 Class B Preferred Securities for the related Dividend Period, multiplied by a fraction, the numerator of which is the number of days in the dividend, distribution or payment period applicable to the payment on such Bank Instrument, Local Rabobank Instrument or Junior Group Member Instrument and the denominator of which is the number of days in the related Dividend Period; provided, however, that if the dividend, distribution or payment on any Bank Instrument, Local Rabobank Instrument or Junior Group Member Instrument

that triggers the requirement to pay Dividends on any LLC AUD Series 2 Class B Preferred Securities as provided by this section (ii) is made, but not with respect to a specified dividend, distribution or payment period, full Dividends on the LLC AUD Series 2 Class B Preferred Securities will be deemed to have been declared for the Dividend Period with the related Dividend Payment Date that occurs on or immediately after the date on which the dividend, distribution or payment is declared or made on such Bank Instrument, Local Rabobank Instrument or Junior Group Member Instrument; and

(iii) *Pro rata with Parity Shares*

The payment of Dividends will be required:

- (a) for Dividend Periods covering 12 consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment on any Parity Share that pays dividends annually, if any (other than any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank);
- (b) for Dividend Periods covering six consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment on any Parity Share that pays dividends semiannually, if any (other than any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank); and
- (c) on the Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment on any Parity Share that pays dividends on a basis other than annually or semiannually, if any (other than any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank);

*provided* that in the event that Dividends on any LLC AUD Series 2 Class B Preferred Security are declared (or deemed to have been declared) as provided in this section (iii), such Dividends shall be declared (or deemed to have been declared) in the same proportion that the declaration or payment on such Parity Share bears to the stated annual dividends, distributions or payments to be declared and paid on such Parity Share. If the dividend, distribution or payment on any such Parity Share that triggers the requirement to pay Dividends on any LLC AUD Series 2 Class B Preferred Securities as provided by this section (iii) is made, but not with respect to a specified dividend, distribution or payment period, full Dividends on the LLC AUD Series 2 Class B Preferred Securities will be deemed to have been declared for the Dividend Period with the related Dividend Payment Date that occurs on or immediately after the date on which the dividend, distribution or payment is declared or made on such Parity Share.

**No Dividends**

**Notwithstanding any of the foregoing, the Board of the LLC is not permitted to declare or pay Dividends on the LLC AUD Series 2 Class B Preferred Securities to the extent that applicable Netherlands banking regulations as applied by De Nederlandsche Bank N.V. (the “Dutch Central Bank”) prohibit Rabobank Nederland, any Local Rabobank or any other member of the**

**Rabobank Group from making dividends, distributions or other payments on any of the AUD Series 2 Subordinated Notes (as defined below), the LLC AUD Series 2 Class B Preferred Securities, the Trust Preferred Securities or any Parity Share or any of its other respective instruments which effectively rank *pari passu* with any Parity Share (for example, as a result of Rabobank Group's BIS ratio (total capital) falling below the then applicable minimum requirement). In such case there will be no Required Dividends.**

In the event that the LLC fails to pay a Required Dividend pursuant to the terms of the LLC AUD Series 2 Class B Preferred Securities, the AUD Series 2 Guarantee will provide that Rabobank Nederland is obligated to pay or cause the Trust to pay an amount equal to such Required Dividend to the holders of the Trust Securities, unless this is not permitted by Netherlands banking regulations as applied by the Dutch Central Bank.

If, for any reason, any Required Dividends are not declared on any Dividend Payment Date, then, under the terms of an Amended and Restated Limited Liability Company Agreement of the LLC (the "**LLC Agreement**"), such Required Dividends automatically will be deemed declared and authorized to be paid on such Dividend Payment Date in full, unless this is not permitted by Netherlands banking regulations as applied by the Dutch Central Bank.

**"Parity Share"** means (i) any Parity Bank Share and (ii) any Parity Local Rabobank Share; provided, however, that "Parity Share" shall not include any Parity Bank Share or Parity Local Rabobank Share which is held by, or on which payments are made to, any member of the Rabobank Group.

**"Parity Bank Share"** means:

- (i) (A) the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland (if and when existing);
- (B) any Bank Instrument which effectively ranks:
  - (1) subordinate and junior to indebtedness of Rabobank Nederland (other than Rabobank Nederland's obligations under (a) the AUD Series 2 Guarantee and the Contingent Guarantee, (b) any guarantee or contractual right effectively ranking *pari passu* with Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, (I) the guarantees and contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II and (II) the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC) and (c) any guarantee or contractual right effectively ranking junior to Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, the Junior Member Certificates Related Agreements, as defined below));
  - (2) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland (if and when existing); and

- (3) senior to any other share capital of Rabobank Nederland not described in clauses (A) or (B)(2) of this section.

Such Bank Instrument excludes the guarantees and contingent guarantee in relation to (i) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (ii) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II; and

- (C) any guarantee (a “**Parity Bank Guarantee**”) issued by Rabobank Nederland of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 capital for the Rabobank Group and which guarantee effectively ranks:

- (1) subordinate and junior to indebtedness of Rabobank Nederland (other than Rabobank Nederland’s obligations under (a) the AUD Series 2 Guarantee and the Contingent Guarantee, (b) any guarantee or contractual right effectively ranking *pari passu* with Rabobank Nederland’s obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, (I) the guarantees and contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II and (II) the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC) and (c) any guarantee or contractual right effectively ranking junior to Rabobank Nederland’s obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, the Junior Member Certificates Related Agreements));
- (2) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland (if and when existing); and
- (3) senior to any other share capital of Rabobank Nederland not described in clauses (A) or (C)(2) of this section.

Such guarantee excludes the guarantees and contingent guarantee in relation to (i) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (ii) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II; and

- (ii) any preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which are guaranteed by Rabobank Nederland under a Parity Bank Guarantee or a Capital Bank Guarantee (as defined below) (excluding (i) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred

Securities issued by Rabobank Capital Funding LLC, and (ii) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II).

The LLC USD Class B Preferred Securities, the LLC GBP Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC, and the related series of Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V, and the USD Guarantee, the GBP Guarantee and the AUD Series 1 Guarantee related to those offerings will each constitute Parity Bank Shares with the LLC AUD Series 2 Class B Preferred Securities, the Trust Preferred Securities, the AUD Series 2 Guarantee and the Contingent Guarantee.

**“Junior Member Certificates Related Agreements”** means the junior subordinated loan agreements between Rabobank Nederland and Rabobank Ledencertificaten N.V. and Rabobank Ledencertificaten II N.V., dated June 30, 2000, October 29, 2001 and November 18, 2002, respectively and the agreements regarding certain obligations of Rabobank Nederland between Rabobank Nederland and Stichting Buffer Rabobank Ledencertificaten and Stichting Buffer Rabobank Ledencertificaten II, dated June 30, 2000, October 29, 2001 and November 18, 2002, respectively, relating to the Member Certificates (*ledencertificaten*) issued by the Stichting AK Rabobank Ledencertificaten and the Stichting AK Rabobank Ledencertificaten II representing depositary receipts of shares issued by Rabobank Ledencertificaten N.V. and Rabobank Ledencertificaten II N.V., respectively.

**“Capital Bank Guarantee”** means any guarantee issued by Rabobank Nederland of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 capital for the Rabobank Group and which guarantee effectively ranks senior to a Parity Bank Guarantee.

**“Parity Local Rabobank Share”** means:

- (i) (A) the most senior ranking preferred equity securities or preferred or preference shares of any Local Rabobank (if and when existing);  
(B) any Local Rabobank Instrument which effectively ranks:
  - (1) subordinate and junior to indebtedness of such Local Rabobank;
  - (2) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of such Local Rabobank (if and when existing); and
  - (3) senior to any other share capital of such Local Rabobank not described in clauses (A) or (B)(2) above (if and when existing); and
- (C) any guarantee (a **“Parity Local Rabobank Guarantee”**) issued by any Local Rabobank of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 capital for the Rabobank Group and which guarantee effectively ranks:
  - (1) subordinate and junior to indebtedness of such Local Rabobank;
  - (2) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of such Local Rabobank (if and when existing); and
  - (3) senior to any other share capital of such Local Rabobank not described in clauses (A) or (C)(2) above (if and when existing); and

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

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

## **The AUD Series 2 Guarantee and the Contingent Guarantee**

The AUD Series 2 Guarantee of the LLC AUD Series 2 Class B Preferred Securities and the Trust Securities provided by Rabobank Nederland is intended to provide holders of the LLC AUD Series 2 Class B Preferred Securities and the Trust Securities, as nearly as possible, with rights to Dividends and Additional Amounts (as defined below) or LLC Additional Amounts (as defined below) and rights upon liquidation or redemption equivalent to those to which the holders would be entitled if they held the most senior ranking preferred equity securities or preferred or preference shares issued directly by Rabobank Nederland.

Payments of Dividends that have been declared (or deemed to have been declared) on the LLC AUD Series 2 Class B Preferred Securities, payments of Dividends on the Trust Securities to the extent that the Trust has funds legally available therefor, payment on liquidation of the LLC of the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security, payment on liquidation of the Trust of the Liquidation Preference Amount per Trust Security, payments of the Redemption Price (as defined below) on redemption of the LLC AUD Series 2 Class B Preferred Securities and Trust Securities and payments of Additional Amounts and LLC Additional Amounts, if any, on any of the foregoing payments (collectively, the **“AUD Series 2 Guarantee Payments”**) will be unconditionally and irrevocably guaranteed, without duplication, by Rabobank Nederland pursuant to the AUD Series 2 Guarantee on a subordinated basis.

Notwithstanding the restrictions on the declaration and payment of Dividends by the LLC, Rabobank Nederland will be permitted, with prior approval of the Dutch Central Bank (if then required), to make payments on the LLC AUD Series 2 Class B Preferred Securities under the AUD Series 2 Guarantee at its discretion. However, Rabobank Nederland will not be required to make any payment in respect of Dividends under the AUD Series 2 Guarantee to the extent that the Board of the LLC is not authorized to declare such Dividends or such Dividends otherwise have not been declared or deemed to have been declared.

Subject to applicable law, Rabobank Nederland’s obligations under the AUD Series 2 Guarantee constitute unsecured obligations of Rabobank Nederland and will rank

- (i) subordinate and junior to indebtedness of Rabobank Nederland (other than Rabobank Nederland’s obligations under (a) the Contingent Guarantee, (b) any guarantee or contractual right that effectively ranks *pari passu* with Rabobank Nederland’s obligations under the AUD Series 2 Guarantee (including, without limitation, (I) the guarantees and contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, and (II) the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities



issued shortly before, or expected to be issued concurrently with, this offering by the LLC) and (c) any guarantee or contractual right effectively ranking junior to Rabobank Nederland's obligations under the AUD Series 2 Guarantee (including, without limitation, the Junior Member Certificates Related Agreements)),

- (ii) *pari passu* (a) with Rabobank Nederland's obligations under the Contingent Guarantee, (b) with Rabobank Nederland's obligations under the guarantees and contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, (c) with Rabobank Nederland's obligations under the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC, and (d) effectively, with the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland, and
- (iii) senior to Rabobank Nederland's obligations under the Junior Member Certificates Related Agreements and any other instruments ranking *pari passu* with the Junior Member Certificates Related Agreements (in accordance with and by virtue of the subordination provisions of the Junior Member Certificates Related Agreements or of such other instruments ranking *pari passu* therewith).

Rabobank Nederland has entered into, or will enter into, guarantees on substantially identical terms to the AUD Series 2 Guarantee in respect of the LLC USD Class B Preferred Securities, the LLC GBP Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC, and the related series of Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V.

In addition, on October 21, 2004, Rabobank Nederland entered into the Contingent Guarantee with the LLC. Under the terms of the Contingent Guarantee, Rabobank Nederland will pay to the LLC the AUD Series 2 Guarantee Payments, to the extent that any such AUD Series 2 Guarantee Payments have been claimed under the AUD Series 2 Guarantee but remain unpaid, plus interest accrued since the date of the claim under the AUD Series 2 Guarantee (the "**AUD Series 2 Contingent Distribution**") and similar payments with respect to amounts that are claimed but remain unpaid under the USD Guarantee (the "**USD Contingent Distribution**"), the GBP Guarantee (the "**GBP Contingent Distribution**"), the AUD Series 1 Guarantee (the "**AUD Series 1 Contingent Distribution**") and, together with the AUD Series 2 Contingent Distribution, the USD Contingent Distribution and the GBP Contingent Distribution, the "**Contingent Distributions**"). If a claim has been made by the property trustee (the "**Property Trustee**") of the Trust or a holder of LLC AUD Series 2 Class B Preferred Securities or the Trust Securities under the AUD Series 2 Guarantee and such claim remains unpaid for 180 days or more, then an independent director of the Board, pursuant to the terms of the LLC Agreement, shall enforce the claim of the LLC to the AUD Series 2 Contingent Distribution under the Contingent Guarantee, without prejudice to the claims of the Property Trustee or the holders of the LLC AUD Series 2 Class B Preferred Securities or the Trust Securities under the AUD Series 2 Guarantee. Such independent director (the "**Guarantee Independent Director**") will also be responsible for enforcing any

claim of the LLC to the USD Contingent Distribution, the GBP Contingent Distribution and the AUD Series 1 Contingent Distribution, if any, and consequently will be elected by the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of those outstanding series of LLC Class B Preferred Securities with respect to which there has been a non-payment under the respective guarantees (the AUD Series 2 Guarantee, the USD Guarantee, the GBP Guarantee and the AUD Series 1 Guarantee) within ten days following the making of a claim by the property trustee of any such series or a holder of any such series of LLC Class B Preferred Securities or related Noncumulative Guaranteed Trust Preferred Securities under the relevant guarantee. Pursuant to the LLC Agreement, the LLC will distribute the AUD Series 2 Contingent Distribution to the holders of the LLC AUD Series 2 Class B Preferred Securities *pro rata*, except to the extent that any such holders or any holders of the Trust Securities received any AUD Series 2 Guarantee Payments in respect of any claim made under the AUD Series 2 Guarantee. Pursuant to the Trust Agreement (as defined below), the Property Trustee will distribute the AUD Series 2 Contingent Distribution to the holders of the Trust Securities *pro rata*, except to the extent that any such holders received any AUD Series 2 Guarantee Payments in respect of any claim made under the AUD Series 2 Guarantee. The duties and rights of the Guarantee Independent Director will be limited under the terms of the LLC Agreement to the enforcement of the Contingent Guarantee.

Subject to applicable law, Rabobank Nederland's obligations under the Contingent Guarantee constitute unsecured obligations of Rabobank Nederland and will rank

- (i) subordinate and junior to indebtedness of Rabobank Nederland (other than Rabobank Nederland's obligations under (a) the AUD Series 2 Guarantee, (b) any guarantee or contractual right that effectively ranks *pari passu* with Rabobank Nederland's obligations under the Contingent Guarantee (including, without limitation, (I) the guarantees and contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, and (II) the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC) and (c) any guarantee or contractual right effectively ranking junior to Rabobank Nederland's obligations under the Contingent Guarantee (including, without limitation, the Junior Member Certificates Related Agreements)),
- (ii) *pari passu* (a) with Rabobank Nederland's obligations under the AUD Series 2 Guarantee, (b) with Rabobank Nederland's obligations under the guarantees and contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, (c) with Rabobank Nederland's obligations under the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with,

this offering by the LLC and (d) effectively, with the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland, and

- (iii) senior to the Junior Member Certificates Related Agreements and any other instrument ranking *pari passu* with the Junior Member Certificates Related Agreements (in accordance with and by virtue of the subordination provisions of the Junior Member Certificates Related Agreements or of such other instrument ranking *pari passu* therewith).

**Ranking of the Trust Securities** In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, and with respect to Dividends and other distributions, the Trust Preferred Securities will rank *pari passu* with the Trust Common Securities except in limited circumstances as described in “Description of the Trust Securities –Subordination of Trust Common Securities”.

**Ranking of the LLC Securities** Other than upon the liquidation, dissolution or winding up of the LLC, the LLC AUD Series 2 Class B Preferred Securities, the LLC USD Class B Preferred Securities, the LLC GBP Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities will rank senior to the LLC Common Securities and the LLC Class A Preferred Securities and be Parity Bank Shares. Upon the liquidation, dissolution or winding up of the LLC, the LLC Class A Preferred Securities and the LLC Common Securities will rank senior to each series of LLC Class B Preferred Securities, except with respect to the LLC AUD Series 2 Class B Preferred Securities’ preference rights to the AUD Series 2 Contingent Distribution, the LLC USD Class B Preferred Securities’ preference rights to the USD Contingent Distribution, the LLC GBP Class B Preferred Securities’ preference rights to the GBP Contingent Distribution and the LLC AUD Series 1 Class B Preferred Securities’ preference rights to the AUD Series 1 Contingent Distribution, and each series of LLC Class B Preference Securities will rank *pari passu* with one another. See “–Liquidation Preference Amount” below.

#### **LLC Class A Preferred Securities**

The LLC Class A Preferred Securities represent preferred ownership interests in the LLC. All of the LLC Class A Preferred Securities will always be owned directly by RBPS III or one or more other direct wholly-owned subsidiaries of Rabobank Nederland.

Except as described in this offering memorandum, the LLC Class A Preferred Securities will rank junior and subordinate to each series of LLC Class B Preferred Securities with respect to dividends. The LLC Class A Preferred Securities are non-voting. The LLC may declare a dividend on the LLC Class A Preferred Securities at any time but only after payment of all declared or deemed declared dividends with respect to each series of LLC Class B Preferred Securities. If dividends on each series of LLC Class B Preferred Securities have not otherwise been declared or deemed declared for any dividend period, the LLC may declare a dividend on the LLC Class A Preferred Securities, to the extent that the LLC has funds legally available for payment, in an amount not to exceed the aggregate amount of dividends on each series of LLC Class B Preferred Securities that have not otherwise been declared or deemed declared for such dividend period. Consequently, it is expected that payment of dividends on the LLC Class A Preferred Securities would only occur when, if and to the extent that dividends on each series of LLC Class B Preferred Securities have not been declared or deemed declared. The LLC does not currently expect to pay dividends and other distributions on the LLC Class A Preferred Securities. The payment of dividends on the LLC Class A Preferred Securities is not a condition to the payment of dividends on any series of LLC Class B Preferred Securities.

Upon liquidation of the LLC, the LLC Class A Preferred Securities will rank senior to each series of LLC Class B Preferred Securities (except with respect to the LLC Class B Preferred Securities’ preference rights to the Contingent Distributions) and the LLC Common Securities, and, after satisfaction of liabilities to creditors and payment of the Contingent Distributions, if any, the holders of the LLC Class A

Preferred Securities will be entitled to receive an amount equal to the aggregate liquidation preference amount for each outstanding series of LLC Class B Preferred Securities, plus (a) the aggregate amount of all accrued and unpaid dividends thereon (without regard to whether such dividends are declared or deemed declared and without regard to any payments under the Contingent Guarantee, if any,) to the date of liquidation, to the extent that such dividends have not been paid on the LLC Class A Preferred Securities, and (b) the capital contribution made in connection with the purchase of the LLC Class A Preferred Securities as their liquidation distribution.

**Payment of Additional Amounts** All payments made by or on behalf of the Trust in respect of the Trust Securities will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, which are imposed or levied by or on behalf of the United States, the jurisdiction of residence of any issuer of Eligible Debt Securities, or the jurisdiction of residence of any Eligible Issuer (as defined below) of any outstanding AUD Series 2 Subordinated Note (as defined below) (each, a “**Relevant Jurisdiction**”) or any authority therein or thereof having power to tax (collectively, “**Relevant Tax**”) and paid by or on behalf of the Trust, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Trust will pay, as further Dividends, such additional amounts (“**Additional Amounts**”) as may be necessary so that the net amount received by the holders of the Trust Securities, after such withholding or deduction, will equal the amount which would have been received in respect of the Trust Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Trust Securities (or to a third party on the holder’s behalf) with respect to any Trust Securities (i) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner) of such Trust Securities having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust Securities; (ii) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or beneficial owner) not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption from the Relevant Tax if such declaration or claim is required by law in order for the payment to be exempt from withholding or deduction and Rabobank Nederland or its agent has provided the beneficial owner of such Trust Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim or the requirement for such declaration or claim has been disclosed in this offering memorandum or (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Council Directive 2003/48/EC or similar European Union Council Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, or substantially similar to such directive.

The LLC will pay such additional amounts (“**LLC Additional Amounts**”) to each holder of the LLC AUD Series 2 Class B Preferred Securities as may be necessary so that every payment in respect of the LLC AUD Series 2 Class B Preferred Securities, after withholding for any Relevant Tax paid by or on behalf of the LLC, will not be less than the amount otherwise required to be paid, subject to certain exceptions described in “Description of the LLC Securities –Payment of LLC Additional Amounts” in this offering memorandum.

Under the AUD Series 2 Guarantee and the Contingent Guarantee, Rabobank Nederland will pay such additional amounts (“**Guarantor Additional Amounts**”) as may be necessary so that every payment thereunder, after withholding for any Relevant Tax paid by or on behalf of Rabobank Nederland, will not be less than the amount otherwise required to be paid, subject to certain exceptions described herein. See “Description of the AUD Series 2 Guarantee and the Contingent Guarantee – General”.

Under the AUD Series 2 Subordinated Notes, each Eligible Issuer of such AUD Series 2 Subordinated Note, will pay such additional amounts (“**AUD Series 2 Subordinated Note Additional Amounts**”) as may be necessary so that every payment thereunder, after withholding for any Relevant Tax paid by or on behalf of such Eligible Issuer, will not be less than the amount otherwise required to be paid, subject to certain exceptions described in this offering memorandum. See “Description of the Initial AUD Series 2 Subordinated Note –General”.

## **Redemption**

The Trust Securities will be redeemed when, if and to the extent that the LLC AUD Series 2 Class B Preferred Securities are redeemed. In addition, following any redemption of the Trust Securities as a result of the occurrence of a Trust Special Event (as defined below), holders of the Trust Preferred Securities will receive a corresponding number of LLC AUD Series 2 Class B Preferred Securities with the equivalent aggregate liquidation preference amount. Upon such distribution, the LLC will furnish holders of the LLC AUD Series 2 Class B Preferred Securities, or their nominees each year, with a Schedule K-1 in accordance with the United States Internal Revenue Code of 1986, as amended (the “**Code**”), which may result in the ineligibility of the LLC AUD Series 2 Class B Preferred Securities to clear and settle through the Euroclear System (“**Euroclear**”) and Clearstream Banking société anonyme, Luxembourg (“**Clearstream**”). The LLC AUD Series 2 Class B Preferred Securities may be redeemed by the LLC at its option, with the prior approval of Rabobank Nederland and, if then required, the Dutch Central Bank (a) in whole or in part, on December 31, 2014 (the “**Optional Redemption Date**”), or any Dividend Payment Date occurring thereafter, or (b) in whole but not in part upon the occurrence of an LLC Special Event, at any time, at a redemption price (the “**Redemption Price**”) equal to (x) in the event of redemption on or after the Optional Redemption Date, A\$1,000 per LLC AUD Series 2 Class B Preferred Security, and (y) in the event of a redemption prior to the Optional Redemption Date, the greater of A\$100 per A\$100 liquidation preference amount of LLC AUD Series 2 Class B Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount (as defined below), plus, in either case, any accumulated and unpaid Dividends (whether or not declared or deemed to be declared) for the then current Dividend Period through the date of redemption (the “**Redemption Date**”), plus LLC Additional Amounts thereon, if any. The redemption of one series of LLC Class B Preferred Securities will not trigger a mandatory redemption of any other series of LLC Class B Preferred Securities and each may be redeemed independently, provided the respective conditions for redemption are met.

## **LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount**

“**LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount**” means an amount per A\$100 liquidation preference amount of LLC AUD Series 2 Class B Preferred Securities as calculated by the Calculation Agent by applying the Redemption Base Swap Rate (as calculated on the twentieth day that is both a Business Day and an Australian Business Day prior to the Redemption Date (the “**Calculation Date**”)) to the Reserve Bank of Australia Bond Price Formula.

“**Redemption Base Swap Rate**” means the rate calculated by the Calculation Agent to be the linearly interpolated AFMA mid swap rate rounded to 3 decimal places for a term equal to the period from but excluding the Optional Redemption Date to the Redemption Date of the relevant LLC AUD Series 2 Class B Preferred Securities as published by AFMA on the “SWAPEOD” reference page on the Reuters Monitor System or other electronic media at or about 4:00 p.m. (Sydney time) on the Calculation Date. If no such rate is available, the rate shall be the average of the mid rates quoted to the Calculation Agent at or about 5:00 p.m. (Sydney time) on the Calculation Date by four leading swap dealers that are counterparties of the highest credit status.

**“Reserve Bank of Australia Bond Price Formula”:**

$$PRICE = V^{\frac{f}{d}} \left[ G(X + A_n) + 100V^n \right]$$

Where

PRICE	=	the market value per A\$100 face value.
V	=	$1 / (1 + i)$
i	=	the market yield per period (half-year).
f	=	number of days from settlement to next coupon payment date.
d	=	number of days in the half year to next coupon payment date.
G	=	the (half-yearly) coupon payment per A\$100.
X	=	1 if the bond is cum-interest; or
	=	0 if the bond is ex-interest.
n	=	number of half years between the next coupon payment date and maturity.
$A_n$	=	$\frac{n}{(1 - V) / i}$

**Trust Special Event**

A “**Trust Special Event**” means (i) a Tax Event (as defined below) solely with respect to the Trust, but not with respect to the LLC or (ii) an Investment Company Event (as defined below) solely with respect to the Trust, but not with respect to the LLC.

**LLC Special Event**

An “**LLC Special Event**” means (i) a Tax Event with respect to the LLC, (ii) an Investment Company Event with respect to the LLC or (iii) a Capital Event (as defined below).

**Tax Event**

A “**Tax Event**” means the receipt by the Trust, the LLC or Rabobank Nederland of an opinion of an independent nationally recognized law firm or other tax adviser in a Relevant Jurisdiction experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of a Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (an “**Administrative Action**”) or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the date of issuance of the Trust Securities and the LLC AUD Series 2 Class B Preferred Securities, there is more than an insubstantial risk that (A) the Trust will be required to pay Additional Amounts with respect to payments on any Trust Security, (B) the LLC will be required to pay LLC Additional Amounts with respect to payments on any LLC AUD Series 2 Class B Preferred Security, (C) the Trust or the LLC is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges, or (D) interest payable to the LLC on the AUD Series 2 Subordinated Notes when paid would not be deductible by Rabobank Nederland for Netherlands corporate income tax purposes or by any other Eligible Issuer for corporate income tax purposes of the jurisdiction of such Eligible Issuer or any Eligible Issuer will be required to pay AUD Series 2 Subordinated Note Additional Amounts with respect to payments on the AUD Series 2 Subordinated Notes and, in

either case, after any Eligible Issuer has redeemed the AUD Series 2 Subordinated Notes, the LLC, after using its best efforts, is unable to reinvest the proceeds thereof in one or more other AUD Series 2 Subordinated Notes issued by an Eligible Issuer and meeting the reinvestment criteria described elsewhere in this offering memorandum. See “Description of the Initial AUD Series 2 Subordinated Note – Reinvestment Criteria”. “**Eligible Issuer**” means Rabobank Nederland or any Affiliate of Rabobank Nederland which is deemed to be a company controlled by Rabobank Nederland within the meaning of Rule 3a-5, as amended, of the 1940 Act. “**Affiliate**” means, with respect to a specified Person, a Person (as defined herein) directly or indirectly controlling, controlled by, or under common control with the specified Person.

**Investment Company Event**

An “**Investment Company Event**” means that Rabobank Nederland shall have requested and received an opinion of an independent nationally recognized U.S. law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Trust or the LLC is or will be considered an “investment company” within the meaning of the 1940 Act as a result of any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), the adoption or amendment of any law, rule or regulation or any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation) by any United States legislative body, court, governmental agency or regulatory authority.

**Capital Event**

A “**Capital Event**” means Rabobank Nederland is notified in writing by the Dutch Central Bank to the effect that the Trust Preferred Securities, or in the event that the Trust Preferred Securities have been redeemed as a result of the occurrence of a Trust Special Event or there has occurred any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, the LLC AUD Series 2 Class B Preferred Securities, may not be included in the consolidated Tier 1 capital of the Rabobank Group, unless such notification is the result of the reinvestment of the proceeds from a AUD Series 2 Subordinated Note in other AUD Series 2 Subordinated Notes, in which case such event shall not constitute a Capital Event.

**Liquidation Preference Amount**

Trust Preferred Securities: A\$1,000 per Trust Preferred Security. LLC AUD Series 2 Class B Preferred Securities: A\$1,000 per LLC AUD Series 2 Class B Preferred Security.

In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Trust, after satisfaction of liabilities to creditors, if any, holders of the Trust Securities will be entitled to receive a corresponding number of the LLC AUD Series 2 Class B Preferred Securities with an equivalent aggregate liquidation preference amount.

In the event of any voluntary or involuntary dissolution, liquidation or winding up of the LLC, holders of each series of LLC Class B Preferred Securities will be entitled to receive out of the assets of the LLC available for distribution to security holders after satisfaction of liabilities to creditors and payment of amounts received and due to holders of each series of LLC Class B Preferred Securities pursuant to the Contingent Guarantee, if any, following the liquidation distributions to holders of the LLC Class A Preferred Securities and the LLC Common Securities, liquidation distributions in the amount of the liquidation preference amount per LLC Class B Preferred Security, plus (a) declared (or deemed to have been declared) and unpaid dividends thereon, if any, to the date of such liquidation, without any interest and (b) accrued and unpaid dividends thereon, if any, from the last dividend payment date to the date of liquidation.

Because, upon liquidation of the LLC, (i) the holders of the LLC Class A Preferred Securities and the holders of the LLC Common Securities have a claim senior to that of the holders of each series of LLC Class B Preferred Securities, except with respect to payments under the Contingent Guarantee (including the AUD Series 2 Contingent Distribution, the USD Contingent Distribution, the GBP Contingent Distribution and the AUD Series 1 Contingent Distribution), and (ii) the holders of

the LLC Class A Preferred Securities will be entitled to receive as their liquidation distribution, after satisfaction of liabilities to creditors and payment of amounts received and due to holders of each series of LLC Class B Preferred Securities pursuant to the Contingent Guarantee, an amount equal to the aggregate liquidation preference amount for outstanding LLC Class B Preferred Securities, plus (a) the aggregate amount of all accrued and unpaid dividends thereon (without regard to whether such dividends are declared or deemed declared and without regard to any payment of amounts received and due to holders of each series of LLC Class B Preferred Securities pursuant to the Contingent Guarantee), if any, to the date of liquidation, to the extent that such dividends have not been paid on the LLC Class A Preferred Securities, and (b) the capital contribution made in connection with the purchase of the LLC Class A Preferred Securities, and (iii) the holders of the LLC Common Securities will be entitled to receive as their liquidation distribution, after satisfaction of liabilities to creditors, payment of amounts received and due to holders of each series of LLC Class B Preferred Securities pursuant to the Contingent Guarantee and the liquidation distribution to the holders of the LLC Class A Preferred Securities, all assets of the LLC, it is anticipated that the LLC AUD Series 2 Class B Preferred Securities holders' claim in liquidation of the LLC, equal to the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security, will be required to be satisfied under the terms of the AUD Series 2 Guarantee or by payments made pursuant to the Contingent Guarantee.

Upon liquidation of the Trust, the Trust Common Securities will rank *pari passu* with the Trust Preferred Securities, except that, upon the occurrence and continuance of an event of default under the Initial AUD Series 2 Subordinated Note or any AUD Series 2 Subordinated Notes purchased with the proceeds therefrom, or the AUD Series 2 Guarantee, the holders of the Trust Preferred Securities will have a preference over the holders of the Trust Common Securities with respect to liquidation distributions.

#### **Voting Rights**

Holders of the Trust Preferred Securities will not have any voting rights, except that the holders of a majority of the outstanding Trust Preferred Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee of the Trust or direct the exercise of any trust or power conferred upon the Property Trustee, including (i) the right to direct the Property Trustee, as holder of the LLC AUD Series 2 Class B Preferred Securities, how to vote such LLC AUD Series 2 Class B Preferred Securities in respect of the matters on which holders of the LLC AUD Series 2 Class B Preferred Securities are entitled to vote and (ii) the right to direct the Property Trustee with respect to matters (including enforcement of the Initial AUD Series 2 Subordinated Note or any AUD Series 2 Subordinated Notes purchased with the proceeds therefrom) for which the Independent Directors (as defined below) act on behalf of the Property Trustee as holder of the LLC AUD Series 2 Class B Preferred Securities.

Each series of LLC Class B Preferred Securities will be non-voting, except that upon the failure of the LLC to pay dividends on any outstanding series of LLC Class B Preferred Securities for any dividend period and payments in respect thereof have not been paid by Rabobank Nederland under any of the Guarantees, the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of such outstanding series of LLC Class B Preferred Securities will have the right to elect two members of the Board, each of whom shall not be an officer, employee, director or Affiliate or a former officer or employee of the LLC, the holder of the LLC Common Securities or Rabobank Nederland or any of their Affiliates (each, a **"Special Independent Director"**). These Special Independent Directors shall serve on the Board in addition to a regular independent director initially appointed to the Board (the **"Regular Independent Director"** and, together with the Special Independent Directors and the Guarantee Independent Director, the **"Independent Directors"**). The holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of such outstanding series of LLC Class B Preferred Securities will have the right to remove and replace the



Regular Independent Director. The Independent Directors shall act exclusively on behalf of the holders of each outstanding series of LLC Class B Preferred Securities.

The Special Independent Directors elected as provided above shall vacate office if dividends (or payments under the Guarantees with respect thereto) are resumed on each outstanding series of LLC Class B Preferred Securities and are paid regularly for dividend periods covering 12 consecutive months and all other amounts due under the Guarantees and the Contingent Guarantee are paid.

With certain exceptions (as described in “Description of the AUD Series 2 Guarantee and the Contingent Guarantee –Amendment”), and except for changes to the provisions of the AUD Series 2 Guarantee in respect of the AUD Series 2 Guarantee Payments and the circumstances under which Dividends are deemed to have been declared (in which case approval of each holder of the LLC AUD Series 2 Class B Preferred Securities and the Trust Securities is required), the AUD Series 2 Guarantee may be modified only with the prior approval of the holders of not less than 66<sup>2</sup>/<sub>3</sub>% in liquidation preference amount of the LLC AUD Series 2 Class B Preferred Securities and not less than 66<sup>2</sup>/<sub>3</sub>% in liquidation preference amount of the Trust Securities (excluding any LLC AUD Series 2 Class B Preferred Securities and Trust Securities, as the case may be, held by Rabobank Nederland or any of its Affiliates, with certain exceptions, as described in “Description of the AUD Series 2 Guarantee and the Contingent Guarantee”).

#### **Initial AUD Series 2 Subordinated Note**

Subordinated note of Rabobank Nederland, maturing on December 31, 2034 and denominated in Australian dollars (the “**Initial AUD Series 2 Subordinated Note**”). The Initial AUD Series 2 Subordinated Note will have a principal amount of A\$250,000,000 and will not be divisible into notes of smaller denominations. The Initial AUD Series 2 Subordinated Note will bear interest as follows: (i) at a rate of 6.415% per annum from and including the Issue Date to, but excluding the Initial AUD Series 2 Note Optional Redemption Date (as defined below), payable semiannually in arrears on June 30 and December 31 in each year commencing December 31, 2004, and (ii) on the Initial AUD Series 2 Note Optional Redemption Date and thereafter until maturity or earlier redemption, at a rate equal to BBSW plus a margin of 1.67% per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The payment of interest by Rabobank Nederland on the Initial AUD Series 2 Subordinated Note will not be deferrable.

The Initial AUD Series 2 Subordinated Note will not be transferable by the LLC. The LLC may reinvest the proceeds from the Initial AUD Series 2 Subordinated Note upon the maturity or redemption thereof in other subordinated notes of Eligible Issuers denominated in like currency and meeting the additional reinvestment criteria described under the section entitled “Description of the Initial AUD Series 2 Subordinated Note – Reinvestment Criteria”. Any fixed/floating rate subordinated notes issued by Eligible Issuers and denominated in Australian dollars, including the Initial AUD Series 2 Subordinated Note issued by Rabobank Nederland, are referred to herein as the “**AUD Series 2 Subordinated Notes**”.

It is expected that the aggregate semiannual and quarterly interest payments on the Initial AUD Series 2 Subordinated Note and any AUD Series 2 Subordinated Notes purchased with the proceeds from the Initial AUD Series 2 Subordinated Note will be equal to or greater than the aggregate semiannual and quarterly Dividend payments on the Trust Preferred Securities.

The Initial AUD Series 2 Subordinated Note will be redeemable by Rabobank Nederland (with the prior approval of the Dutch Central Bank, if then required) on December 31, 2014 and on any interest payment date thereafter, in whole or in part (the “**Initial AUD Series 2 Note Optional Redemption Date**”), at 100% of the principal amount thereof plus interest accrued but unpaid to the date fixed for redemption. The Initial AUD Series 2 Subordinated Note will also be redeemable at any time prior to December 31, 2014 in whole but not in part, (i) on the occurrence of an LLC Special Event, (ii) when the interest payable to the LLC on the Initial

AUD Series 2 Subordinated Note when paid would not be deductible by Rabobank Nederland for Netherlands income tax purposes, or (iii) when Rabobank Nederland will be required to pay AUD Series 2 Subordinated Note Additional Amounts with respect to payments on the Initial AUD Series 2 Subordinated Note, at a redemption price equal to the greater of A\$100 per A\$100 principal amount of the Initial AUD Series 2 Subordinated Note and the Initial AUD Series 2 Subordinated Note Make-Whole Amount plus, in each case, interest accrued and unpaid to the date fixed for redemption (the “**Initial AUD Series 2 Note Redemption Date**”). The “**Initial AUD Series 2 Subordinated Note Make-Whole Amount**” means an amount per A\$100 principal amount of the Initial AUD Series 2 Subordinated Note as calculated by the Calculation Agent by applying the Note Redemption Base Swap Rate (as calculated on the Calculation Date) to the Reserve Bank of Australia Bond Price Formula. Upon liquidation of the LLC, the Initial AUD Series 2 Subordinated Note will be mandatorily redeemed (with the prior approval of the Dutch Central Bank, if then required), in whole but not in part, at 100% of the principal amount thereof, plus interest accrued but unpaid to the date fixed for redemption.

Three additional subordinated notes of Rabobank Nederland, maturing on December 31, 2034 have been, or will be, purchased by the LLC before, or concurrently with, the LLC’s purchase of the Initial AUD Series 2 Subordinated Note, one denominated in U.S. dollars and related to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before this offering by Rabobank Capital Funding Trust III and the related LLC USD Class B Preferred Securities (the “**Initial USD Subordinated Note**”), one denominated in pound sterling and related to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before this offering by Rabobank Capital Funding Trust IV and the related LLC GBP Class B Preferred Securities (the “**Initial GBP Subordinated Note**”) and one denominated in Australian dollars and related to the Noncumulative Guaranteed Trust Preferred Securities expected to be issued concurrently with this offering by Rabobank Capital Funding Trust V and the related LLC AUD Series 1 Class B Preferred Securities (the “**Initial AUD Series 1 Subordinated Note**” and, together with the Initial AUD Series 2 Subordinated Note, the Initial USD Subordinated Note and the Initial GBP Subordinated Note, the “**Initial Subordinated Notes**”). Any subordinated notes issued by Eligible Issuers and denominated in Australian dollars, U.S. dollars or pound sterling, including the Initial USD Subordinated Note, the Initial GBP Subordinated Note and the Initial AUD Series 1 Subordinated Note are referred to in this offering memorandum, together with the AUD Series 2 Subordinated Notes, as the “**Subordinated Notes**”. The terms of the Initial USD Subordinated Note, the Initial GBP Subordinated Note and the Initial AUD Series 1 Subordinated Note to those of the Initial AUD Series 2 Subordinated Note, and the LLC’s transfer restrictions and reinvestment criteria with respect thereto, will be substantially identical, except that each will pay varying rates of interest and will have varying redemption features (though each will carry the same mandatory redemption terms upon the liquidation of the LLC and generally will have similar redemption characteristics). It is expected that the aggregate semiannual and quarterly interest payments on the Initial USD Subordinated Note, the aggregate annual and semiannual interest payments on the Initial GBP Subordinated Note and the aggregate quarterly interest payments on the Initial AUD Series 1 Subordinated Note, and any Subordinated Notes purchased with the proceeds therefrom, will be equal to or greater than the aggregate semiannual and quarterly dividend payments on the Noncumulative Guaranteed Trust Preferred Securities issued shortly before this offering by Rabobank Capital Funding Trust III, the aggregate annual and semiannual dividend payments on the Noncumulative Guaranteed Trust Preferred Securities issued shortly before this offering by Rabobank Capital Funding Trust IV and the aggregate quarterly dividend payments on the Noncumulative Guaranteed Trust Preferred Securities expected to be issued concurrently with this offering by Rabobank Capital Funding Trust V, respectively. In the event of a default under the Initial AUD Series 2 Subordinated Note, the Initial USD Subordinated Note, the Initial GBP Subordinated Note or the Initial AUD Series 1 Subordinated Note, as the case may be, or upon the liquidation of the LLC it is anticipated that the holders

of the relevant affected series of LLC Class B Preferred Securities will recover any amounts owing to them pursuant to either the AUD Series 2 Guarantee, the USD Guarantee, the GBP Guarantee or the AUD Series 1 Guarantee, as applicable, or the Contingent Guarantee, and not pursuant to or as a result of the redemption of a Subordinated Note corresponding to a different series.

#### **Services Agreements**

The LLC has entered into, and the Trust will enter into, a Services Agreement with the Branch and Holding (together, the “**Services Agreements**”). Under the Services Agreements, the Branch will be obligated, among other things, to provide legal, accounting, tax and other general support services, including necessary administrative, recordkeeping and secretarial services for the LLC and the Trust and assist the LLC and the Trust in maintaining compliance with all pertinent U.S. and Dutch local, state and federal laws. Under the Services Agreements, Holding will pay all the costs and expenses of the LLC and the Trust.

#### **Governing Law**

The AUD Series 2 Guarantee and the Contingent Guarantee will be governed by Dutch law. The LLC Agreement, including the terms of the LLC Securities, and the Amended and Restated Trust Agreement of the Trust (the “**Trust Agreement**”), including the terms of the Trust Securities, will be governed by the laws of the State of Delaware. The Initial AUD Series 2 Subordinated Note and the Services Agreements will be governed by the laws of the State of New York.

#### **Form of Trust Preferred Securities**

Except as provided below, Trust Preferred Securities sold to “qualified institutional buyers,” or “**QIBs**”, as defined in Rule 144A (“**Rule 144A**”) under the Securities Act, otherwise than in reliance on Regulation S (“**Regulation S**”) under the Securities Act, will be evidenced by one or more global certificates in registered form representing Trust Preferred Securities (collectively, the “**Restricted Global Certificates**”), which will be deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depository for the accounts of Euroclear Bank S.A./N.V., Brussels, as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking société anonyme, Luxembourg (“**Clearstream**”). Trust Preferred Securities sold to persons who acquired such Trust Preferred Securities in compliance with Regulation S under the Securities Act (“**non-U.S. Persons**”) will initially be evidenced by one or more temporary global certificates (collectively, the “**Regulation S Global Certificates**” and, together with the Restricted Global Certificates, the “**Global Certificates**” or each individually, a “**Global Certificate**”), in registered form in the name of a nominee of, and shall be deposited on or about the Issue Date with, the Common Depository (as herein defined) for Euroclear and Clearstream. Beneficial interests in such Global Certificates will be shown on, and transfers thereof will be effected through, records maintained by Euroclear and Clearstream and their respective participants. The Global Certificates (and any Trust Preferred Securities issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the Trust Agreement and will bear the legend regarding such restrictions set forth under “Notice to Investors”. Until the 40th day after the later of the commencement of the offering of the Trust Preferred Securities and the completion of the distribution of the Trust Preferred Securities (such period, the “**Distribution Compliance Period**”), beneficial interests in the temporary Regulation S Global Certificate may be held only through Euroclear or Clearstream, unless delivery is made through the Restricted Global Certificate in accordance with the certification requirements described below. Interests in the temporary Regulation S Global Certificates may be exchanged, not earlier than 40 days after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities, for interests in the permanent Regulation S Global Certificates upon certification of non-U.S. beneficial ownership. No payment will be made in respect of an interest in the temporary Regulation S Global Certificates unless and until the beneficial owner of such interest has provided the required certification and such interest has been exchanged for an interest in the permanent Regulation S Global Certificates. See “Description of the Trust Securities –Exchange of Book-Entry Securities for Certificated Securities –Payments; Certifications by Holders of the Temporary Regulation S Global Certificate”.

## **Certain Covenants of Rabobank Nederland**

Rabobank Nederland will agree that, among other things, for so long as any of the Trust Securities or the LLC AUD Series 2 Class B Preferred Securities are outstanding, (i) it will not issue any preferred equity securities or preferred or preference shares effectively ranking senior to its obligations under the AUD Series 2 Guarantee and the Contingent Guarantee to any party other than to another member of the Rabobank Group and subject to an undertaking by such member that it will not sell, pledge or otherwise dispose of any such securities or shares other than to another member of the Rabobank Group and subject to a similar undertaking by such member; (ii) subject to certain exceptions (as described in “Description of the AUD Series 2 Guarantee and the Contingent Guarantee –Certain Covenants of Rabobank Nederland –Issuance of Preference Shares and Guarantees”), if it issues any guarantee ranking senior to any Parity Bank Guarantee with respect to dividends or amounts due upon redemption or liquidation, with respect to any preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group (other than any Local Rabobank), which preferred equity securities or preferred or preference shares are reported by Rabobank Nederland to the Dutch Central Bank as consolidated Tier 1 capital for the Rabobank Group and accepted as such by the Dutch Central Bank, it will arrange for the AUD Series 2 Guarantee and the Contingent Guarantee to rank no less than *pari passu* with such guarantee, subject to permission from the Dutch Central Bank (if then required) and receipt of confirmation by the Dutch Central Bank to the effect that the Trust Preferred Securities, or in the event that the Trust Preferred Securities have been redeemed as a result of the occurrence of a Trust Special Event or there has occurred any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, the LLC AUD Series 2 Class B Preferred Securities, will continue to qualify as consolidated Tier 1 capital for the Rabobank Group; (iii) it will not permit (where such permission is required) or take any action to cause a Local Rabobank to issue any preferred equity securities or preferred or preference shares ranking senior to any Parity Local Rabobank Share which preferred equity securities or preferred or preference shares are reported by Rabobank Nederland to the Dutch Central Bank as consolidated Tier 1 capital for the Rabobank Group and accepted as such by the Dutch Central Bank; (iv) subject to certain exceptions (as described in “Description of the AUD Series 2 Guarantee and the Contingent Guarantee –Certain Covenants of Rabobank Nederland –Issuance of Preference Shares and Guarantees”), it will not permit (where such permission is required), or take any action to cause a Local Rabobank to issue any guarantee ranking senior to any Parity Local Rabobank Guarantee with respect to dividends or amounts due upon redemption or liquidation, with respect to any preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group (other than Rabobank Nederland or any Local Rabobank) which preferred equity securities or preferred or preference shares are reported by Rabobank Nederland to the Dutch Central Bank as consolidated Tier 1 capital for the Rabobank Group and accepted as such by the Dutch Central Bank; (v) it will not permit, or take any action to cause, the Trust to issue debt or other securities ranking *pari passu* with or senior to the Trust Securities; (vi) it will cause Holding or one or more other controlled non-branch affiliates of Rabobank Nederland to hold 100% of the LLC Common Securities and the Trust Common Securities; (vii) it will cause RBPS III or one or more other direct wholly-owned subsidiaries of Rabobank Nederland to hold 100% of the LLC Class A Preferred Securities; (viii) it will not permit, or take any action to cause, the liquidation, dissolution, winding up or termination of the LLC or the Trust, unless such liquidation, dissolution, winding up or termination is permitted by the Trust Agreement or the LLC Agreement, or Rabobank Nederland (or, in the case of the Trust, the LLC or Rabobank Nederland) is itself in liquidation and, if then required, the approval of the Dutch Central Bank for such action has been received and all claims under the Guarantees shall have been paid in full and the Contingent Distributions, if any, shall have been made; (ix) it will not assign its obligations under the AUD Series 2 Guarantee or the Contingent Guarantee, except in the case of a merger, consolidation or sale of substantially all of its assets, where Rabobank Nederland is not the surviving entity; (x) if Rabobank Nederland or the LLC is in

liquidation, other than as contemplated by (ix), it will cause the Trust to liquidate; (xi) if Rabobank Nederland is in liquidation, other than as contemplated by (ix), it will cause the LLC to liquidate; and (xii) it will cause the Trust to irrevocably assign its rights under the AUD Series 2 Guarantee only to the Property Trustee.

**Use of Proceeds**

All of the proceeds from the sale of the Trust Securities will be invested by the Trust in the LLC AUD Series 2 Class B Preferred Securities. The LLC will use the proceeds from the sale of the LLC Securities (including the LLC AUD Series 2 Class B Preferred Securities) to purchase the Initial Subordinated Notes (including the Initial AUD Series 2 Subordinated Note) and Eligible Debt Securities. Rabobank Nederland intends to use the proceeds from the Initial Subordinated Notes (including the Initial AUD Series 2 Subordinated Note) for general corporate purposes.

**Transfer Restrictions**

The Trust Preferred Securities have not been and will not be registered under the Securities Act and may not at any time be offered, sold, pledged or otherwise transferred, except as described under “Notice to Investors”.

**Listing**

Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange.

**Ratings**

Each of the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities are expected to be assigned a rating of “Aa2” by Moody’s Investor Service Inc. and “AA” by Standard & Poor’s Ratings Group. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice. Each rating should be evaluated independently of any other rating.

**Certain ERISA Considerations**

Any acquirer or holder of Trust Preferred Securities that is an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or Section 4975 of the Code, will by its acquisition and holding of the Trust Preferred Securities be deemed to represent and warrant that the purchase, holding and redemption of any Trust Preferred Securities will not constitute or result in a non-exempt prohibited transaction by reason of the application of one or more U.S. Department of Labor prohibited transaction class exemptions.

In addition, it will be deemed to have (A) directed the Property Trustee to invest the proceeds from the sale of Trust Preferred Securities to acquire the LLC AUD Series 2 Class B Preferred Securities, and directed the LLC to invest the proceeds from the sale of the LLC AUD Series 2 Class B Preferred Securities in AUD Series 2 Subordinated Notes and Eligible Debt Securities and (B) directed the Property Trustee (which is not affiliated with and is independent of Rabobank Nederland), as holder of the LLC AUD Series 2 Class B Preferred Securities, to, (1) exercise the rights of a holder with respect to, and otherwise enforce the terms of, the LLC AUD Series 2 Class B Preferred Securities under the LLC Agreement, including the right to authorize the Independent Directors (who are not affiliated with and are independent of Rabobank Nederland) to enforce the LLC’s rights with respect to AUD Series 2 Subordinated Notes and Eligible Debt Securities purchased by it, and, (2) take direct action on behalf of the LLC against Rabobank Nederland to enforce the LLC’s rights under such AUD Series 2 Subordinated Notes and Eligible Debt Securities. The Independent Directors may not be removed by Rabobank Nederland, but only by the vote of the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of the outstanding series of LLC Class B Preferred Securities.

## SUMMARY FINANCIAL INFORMATION

The following selected financial data are derived from the audited consolidated financial statements of the Rabobank Group as at and for the five years ended December 31, 2003, 2002, 2001, 2000 and 1999, the reviewed consolidated interim financial statements of the Rabobank Group as at and for the six months ended June 30, 2004 and the unaudited consolidated financial statements of Rabobank Group as at and for the six months ended June 30, 2003. Ernst & Young Accountants have been the auditors for the Rabobank Group during the years ended December 31, 2003, 2002, 2001, 2000 and 1999. These selected financial data should be read in conjunction with such financial statements (including the notes thereto), as well as the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this offering memorandum. Our consolidated financial statements have been prepared in accordance with Dutch GAAP, which differs in certain significant respects from U.S. GAAP. See “Summary of Principal Differences between Dutch GAAP and U.S. GAAP”. From January 1, 2005, we will adopt International Financial Reporting Standards (“IFRS”).

### Rabobank Group Consolidated Balance Sheet:

	At June 30,			At December 31, <sup>(1)</sup>					
	2004 A\$ <sup>(2)</sup>	2004	2003	2003 A\$ <sup>(3)</sup>	2003	2002	2001	2000	1999
	(unaudited)			(unaudited)			(audited)		
	(in millions of euro, unless otherwise specified)								
<b>Assets</b>									
Cash.....	16,605	9,478	6,371	11,893	7,117	3,807	3,736	3,086	2,327
Short-term government paper.....	5,936	3,388	2,619	5,366	3,211	1,813	5,311	7,362	1,179
Banks.....	84,981	48,505	44,464	70,051	41,919	47,229	40,078	38,364	24,599
Lending.....	458,313	261,594	237,163	419,107	250,797	225,252	208,614	191,666	171,001
Interest-bearing securities...	148,999	85,045	82,831	118,884	71,141	71,320	78,680	73,610	61,217
Shares.....	21,749	12,414	11,966	16,866	10,093	9,414	12,556	15,850	8,215
Participating interests.....	874	499	199	336	201	184	156	567	174
Property and equipment.....	6,941	3,962	3,900	6,624	3,964	3,870	3,756	3,392	3,143
Other assets.....	7,944	4,534	4,996	8,329	4,984	4,519	4,425	2,590	3,071
Prepayments and accrued income.....	19,148	10,929	7,858	16,507	9,878	7,312	6,367	6,433	6,292
<b>Total assets.....</b>	<b>771,490</b>	<b>440,348</b>	<b>402,367</b>	<b>673,963</b>	<b>403,305</b>	<b>374,720</b>	<b>363,679</b>	<b>342,920</b>	<b>281,218</b>
<b>Liabilities</b>									
Banks.....	163,710	93,442	84,891	138,461	82,856	85,886	80,014	83,891	59,106
Funds entrusted.....	316,208	180,484	180,878	288,383	172,571	171,632	172,174	146,705	127,527
Debt securities.....	169,273	96,617	76,484	134,849	80,695	61,739	58,514	49,887	44,012
Other liabilities.....	23,097	13,183	11,826	19,898	11,907	7,699	12,039	22,862	18,226
Accruals and deferred income.....	20,679	11,803	7,391	20,910	12,513	8,218	4,187	6,844	4,345
Provisions.....	35,285	20,140	18,923	32,047	19,177	18,338	18,336	14,753	13,028
Group equity <sup>(4)</sup> .....	43,238	24,679	21,974	39,415	23,586	21,208	18,415	17,978	14,974
<b>Total liabilities and group equity<sup>(5)</sup>.....</b>	<b>771,490</b>	<b>440,348</b>	<b>402,367</b>	<b>673,963</b>	<b>403,305</b>	<b>374,720</b>	<b>363,679</b>	<b>342,920</b>	<b>281,218</b>
Contingent liabilities.....	12,807	7,310	7,373	10,754	6,435	7,655	9,652	10,292	9,520
Irrevocable facilities.....	48,518	27,693	28,577	43,644	26,117	27,151	25,674	38,583	28,224

(1) In order to facilitate comparisons, certain amounts for periods ended prior to December 31, 2003 have been presented to reflect changes in line item definitions and accounting policies adopted after that date. As a result, such amounts may not correspond to data for the same periods previously published by the Rabobank Group. For a discussion of these changes in line item definitions and accounting policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

(2) Euro amounts have been translated into Australian dollars at the exchange rate of A\$1.7520 to €1.00, as reported by Bloomberg LP at the close of business on June 30, 2004. All amounts are in millions of Australian dollars.

(3) Euro amounts have been translated into Australian dollars at the exchange rate of A\$1.6711 to €1.00, as reported by Bloomberg LP at the close of business on December 31, 2003. All amounts are in millions of Australian dollars.

(4) Includes fund for general banking risks, subordinated loans, reserves and third-party interests.

(5) As at August 31, 2004, total liabilities and group equity increased by €12,878 million from the corresponding figure of €40,348 million as at June 30, 2004. These figures are unaudited.

# Rabobank Group Consolidated Profit and Loss Account:<sup>(1)</sup>

	Six months ended June 30,			Year ended December 31,						
	2004 A\$ <sup>(2)</sup>	2004	2003	2003 A\$ <sup>(3)</sup>	2003	2003 <sup>(4)</sup>	2002	2001	2000	1999
	(unaudited)			(in millions of euro, unless otherwise specified)						
				(unaudited)			(audited)			
<b>Income</b>										
Interest.....	5,489	3,133	2,929	9,953	5,956 <sup>(5)</sup>	6,010	5,391	5,082	4,585	4,499
Income from securities and participating interests .....	401	229	109	590	353 <sup>(5)</sup>	519	529	517	759	299
Commission .....	1,787	1,020	869	3,095	1,852	1,852	1,795	1,760	1,467	1,234
Results on financial transactions.....	233	133	69	284	170	170	285	422	314	190
Other income.....	699	399	375	1,148	687	687	564	653	635	584
<b>Total income<sup>(6)</sup></b> .....	<b>8,609</b>	<b>4,914</b>	<b>4,351</b>	<b>15,070</b>	<b>9,018<sup>(5)</sup></b>	<b>9,238</b>	<b>8,564</b>	<b>8,434</b>	<b>7,760</b>	<b>6,806</b>
<b>Expenses</b>										
Staff costs and other administrative expenses.....	5,401	3,083	2,743	9,811	5,871	5,871	5,471	5,597	4,985	4,454
Depreciation.....	310	177	177	622	372	372	368	368	474	372
Operating expenses.....	5,712	3,260	2,920	10,433	6,243	6,243	5,839	5,965	5,459	4,826
Value adjustments to receivables.....	482	275	275	961	575	575	500	480	360	350
Value adjustments to financial fixed assets .....	(21)	(12)	(50)	(247)	(148) <sup>(5)</sup>	18	252	59	9	—
Addition to fund for general banking risks .....	—	—	—	—	—	—	—	—	52	100
<b>Total expenses</b> .....	<b>6,172</b>	<b>3,523</b>	<b>3,145</b>	<b>11,146</b>	<b>6,670<sup>(5)</sup></b>	<b>6,836</b>	<b>6,591</b>	<b>6,504</b>	<b>5,880</b>	<b>5,276</b>
Operating profit before taxation <sup>(6)</sup> .....	2,437	1,391	1,206	3,924	2,348 <sup>(5)</sup>	2,402	1,973	1,930	1,880	1,530
Taxation on operating profit.....	720	411	347	1,190	712 <sup>(5)</sup>	733	514	532	507	423
Operating profit/Group profit after taxation.....	1,717	980	859	2,734	1,636 <sup>(5)</sup>	1,669	1,459	1,398	1,373	1,107
Third-party interests.....	272	155	125	445	266	266	209	192	179	87
<b>Net profit<sup>(6)</sup></b> .....	<b>1,445</b>	<b>825</b>	<b>734</b>	<b>2,289</b>	<b>1,370<sup>(5)</sup></b>	<b>1,403</b>	<b>1,250</b>	<b>1,206</b>	<b>1,194</b>	<b>1,020</b>

(1) In order to facilitate comparisons, certain amounts for the periods ended prior to December 31, 2003 have been presented to reflect changes in line item definitions and accounting policies adopted after that date. As a result, such amounts may not correspond to data for the same periods previously published by the Rabobank Group. For a discussion of these changes in line item definitions and accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Euro amounts have been translated into Australian dollars at the exchange rate of A\$1.7520 to €1.00, as reported by Bloomberg LP at the close of business on June 30, 2004. All amounts are in millions of Australian dollars.

(3) Euro amounts have been translated into Australian dollars at the exchange rate of A\$1.6711 to €1.00, as reported by Bloomberg LP at the close of business on December 31, 2003. All amounts are in millions of Australian dollars.

(4) Results as previously published by the Rabobank Group, before changes in line item definitions and accounting policies adopted after December 31, 2003.

(5) Unaudited.

(6) For the period from July 1, 2004 to August 31, 2004, there was a decrease of €44 million in total income, €1 million in operating profit before taxation and €30 million in net profit as compared to the corresponding period in the preceding year. These figures are unaudited.

### Additional Financial Data and Selected Ratios:

	At June 30,		At December 31,				
	2004	2003	2003	2002	2001	2000	1999
Interest Margin <sup>(1)</sup> .....	1.44% <sup>(2)</sup>	1.52% <sup>(2)</sup>	1.49%	1.43%	1.38%	1.39%	1.60%
BIS ratio <sup>(3)</sup> .....	10.7	10.3	10.9	10.5	10.2	10.6	10.5
Tier 1 ratio .....	10.6	10.2	10.8	10.3	9.9	10.3	10.0
Ratio of value adjustments to receivables to loans and advances to banks and customers .....	0.22 <sup>(2)</sup>	0.25 <sup>(2)</sup>	0.24	0.24	0.24	0.20	0.22

(1) In this table, interest margin represents interest (interest income less interest expense) as a percentage of average total assets, based on month-end balances. Interest income includes interest income plus certain origination fees and credit facility fees.

(2) On an annualized basis.

(3) The required capital of the banking operations in accordance with the BIS requirements (referred to herein as the “**BIS ratio**”) amounts to 8% of all risk-weighted assets, off-balance sheet items and market risk associated with trading portfolios.



## INVESTMENT CONSIDERATIONS

*You should carefully consider the following investment considerations and the other information in this offering memorandum before deciding whether an investment in the Trust Preferred Securities is suitable for you.*

***If the Rabobank Group's financial condition were to deteriorate, you could lose all or a part of your investment.***

If the Rabobank Group's financial condition were to deteriorate, the LLC and the holders of the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities could suffer direct and materially adverse consequences, including suspension of the payment of noncumulative Dividends on the Trust Preferred Securities and Dividends on the LLC AUD Series 2 Class B Preferred Securities and, if a liquidation, dissolution or winding up of Rabobank Nederland were to occur, loss by holders of the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities of all or part of their investment. See "Description of the Trust Securities", "Description of the LLC Securities" and "Description of the AUD Series 2 Guarantee and the Contingent Guarantee".

***You will only receive Dividends on your Trust Preferred Securities if interest is paid on the AUD Series 2 Subordinated Notes and the LLC pays related Dividends on the LLC AUD Series 2 Class B Preferred Securities.***

The ability of the Trust to make payments on the Trust Preferred Securities is dependent upon the respective Eligible Issuer making the related payments on the AUD Series 2 Subordinated Notes purchased by the LLC and the LLC making the related payments on the LLC AUD Series 2 Class B Preferred Securities when due. If the respective Eligible Issuer defaults on its obligations to make payments on the AUD Series 2 Subordinated Notes, the LLC will likely not have funds with which to make any distribution on the LLC AUD Series 2 Class B Preferred Securities and the Trust will not have sufficient funds to make payments on the Trust Preferred Securities. In those circumstances, you will have to rely upon the AUD Series 2 Guarantee and the Contingent Guarantee from Rabobank Nederland as described in this offering memorandum for payment of these amounts.

The declaration (or deemed declaration) of Dividends on the LLC AUD Series 2 Class B Preferred Securities (and, accordingly, the payment of Dividends on the Trust Preferred Securities) will not be required under the LLC Agreement (and, accordingly, no payment with respect to Dividends will be due under the AUD Series 2 Guarantee) unless such Dividends are Required Dividends.

***Rabobank Nederland's obligation to make payments under the AUD Series 2 Guarantee and to pay the AUD Series 2 Contingent Distribution under the Contingent Guarantee are limited to the amounts due and unpaid under the LLC AUD Series 2 Class B Preferred Securities and the Trust Preferred Securities.***

The AUD Series 2 Guarantee of the LLC AUD Series 2 Class B Preferred Securities and the Trust Preferred Securities by Rabobank Nederland and Rabobank Nederland's obligation to pay the AUD Series 2 Contingent Distribution under the Contingent Guarantee are intended to provide the holders of the LLC AUD Series 2 Class B Preferred Securities and the Trust Preferred Securities, as nearly as possible, with rights to payment upon liquidation or redemption equivalent to those to which the holders would be entitled if they held the most senior ranking preferred equity securities or preferred or preference shares issued directly by Rabobank Nederland and such rights are independent of the assets, income or cash flows of the LLC or the Trust. Rabobank Nederland's obligation to make payments under the AUD Series 2 Guarantee and to pay the AUD Series 2 Contingent Distribution under the Contingent Guarantee is limited to the extent of the amounts actually due and unpaid under the Trust Preferred Securities and LLC AUD Series 2 Class B Preferred Securities. In particular, your rights to distribution payments under these securities may be limited to the extent that (i) the LLC does not declare Dividends on the LLC AUD Series 2 Class B Preferred Securities (unless dividends or distributions are declared or paid or other payments are made with respect to (a) any Bank Instrument or Local Rabobank Instrument which effectively ranks junior to a Parity Share, or any Junior Group Member Instrument, in which case full or fractional Dividends are required to be paid, or (b) any Bank Instrument or Local Rabobank Instrument which effectively ranks *pari passu* with a Parity Share, in which case *pro rata* Dividends are required to be paid as set forth in this offering memorandum), or (ii) Netherlands banking regulations as applied by the Dutch Central Bank prohibit Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group from making dividend, distribution or other payments on any of the AUD Series 2 Subordinated Notes, the LLC AUD Series 2 Class B Preferred Securities, the Trust Preferred Securities or on any Parity Share or any of its respective instruments which effectively rank *pari passu* with any Parity Share, in which case, the Board of the LLC will not be permitted to declare or pay Dividends on the LLC AUD Series 2 Class B Preferred Securities.

In the event that Rabobank Nederland does not have sufficient funds to make all payments due under (i) the AUD Series 2 Guarantee or to pay the AUD Series 2 Contingent Distribution under the Contingent Guarantee and (ii) all obligations ranking *pari passu* with the AUD Series 2 Guarantee and with Rabobank Nederland's obligation to pay the AUD Series 2 Contingent Distribution under the Contingent Guarantee, such payments (i) under the AUD Series 2 Guarantee and the Contingent Guarantee and (ii) under such other obligations, will be made on a *pro rata* basis.

***Rabobank Nederland is not required to make any payments under the AUD Series 2 Guarantee or to pay the AUD Series 2 Contingent Distribution under the Contingent Guarantee unless it first makes other required payments.***

Subject to applicable law, Rabobank Nederland's obligations under each of the AUD Series 2 Guarantee and the Contingent Guarantee constitute unsecured obligations of Rabobank Nederland and rank (i) subordinate and junior to indebtedness of Rabobank Nederland (other than Rabobank Nederland's obligations under (a) any guarantee or contractual right effectively ranking *pari passu* with Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including without limitation, (I) the guarantees and the contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, and (II) the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC) and (b) any guarantee or contractual right effectively ranking junior to Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, the Junior Member Certificates Related Agreements)), (ii) *pari passu* (a) with each other, (b) with Rabobank Nederland's obligations under the guarantees and the contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, (c) with Rabobank Nederland's obligations under the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V, and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC, and (d) effectively, with the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland. In the event of Rabobank Nederland's insolvency, winding-up, liquidation or dissolution, Rabobank Nederland's assets would be available to pay obligations under the AUD Series 2 Guarantee and the Contingent Guarantee only after Rabobank Nederland has made all payments on liabilities and claims which rank senior to claims under the AUD Series 2 Guarantee and the Contingent Guarantee. None of the Trust Preferred Securities, the LLC AUD Series 2 Class B Preferred Securities, the Initial AUD Series 2 Subordinated Note, the AUD Series 2 Guarantee or the Contingent Guarantee limit Rabobank Nederland's ability or the ability of any entity in the Rabobank Group to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the AUD Series 2 Guarantee and to Rabobank's obligation to pay the AUD Series 2 Contingent Distribution under the Contingent Guarantee. See "Description of the AUD Series 2 Guarantee and the Contingent Guarantee".

***Because Dividends are not cumulative, you will not be entitled to recover missed Dividends.***

Dividends on the Trust Preferred Securities and Dividends on the LLC AUD Series 2 Class B Preferred Securities are not cumulative. Dividends on the Trust Preferred Securities are only payable with respect to any Dividend Period if, for the corresponding Dividend Period, Dividends on the LLC AUD Series 2 Class B Preferred Securities are declared (or deemed declared) and authorized to be paid by the LLC. Consequently, if, for any reason, Dividends on the LLC AUD Series 2 Class B Preferred Securities are neither declared nor deemed declared for any Dividend Period, and Rabobank Nederland does not make a discretionary payment under the AUD Series 2 Guarantee, the holders of the LLC AUD Series 2 Class B Preferred Securities and the holders of the Trust Preferred Securities will not be entitled to recover such Dividends, whether or not funds are or subsequently become available, or Dividends on the LLC AUD Series 2 Class B Preferred Securities and the Trust Preferred Securities are declared (or deemed declared) for any future Dividend Period or Dividend Periods.

***You should not rely on Dividends –the Trust may redeem the Trust Preferred Securities at any time if certain adverse consequences occur as a result of the application of Dutch or U.S. regulations. Additionally, Rabobank Nederland may cause the LLC to redeem the LLC AUD Series 2 Class B Preferred Securities at Rabobank Nederland's option on any Dividend Payment Date occurring on or after December 31, 2014.***

If certain consequences occur, which are more fully described in this offering memorandum, as a result of the application of Dutch or U.S. regulations or tax or investment company law and certain other conditions which are more fully described below are satisfied, the Trust Preferred Securities could be redeemed by the Trust prior to December 31, 2014. Additionally, the LLC AUD Series 2 Class B Preferred Securities may be redeemed by the LLC at its option, with Rabobank Nederland's prior approval and, if then required, the approval of the Dutch Central Bank, on any Dividend Payment Date occurring on or after December 31, 2014 either in whole or in part, as more fully described in

this offering memorandum. You should assume that this redemption option will be exercised if Rabobank Nederland is able to refinance at a lower cost of funding or it is otherwise in Rabobank Nederland's interest to redeem the LLC AUD Series 2 Class B Preferred Securities and the Trust Preferred Securities. If LLC AUD Series 2 Class B Preferred Securities are redeemed, the Trust must redeem the Trust Preferred Securities. See "Description of the Trust Securities –Redemption" and "Description of the LLC Securities –Redemption and Repurchase of LLC AUD Series 2 Class B Preferred Securities".

***There could be adverse consequences for you if the Trust is liquidated.***

If either a Tax Event or an Investment Company Event shall have occurred, in each case, solely with respect to the Trust, then, at the option of the Regular Trustees (as defined herein) of the Trust, the Trust may be dissolved and liquidated. Upon a liquidation of the Trust, each holder of the Trust Securities shall receive as its liquidation distribution a corresponding number of the LLC AUD Series 2 Class B Preferred Securities with an equivalent aggregate liquidation preference amount. Upon such distribution, the LLC will furnish holders of the LLC AUD Series 2 Class B Preferred Securities, or their nominees, each year with a Schedule K-1 in accordance with the Code, which may result in the ineligibility of the LLC AUD Series 2 Class B Preferred Securities to clear and settle through Euroclear and Clearstream. As a result, the liquidity and market price of the LLC AUD Series 2 Class B Preferred Securities distributed upon the liquidation of the Trust may vary from the liquidity and market price of the Trust Preferred Securities prior to such liquidation.

***Since you have limited voting rights, you cannot prevent the Trustees of the Trust from taking actions with which you may not agree.***

Holders of the Trust Preferred Securities will not have any voting rights, except as described under "Description of the Trust Securities –Voting Rights". Except for the limited exceptions described in this offering memorandum, only Holding, which is a wholly-owned subsidiary of Rabobank Nederland and the owner of all the Trust Common Securities, can elect or remove any of the Trustees. See "Description of the Trust Securities –Voting Rights".

Additionally, except in the limited circumstances described under "Rabobank Capital Funding III LLC", Holding will own all the LLC Common Securities and will have the right to elect all the members of the Board of the LLC except for any Independent Director. The LLC AUD Series 2 Class B Preferred Securities will be non-voting, except that, upon the failure of the LLC to pay dividends on any outstanding series of LLC Class B Preferred Securities and Rabobank Nederland's failure to make payment in full in respect thereof for any Dividend Period, the holders of the LLC AUD Series 2 Class B Preferred Securities will have the right, together with the holders of each other outstanding series of LLC Class B Preferred Securities, to elect two Special Independent Directors of the Board. Any Special Independent Director of the Board so elected shall vacate office if dividend payments are resumed on each outstanding series of LLC Class B Preferred Securities, either by the LLC or Rabobank Nederland, and are paid for dividend periods covering 12 consecutive months. In addition, the holders of the LLC AUD Series 2 Class B Preferred Securities, together with the holders of each other outstanding series of LLC Class B Preferred Securities with respect to which there has been a non-payment under the relevant guarantee (the AUD Series 2 Guarantee, the USD Guarantee, the GBP Guarantee and the AUD Series 1 Guarantee) will have a right to elect the Guarantee Independent Director within ten days following the making of a claim by the property trustee of any such series or the holder of any such series of LLC Class B Preferred Securities or related Noncumulative Guaranteed Trust Preferred Securities under the relevant guarantee. The holders of the LLC AUD Series 2 Class B Preferred Securities, together with the holders of each other outstanding series of LLC Class B Preferred Securities, will also have the right to remove and replace the Regular Independent Director. See "Description of the LLC Securities –LLC AUD Series 2 Class B Preferred Securities –Voting Rights".

***An active market for the Trust Preferred Securities may fail to develop or may not be sustainable.***

The Trust Preferred Securities are a new issue of securities. Prior to this offering, there has been no public market for the Trust Preferred Securities. Although application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange, there can be no assurance that an active public market for the Trust Preferred Securities will develop, and if such a market were to develop, the initial purchasers are under no obligation to maintain such a market. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial conditions and prospects of the Rabobank Group and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

## USE OF PROCEEDS

All the gross proceeds, which equal the net proceeds, from the issue and sale of the Trust Preferred Securities, together with the gross proceeds, which equal the net proceeds, from the issue of the Trust Common Securities, aggregating A\$250,001,000, will be invested by the Trust in the LLC AUD Series 2 Class B Preferred Securities. The LLC used, or will use, (i) A\$250,000,000 of the funds from the sale of the LLC AUD Series 2 Class B Preferred Securities to make an investment in the Initial AUD Series 2 Subordinated Note issued by Rabobank Nederland, (ii) \$1,500,000,000 of the funds from the sale of the LLC USD Class B Preferred Securities to make an investment in the Initial USD Subordinated Note issued by Rabobank Nederland, (iii) £350,000,000 of the funds from the sale of the LLC GBP Class B Preferred Securities to make an investment in the Initial GBP Subordinated Note issued by Rabobank Nederland, (iv) A\$250,000,000 of the funds from the expected sale of the LLC AUD Series 1 Class B Preferred Securities to make an investment in the Initial AUD Series 1 Subordinated Note issued by Rabobank Nederland and (v) the funds contributed by Holding in return for the LLC Common Securities, together with funds contributed by RBPS III in return for the LLC Class A Preferred Securities, A\$1,000 of the funds from the sale of the LLC AUD Series 2 Class B Preferred Securities, \$1,000 of the funds from the sale of the LLC USD Class B Preferred Securities, £1,000 of the funds from the sale of the LLC GBP Class B Preferred Securities and A\$1,000 of the funds from the expected sale of the LLC AUD Series 1 Class B Preferred Securities to make an investment in Eligible Debt Securities. For a description of Eligible Debt Securities, see “Summary”. Rabobank Nederland intends to use the net proceeds from the Initial Subordinated Notes (including the Initial AUD Series 2 Subordinated Note) for general corporate purposes and to treat the Trust Preferred Securities, or in the event that the Trust Preferred Securities have been redeemed as a result of the occurrence of a Trust Special Event or there has occurred any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, the LLC AUD Series 2 Class B Preferred Securities, as consolidated Tier 1 capital.

## CAPITALIZATION OF THE RABOBANK GROUP

The following table sets forth in summary form the Rabobank Group's consolidated own funds and consolidated medium- and long-term debt securities as at December 31, 2003 on a historical basis and as at June 30, 2004 on a historical basis and as adjusted to give effect to this offering and the related offerings of Noncumulative Guaranteed Trust Preferred Securities issued on October 21, 2004 by Rabobank Capital Funding Trust III and Rabobank Capital Funding Trust IV, and expected to be issued concurrently with this offering by Rabobank Capital Funding Trust V, and the related series of LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued prior to, or expected to be issued concurrently with, this offering by the LLC.

	At December 31, 2003	At June 30, 2004	At June 30, 2004, As Adjusted
	EUR	EUR	EUR
		(unaudited) (in millions)	(unaudited)
<b>Group Equity</b>			
Fund for general banking risks .....	1,679	1,679	1,679
Subordinated loans <sup>(1)</sup> .....	2,211	2,245	2,245
Reserves .....	15,233	16,022	18,061
Third-party interests .....	4,463	4,733	4,733
Group equity .....	23,586	24,679	26,718
Group debt securities <sup>(2)</sup> .....	80,695	96,617	96,617
Total capitalization .....	104,281	121,296	123,335
<b>Breakdown of reserves</b>			
Revaluation reserves .....	222	324	324
Other reserves .....	11,158	11,848	11,848
Member Certificates .....	3,853	3,850	3,850
Trust Preferred Securities <sup>(3)(4)</sup> .....	—	—	2,039
Reserves .....	15,233	16,022	18,061

(1) Including Trust Preferred Securities issued prior to 2004.

(2) Group debt securities includes short-term debt (i.e., certificates of deposit) and long-term debt (i.e., bonds and other debt securities). The Rabobank Group had short-term debt amounting to €34,547 million and €42,204 million, at December 31, 2003 and June 30, 2004, respectively. The Rabobank Group had long-term debt amounting to €46,148 million and €54,413 million at December 31, 2003 and June 30, 2004, respectively.

(3) On October 21, 2004, Rabobank Capital Funding Trust III and Rabobank Capital Funding Trust IV issued Noncumulative Guaranteed Trust Preferred Securities in an aggregate amount of \$1.5 billion and £350 million, respectively, and the LLC issued the related series of LLC USD Class B Preferred Securities and LLC GBP Class B Preferred Securities. Concurrently with this offering, Rabobank Capital Funding Trust V is conducting a \$250 million offering of Noncumulative Guaranteed Trust Preferred Securities and the LLC is expected to issue the related series of LLC AUD Series 1 Class B Preferred Securities.

(4) Amounts in Australian dollars have been converted into euro at the exchange rate of A\$1.7520 to €1.00 and amounts in pounds sterling have been converted into euros at the exchange rate of £0.6703 to €1.00, in each case as reported by Bloomberg LP at the close of business on June 30, 2004, and amounts in U.S. dollar have been converted into euros at the exchange rate of \$1.2179 to €1.00, the noon buying rate in New York City on June 30, 2004 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

At December 31, 2003, our actual Tier 1 ratio was 10.8. At June 30, 2004, our actual Tier 1 Ratio was 10.6. As adjusted for the proceeds of this offering, the concurrent offering of Noncumulative Guaranteed Trust Preferred Securities by Rabobank Capital Funding Trust V and the prior offerings of Noncumulative Guaranteed Trust Preferred Securities by Rabobank Capital Funding Trust III and Rabobank Capital Funding Trust IV, and the related series of LLC AUD Series 1 Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC USD Class B Preferred Securities issued prior to, or expected to be issued concurrently with, this offering by the LLC, our Tier 1 ratio at June 30, 2004 was 11.7.

Except as disclosed in this offering memorandum, there has been no material change in the capitalization of Rabobank Nederland or the Rabobank Group since June 30, 2004.

## CAPITALIZATION OF THE LLC AND THE TRUST

The following tables set forth (i) the capitalization of the LLC as at October 27, 2004 on a historical basis and as adjusted to give effect to this offering and the related offerings of the Noncumulative Guaranteed Trust Preferred Securities issued on October 21, 2004 by Rabobank Capital Funding Trust III and Rabobank Capital Funding Trust IV, and expected to be issued concurrently with this offering by Rabobank Capital Funding Trust V, and the related series of LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued prior to, or expected to be issued concurrently with, this offering by the LLC, and (ii) the capitalization of the Trust as at October 27, 2004 on a historical basis and as adjusted to give effect to this offering.

### Capitalization of the LLC<sup>(1)</sup>

	At October 27, 2004	
	Actual	As Adjusted
	(in thousands of €)	
Debt		
Total long-term debt.....	0	0
Securityholders' equity		
LLC AUD Series 1 Class B Preferred Securities; none issued and outstanding, actual; and 250,001 LLC AUD Series 1 Class B Preferred Securities authorized, issued and outstanding, as adjusted.....	0	146,405
LLC USD Class B Preferred Securities; 1,500,001 LLC USD Class B Preferred Securities authorized, issued and outstanding, actual.....	1,178,783	1,178,783
LLC GBP Class B Preferred Securities; 350,001 LLC GBP Class B Preferred Securities authorized, issued and outstanding, actual.....	503,889	503,889
LLC AUD Series 2 Class B Preferred Securities; none issued and outstanding, actual; and 250,001 LLC AUD Series 2 Class B Preferred Securities authorized, issued and outstanding, as adjusted.....	0	146,405
LLC Class A Preferred Securities; 1 LLC Class A Preferred Security authorized, issued and outstanding, actual.....	79	79
LLC Common Securities; 1 LLC Common Security authorized, issued and outstanding, actual.....	39,293	39,293
Total securityholders' interests .....	1,722,044	2,014,854
Total capitalization .....	1,722,044	2,014,854

<sup>(1)</sup> Amounts in Australian dollars have been converted into euros at the exchange rate of A\$1.7076 to €1.00 and amounts in pounds sterling have been converted into euros at the exchange rate of £0.6946 to €1.00, in each case as reported by Bloomberg LP at the close of business on October 27, 2004, and amounts in U.S. dollars have been converted into euros at the exchange rate of \$1.2725 to €1.00, the noon buying rate in New York City on October 27, 2004 for cable transfers in euros as certified for customs purposes by the Federal Bank of New York.

Except as disclosed in the above table, there has been no material change in the capitalization of the LLC since its formation.

## Capitalization of the Trust

	At October 27, 2004	
	Actual	As Adjusted
	(in thousands of A\$)	
Debt		
Total debt.....	0	0
Securityholders' interests		
Trust Preferred Securities; none issued and outstanding, actual; and 250,000 Trust Preferred Securities authorized, 250,000 Trust Preferred Securities issued and outstanding, as adjusted.....	0	250,000
Trust Common Securities; none issued and outstanding, actual; and 1 Trust Common Security authorized, 1 Trust Common Security issued and outstanding, as adjusted.....	0	1
Total securityholders' interests .....	0	250,001
Total capitalization .....	0	250,001

Except as disclosed in the above table, there has been no material change in the capitalization of the Trust since its formation.

## EXCHANGE RATES

A significant portion of our revenues and expenses is denominated in euro, while the remainder is denominated in other currencies.

For the periods from January 1, 1999 through October 27, 2004, the average, high, low and period-end noon buying rates for the euro are shown expressed as Australian dollars per €1.00.

<b>Year</b>	<b>Average<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>	<b>Period-end</b>
1999 .....	1.6460	1.9358	1.5185	1.5346
2000 .....	1.6018	1.6889	1.5001	1.6871
2001 .....	1.7389	1.9104	1.5859	1.7436
2002 .....	1.7435	1.8766	1.6250	1.8781
2003 .....	1.7342	1.8790	1.6015	1.6711
2004 (through October 27, 2004).....	1.6802	1.7824	1.5689	1.7076

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(1) The average of the rate reported by Bloomberg LP at the close of business on the last business day of each full calendar month during the relevant period.



## **EXCHANGE CONTROLS**

The Australian dollar is convertible into U.S. dollars and the euro at freely floating rates. Except as described below, there are currently no restrictions on the flow of Australian currency between Australia and the United States.

Transactions involving the transfer of funds or payments to, by the order of, or on behalf of prescribed entities, or any undertaking owned or controlled directly or indirectly, by prescribed entities, are not permitted without the specific approval of the Reserve Bank of Australia. Prescribed entities currently include:

- supporters of the former government of the Federal Republic of Yugoslavia; and
- specified Ministers and senior officials of the Government of Zimbabwe.

Accounts of persons and entities identified by the Minister for Foreign Affairs as being associated with terrorism can be frozen, and transactions with these persons and entities are prohibited under various Australian regulations.

The Commonwealth of Australia has passed regulations to make effective the United Nations Security Council resolutions which impose a freeze on financial assets and foreign exchange dealings with certain persons and entities which currently include:

- al-Qaeda, the Taliban and Usama Bin Laden and associated individuals and entities;
- specified nationals of Bosnia/Serbia; and
- the former Government of Iraq and its senior officials.

The foregoing summary is based upon exchange control laws and regulations now in effect and accurately interpreted and does not take into account possible changes in such laws, regulations and interpretations.

## BUSINESS

### General

The Rabobank Group is one of the largest banking organizations in the Netherlands and the largest mortgage lending and savings organization in the Netherlands by market share. We are one of the 25 largest banking institutions in the world in terms of assets and Tier 1 capital. We offer a broad range of financial, insurance and asset management services across retail, corporate and commercial sectors, both domestically and internationally. The Rabobank Group has the highest credit ratings awarded by the international rating agencies Moody's (Aaa since 1986) and Standard & Poor's (AAA since 1984). On a consolidated basis, our total assets were €440 billion at June 30, 2004. At June 30, 2004, we had 50,594 full-time equivalent employees.

The Rabobank Group is comprised of the cooperative Rabobank Nederland, the cooperative Local Rabobanks which are members of Rabobank Nederland and are also licensed credit institutions, and Rabobank Nederland's specialized subsidiaries. We had 321 Local Rabobanks and 1,322 branches located throughout the Netherlands at June 30, 2004. The Local Rabobanks are themselves cooperative entities that draw all of their members from their customers. See "–The Rabobank Group Structure".

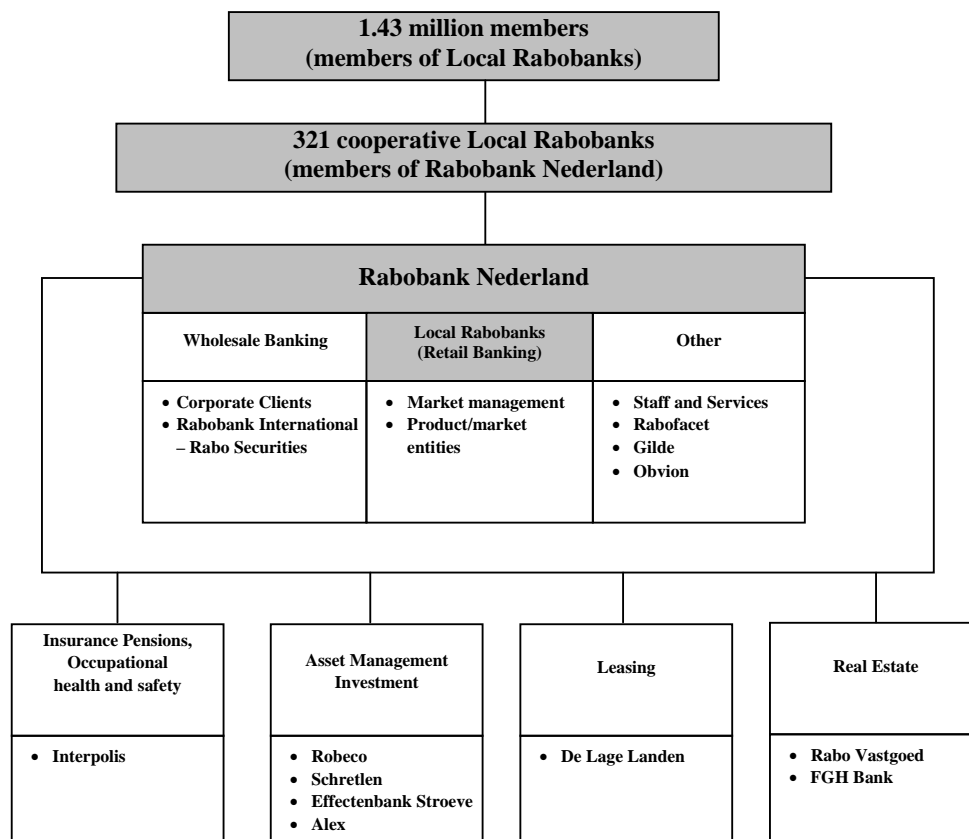
Rabobank Nederland, the Local Rabobanks and certain subsidiaries in the Rabobank Group are linked through a "Cross-Guarantee System". The Cross-Guarantee System provides for intra-group credit support among Rabobank Nederland, all Local Rabobanks and certain of our subsidiaries that are the other participating institutions. Under the Cross-Guarantee System, funds are made available by each participating institution if another participant suffers a shortfall in its funds. If a participating institution is liquidated and has insufficient assets to cover its liabilities, the other participating institutions are liable for its debts. See "–The Rabobank Group Structure –The Cross-Guarantee System".

The various entities within the Rabobank Group comprise a network of "competence centers" which provide financial services and products to the Local Rabobanks and to each other. This networked expertise allows us to respond actively to the growing demand from business clients and private individuals for a balanced package of financial services and products. We therefore seek to combine the best of two worlds: the local presence of the Local Rabobanks and the expertise and scale of a large organization. The underlying purpose of Rabobank Nederland's cooperative structure is to provide high quality services and products to its customers at reasonable prices, while maintaining the financial stability of the Rabobank Group.

Historically, we engaged primarily in lending to the agricultural and horticultural sectors in the Dutch market. Since the 1990s, we have also offered a wide variety of commercial banking and other financial services not only in the Netherlands but also internationally. As part of an ongoing program, we have increased both the number and type of products and services available to our customers in order to diversify from a traditional savings and mortgage-based business to be a provider of a full range of financial products and services, both in the Netherlands and internationally. To this end we pursue an "Allfinanz" concept, meaning that we provide an integrated range of financial services comprised primarily of retail banking, wholesale banking, asset management and investment, insurance, leasing and real estate to a wide range of both individual and corporate customers. As part of this Allfinanz strategy, we focus on operations that produce fee-based income in addition to our traditional interest-based income sources.

Through Rabobank Nederland, the Local Rabobanks and our specialized subsidiaries, the Rabobank Group provides services in the following six core business areas: Retail Banking, Wholesale Banking, Asset Management, Insurance, Leasing and Real Estate. The diagram below sets forth the organizational structure of Rabobank Nederland, the Local Rabobanks and the specialized subsidiaries that engage in our core business areas.

**The Structure of the Rabobank  
Group**  
9 million customers



**Retail Banking.** We provide a variety of lending and savings services in the Netherlands through our network of Local Rabobanks and their domestic offices and agencies. From January 1, 2004 through June 30, 2004, we had a market share of 26% of new home mortgages (by aggregate amount of loans) in the Dutch mortgage market (21% by Local Rabobanks and 5% by Obvion). According to a survey conducted by a third-party consulting firm at the end of 2003, 85% of customers in the Dutch primary agricultural sector and 39% of customers in the trade, industry and services sector (i.e., small and medium-sized enterprises with less than 100 employees) identified Rabobank Group as the most important bank to their business. At June 30, 2004 we had a 38% market share in the Dutch private savings market (by aggregate deposits). For the six months ended June 30, 2004, our Retail Banking operations accounted for 57%, or €797 million, of our operating profit before taxation.<sup>1</sup>

**Wholesale Banking.** Through RNCC and Rabobank International, which includes our subsidiary Rabo Securities, we provide a variety of wholesale banking services, including advising on mergers and acquisitions and stock transactions, lending and providing special financing arrangements to both domestic and international corporate clients. For the six months ended June 30, 2004, our Wholesale Banking operations accounted for 33%, or €464 million, of our operating profit before taxation.

**Asset Management.** We provide asset management, investment and private banking services to private, institutional and corporate investors through a number of subsidiaries. Robeco is the competence center for asset management services within the Rabobank Group, offering financial products and services to our Asset Management and Investment operations. Schretlen operates our private banking activities in the Netherlands and internationally. Effectenbank Stroeve provides asset management and investment advice to private individuals. In 2003, Rabobank Nederland acquired the internet-brokerage activities of Dexia Bank Nederland N.V., which are conducted under the trade name Alex. Alex provides investment services to its clients via the internet. For the six months ended June 30, 2004, our Asset Management and Investment operations accounted for 6%, or €80 million, of our operating profit before taxation.

<sup>1</sup> As the Rabobank Group conducts more activities than the six core business areas, the operating profits before taxation of the six core business areas do not add up to 100% of consolidated operating profit before taxation.

**Insurance.** Our insurance activities are undertaken primarily through Interpolis, the sixth largest insurance company in the Netherlands in 2003 in terms of premium turnover. Through its subsidiaries, Interpolis provides comprehensive life and non-life insurance services to our retail, agricultural and corporate customers. For the six months ended June 30, 2004, premiums from life and non-life insurance activities were €1,311 million and €832 million, respectively. Operating profit before taxation from our Insurance operations, at €26 million, accounted for 9% of our operating profit before taxation for the six months ended June 30, 2004.

**Leasing.** Our leasing activities are undertaken primarily by De Lage Landen. De Lage Landen provides factoring and leasing services to corporate borrowers, mainly in the food and agribusiness, technology, healthcare and banking industries. At June 30, 2004, De Lage Landen had a loan portfolio of approximately €12.6 billion. Operating profit from our Leasing operations, at €100 million accounted for 7% of our operating profit before taxation for the six months ended June 30, 2004.

**Real Estate.** We provide a variety of real estate services to institutional and corporate clients through Rabo Vastgoed and FGH Bank, which we acquired in October 2003. Rabo Vastgoed is our real estate project development and finance arm and FGH Bank specializes in commercial real estate financing. For the six months ended June 30, 2004, our Real Estate operations accounted for 3%, or €37 million, of our operating profit before taxation.

## **Recent Developments**

### *Farm Credit Services of America*

On July 30, 2004, we announced that we had entered into an agreement to acquire FCSAmerica, based in Omaha, Nebraska. FCSAmerica has assets of approximately \$8 billion and 900 employees. FCSAmerica is a part of the Farm Credit System which is a network of cooperatively owned lending institutions and related service organizations, supervised by the Farm Credit Administration on behalf of the U.S. government. The acquisition was subject to the approval of regulatory authorities in the United States and the Netherlands and a number of additional conditions, including approval of the transaction by the FCSAmerica board and approval of the board of the Farm Credit Administration and the stockholders of FCSAmerica of the withdrawal of FCSAmerica from the Farm Credit System. The board of FCSAmerica did not approve the transaction and consequently FCSAmerica terminated the acquisition agreement as of October 20, 2004. We remain firmly committed to expanding our presence in the U.S. market, particularly in the Midwest, by expanding our Rabo Agrifinance and Rabo Ag Services divisions and through acquisitions.

### *Bank Gospodarki Zywnosciowej (BGZ)*

On September 3, 2004, we announced our intention to acquire a 35% interest in the Polish bank BGZ in part through a new share issuance by BGZ, and in part from selling shareholders. BGZ is one of the leading banks for the Polish agricultural and food economy sectors. The proposed acquisition is part of our strategy to expand our country banking in the United States, Canada, Ireland, Central and Eastern Europe and China.

### *Operation Service*

In September 2004, we started implementation of “Operation Service,” a reorganization program to transform Rabobank Nederland into a more efficient, customer and service-focused organization for the Local Rabobanks. The program is expected to generate cost savings of €200 million per annum and reduce the number of employees on a gradual basis by nearly 1,200 full-time equivalent employees. It will be implemented over the next couple of years.

### *KBC Bank Joint Venture*

On June 10, 2004, we announced our intention to set up a joint venture with KBC Bank to process securities transactions for both KBC and Rabobank Nederland. Based in Eindhoven, the Netherlands, the new company will start operations in 2005, processing securities transactions for Rabobank Nederland. When fully operational in 2006, it will also process KBC’s securities transactions. It is expected that the new company will have approximately 160 employees by 2006.

### *Eureko Group*

In February 2004, as part of our strategy to grow our market share in retail products in the insurance sector, we signed a letter of intent establishing a close cooperation with Eureko. Headquartered in Zeist, the Netherlands, Eureko is a financial services provider and has subsidiaries in 15 European countries. Achmea Holding N.V. is the largest subsidiary within the Eureko group. As part of our cooperation, Interpolis, our insurance subsidiary, will sell health insurance provided by Achmea’s subsidiary, Zilveren Kruis Achmea, via Local Rabobanks and via its own distribution channels. On March 31, 2004, we also acquired a 5% stake in Eureko for a consideration of €228 million. In addition, as from June 25, 2004, we effected an exchange of members at each company’s Supervisory Board level. Mutual representation at the shareholder level, i.e., between the Vereniging Achmea and the Central Delegates Assembly (*Centrale Kringvergadering*) of Rabobank Nederland, is also being considered.

### *Telia Finans*

On February 15, 2004, De Lage Landen, our leasing subsidiary, agreed to acquire Telia Finans, the wholly-owned subsidiary of the Swedish telecom company TeliaSonera. Telia Finans focuses on leasing IT and office equipment in the Scandinavian market and has a leasing portfolio of approximately €498 million as of December 31, 2003.

### *FGH Bank*

On January 30, 2004, FGH Bank strengthened its position in commercial real estate financing through the acquisition of De Lage Landen Vastgoedfinancieringen from De Lage Landen, our leasing subsidiary. De Lage Landen Vastgoedfinancieringen had a loan portfolio of €1.1 billion as of December 31, 2003.

## **Group Strategy**

Our ambition is to achieve market leadership in financial services in the Netherlands, primarily through the Local Rabobanks, and to provide our clients, both private and business, with a comprehensive range of financial products and services. In addition, we aim to be the leading bank in the world to the food industry and agribusiness. We have taken significant steps to establish a leading role as a financial services provider through our wholesale business operations of RNCC, Rabobank International and Rabo Securities and our many specialized subsidiaries such as Robeco (asset management), Interpolis (insurance), De Lage Landen (leasing), FGH bank (real estate finance), Schretlen (private banking), Effectenbank Stroeve (securities brokerage) and Gilde (venture capital). Each of these subsidiaries not only provides financial advice and products to the Local Rabobanks and their clients, but also provides services to their own clients in the Netherlands and internationally. In order to establish ourselves as the market leader in financial services in our chosen markets, we have set the following four strategic priorities:

- Strengthening the Local Rabobanks;
- Strengthening our position as an “Allfinanz Group”;
- Developing international opportunities for growth; and
- Strengthening synergies and cooperation within the Rabobank Group.

### ***Strengthening the Local Rabobanks***

#### *“Vision Rabobank 2005+”*

In June 2004, the Central Delegates Assembly agreed to strengthen and consolidate the Local Rabobanks in order to increase their efficiency and to improve clients’ access to sophisticated financial services. The decision forms part of our “Vision Rabobank 2005+” project, launched in 2003, to restructure the Local Rabobanks. It is intended that the Local Rabobanks will focus on the sale of a broader range of services and products with the best possible price-to-quality ratio to an increasing number of clients.

As a result of consolidation of the Local Rabobanks, we expect that their number will decline in the next few years from 321 at the end of June 2004 to approximately 150. At the same time, we expect to create more agencies in order to maintain, or even increase, the number of points of distribution to our clients.

### ***Restructuring Rabobank Nederland***

Our reorganization program “Operation Service,” which started in September 2004, is designed to transform Rabobank Nederland into a more efficient, customer and service-focused organization for the Local Rabobanks. After its restructuring, Rabobank Nederland will be better suited to support the greater size and increased sophistication of the Local Rabobanks.

### ***Refocused Distribution Formats***

We continue to focus on maintaining the current strong market position of the Local Rabobanks and ensuring growth in those areas where market leadership has yet to be achieved. As part of our strategy, we will continue to enhance sales efforts via direct channels, such as the telephone and the internet. We will also refocus and improve our distribution formats and service concepts for specific client groups. In order to strengthen the Local Rabobanks’ position within the Netherlands, Local Rabobanks that meet certain qualifications set by Rabobank Nederland will also be granted broader capacities to deal with larger transactions independently.

### ***Strengthening Our Position as an Allfinanz Group***

We aim to strengthen our position as an Allfinanz group in the following ways:

- Strengthening the market leadership of the Rabobank brand in the distribution of an expanded range of financial services by the Local Rabobanks;
- Strengthening our market position in financial services distribution through our specialized subsidiaries; and

- Strengthening our position as a provider of financial services by supplying products to selected distributors outside the Rabobank Group.

#### *Strengthening the Rabobank Brand*

Currently, we are a leading player in many financial retail markets in the Netherlands, including the payments, savings, investment, mortgages and business financing markets. This is due to our strong position in the private segment, the trade, industry and services sector and the agricultural sector in the Netherlands. Nevertheless, we seek further growth in a number of areas. We will give priority to strengthening our market position in the Netherlands in the corporate, insurance, asset management (private banking), employee benefits, pensions and care, consumer credit and mortgage markets. In addition, we will seek to strengthen our and particularly the Local Rabobanks' position in the larger urban areas and among ethnic minorities.

#### *Strengthening Market Position Through Our Specialized Subsidiaries*

Our specialized subsidiaries act as competence centers which provide services to and work closely with the Local Rabobanks. Virtually all of our specialized subsidiaries also serve their own customers who do not bank at a Local Rabobank. All of our specialized subsidiaries are assessed according to their contribution to our market leadership ambition, using criteria such as customer value and their financial and strategic added value. Through these assessments, we seek to improve the results of our specialized subsidiaries, both as competence centers and as direct service providers and thereby strengthen our market position and image both in the Netherlands and internationally.

#### *Supplying Products to Distributors Outside the Rabobank Group*

In order to support our market leadership ambition, in the future certain of our businesses may perform activities for third parties on a selective basis, for example if the existing distribution channels within the Rabobank Group would yield insufficient economies of scale. In this context, we are considering multi-distribution of our banking products. Local Rabobanks are and will continue to be our most important distribution channel. However, profitable client groups that are hard to reach via the Rabobank format could well be receptive to different service concepts. We view multi-distribution not only as a possible aid to achieving market leadership, but also as an effective response to changing market conditions as a result of the emergence of broker chains, niche players (such as internet banks) and non-bank enterprises (such as supermarkets) that are selling financial services. Alex, our online securities brokerage business, which we acquired in April 2003, is an illustration of our multi-distribution policy. Another example of our multi-distribution policy is Obvion, our joint venture with the ABP pension fund, which sells mortgages via independent intermediaries.

#### *Developing International Opportunities for Growth*

An important element in Rabobank International's strategy is country banking. This involves taking over smaller banks that operate in rural areas of developed markets and have a strong position in the agricultural sector. Following earlier acquisitions in Australia and New Zealand in the 1990s and the former state-owned Irish ACC Bank and VIB Corp in the United States in 2002, we are continuing to expand our country banking model on a global scale. In 2003, we strengthened our position as a leading lender to rural clients in Australia and New Zealand through the acquisition of the rural lending portfolio of the New Zealand bank AMP Bank Limited. In order to sustain the platform for further growth in the Australian market, we decided to continue the activities of Primary Industry Bank of Australia under the Rabobank brand and its official name is now Rabobank Australia Limited. Rabobank International has become a market leader in the agricultural processing industry in Australia and is the country's third largest agricultural financier.

Also in 2003, we acquired two financial services companies in the United States: Lend Lease Agri-Business and Ag Services of America, Inc. Lend Lease Agri-Business now operates under the name Rabo Agrifinance and offers long-term financing to agricultural enterprises in the United States, secured by land and the buildings erected on it. Ag Services of America, Inc., which prior to the acquisition was a publicly traded company, has been renamed Rabo Ag Services and is specialized in harvest financing, mainly to American corn and soy growers.

On September 3, 2004, we announced our intention to acquire a 35% interest in the Polish bank BGZ, which is one of the leading banks for the Polish agricultural and food economy sectors. We aim to further expand our country banking model in the United States, Ireland, Central and Eastern Europe and China.

In addition, we have started direct-banking initiatives outside the Netherlands. These initiatives are increasing the value realization of our expertise in internet banking. It is in this context that we are offering internet banking services in Belgium via our internet bank Rabobank.be.

#### *Strengthening Synergies and Cooperation within the Rabobank Group*

Our strength is determined by the value of the mutual relationships within the Rabobank Group. Good synergy means cooperation that results in the creation of value. We have spent a great deal of effort on establishing and maintaining the cooperation between all the Rabobank Group entities in order to be able to offer the services and products the client needs at the optimum price-to-quality ratio. That cooperation is not only reflected in common

product development but also in the integration of processes, sales-enhancing advice and fruitful dialogue within the Rabobank Group to arrive at major policy decisions and business processes. Our management structure forms a good basis for better cooperation between the Local Rabobanks and Rabobank Nederland, their umbrella cooperative, which is in the interest of the local clients. See “Management”.

## **Business Activities of the Rabobank Group**

### ***Retail Banking***

Our Retail Banking operations are primarily undertaken by the Local Rabobanks. Our Retail Banking operations include making loans, taking deposits and providing fund transfers and non-credit service operations, primarily in the Netherlands. Each of the Local Rabobanks provides credit and deposit services. In keeping with the Allfinanz concept, each of the Local Rabobanks also provides, either directly or through the Rabobank Group’s specialized subsidiaries, insurance, investment and a wide variety of other services to customers in the Local Rabobank’s specific geographical business area.

At June 30, 2004 we had a 38% market share in the Dutch savings market. For the six months ended June 30, 2004, our Retail Banking operations accounted for 53%, or €2,617 million, of our total income and 57%, or €797 million, of our operating profit before taxation. At June 30, 2004, our Retail Banking operations employed 29,285 full-time equivalent employees.

The Dutch mortgage loan market is a highly competitive market. Driven by the tax deductibility of mortgage loan interest payments, Dutch homeowners usually take out relatively high mortgage loans. This does not necessarily indicate a high risk for banks with mortgage lending operations. We have a balanced mortgage loan portfolio with a weighted loan-to-value of approximately 50%, which is about the average in the Netherlands. Historically, mortgage lending has been relatively low risk and all mortgage loans are collateralized. Mortgage loan defaults do not occur frequently, either in our mortgage lending operations or in the Netherlands generally. Almost all mortgages in the Netherlands have a maturity of 30 years. Generally, mortgages have a 5 or 10-year fixed interest rate, after which period the rate is reset at the current market rate. Customers do not have the option to prepay their mortgage loan without incurring a penalty fee, thus reducing the interest rate risks related to mortgage loan refinancing for the Rabobank Group.

### ***Local Rabobanks***

With 1,322 branches (the most branches of any financial institution in the Netherlands), 720 cash dispensing machines in public locations and 350 agencies as of June 30, 2004, the Local Rabobanks have 2,392 points of distribution. Through the Local Rabobanks and Obvion, we are the largest mortgage lending institution in the Netherlands, with a market share of 26% of new home mortgage loans in the first half of 2004 (by aggregate amount of loans). According to a survey conducted by a third-party consulting firm at the end of 2003, 85% of customers in the Dutch primary agricultural sector and 39% of customers in the trade, industry and services sector identified Rabobank Group as the most important bank to their business. Lending to retail borrowers amounted to €125.6 billion, or approximately 51% of our total lending (except government lending) at June 30, 2004.

The following table sets forth savings and loans outstanding of the Group by sector at the dates indicated.

	<b>June 30, 2004</b>	<b>December 31, 2003</b>
	<b>(in billions of euro)</b>	
Mortgage loans .....	123.3	116.1
Agricultural sector loans .....	36.4	36.6
Trade, industry and services sector loans .....	83.6	81.3
Savings.....	75.1	71.6

With 38% of the Dutch private savings market (by aggregate deposits) as of June 30, 2004, we are also the largest savings institution in the Netherlands. Of the total savings in the Netherlands, 35% are held by the Local Rabobanks and 3% are held with Roparco, the savings arm of Robeco. We offer our clients a number of different savings options, including savings via the telephone and the internet. The [www.rabobank.nl](http://www.rabobank.nl) website is one of Europe’s most frequented internet banking sites, and the largest internet bank in the Netherlands with 1.8 million unique visitors in June 2004. Via [www.rabobank.be](http://www.rabobank.be), we offer internet banking services to our customers in Belgium. It is the first direct-banking initiative of the Rabobank Group outside the Netherlands. Private customers are also able to use the services of IRIS, a securities research institute established jointly with Robeco, in order to help them manage their investment decisions.

#### *Obvion N.V.*

Obvion, our mortgage loan joint venture with the ABP pension fund, sells mortgage loans under its own brand via independent agents in the Netherlands. Through Obvion, we are targeting an increasing portion of the Dutch market share in order to strengthen our market leadership in mortgage loans. Obvion's market share in the Netherlands at June 30, 2004 stood at 5%.

#### *Rabohypothekbank N.V.*

Rabohypothekbank N.V. ("**Rabohypothekbank**"), headquartered in Amsterdam, the Netherlands, provides mortgage lending documentation services to all of our Local Rabobanks. Rabohypothekbank also serves as a supplementary financing vehicle for the Local Rabobanks in the event that they choose not to make certain mortgage loans to their customers entirely on their own, either for liquidity or lending limit reasons or because of the nature of the required financing. The majority of Rabohypothekbank's loans are secured by mortgages on residential property. Its loans are funded by term loans from, or guaranteed by, Rabobank Nederland and by the issuance of mortgage bonds. Rabohypothekbank does not engage in the financing of real estate development. At June 30, 2004, Rabohypothekbank had assets of €0.7 billion.

#### **Wholesale Banking**

Through RNCC, Rabobank International, Rabo Securities and Gilde we provide a variety of wholesale banking services, including lending and special financing arrangements to both domestic and international corporate clients and advising on mergers and acquisitions and capital markets transactions. For the six months ended June 30, 2004, our Wholesale Banking operations accounted for 22%, or €1,058 million, of our total income and 33%, or €464 million, of our operating profit before taxation. At June 30, 2004, our Wholesale Banking operations employed 5,455 full-time equivalent employees.

#### *Rabobank Nederland Corporate Clients*

RNCC focuses on the provision of wholesale banking services to the Dutch corporate market. RNCC also operates in Belgium. RNCC offers a broad range of financial products and specialist services and works through sector and regional teams. In 2003, the integrated services to the food and agri-market in the Netherlands were added to RNCC's responsibilities. In cooperation with the Local Rabobanks, these sector and regional teams offer an Allfinanz package that is tailored to our clients' specific needs.

#### *Rabobank International*

Our business banking division, Rabobank International, operates on a global scale. The subsidiaries within our Rabobank International division have a comprehensive international network of offices, with 167 offices in 28 countries outside the Netherlands. Rabobank International provides sophisticated financial products aimed at professional counterparts in the international financial markets. This involves trading, arbitrage and structured finance activities that have been placed in the various divisions of Rabobank International. However, its activities are primarily focused on enterprises in the food and agribusiness sector and more specifically on providing financing to entities engaged in processing and trading of agricultural commodities. Rabobank International also makes loans to international corporate and government borrowers. At June 30, 2004, Rabobank International loans amounted to €47 billion or 19% of our total lending to the private sector.

Following earlier acquisitions in Australia and New Zealand in the 1990s and the former state-owned Irish ACC Bank and VIB Corp in the United States in 2002, we are continuing to expand our country banking model on a global scale. In 2003, we acquired the rural lending portfolio of the New Zealand bank AMP Bank Limited. We are continuing the activities of Primary Industry Bank of Australia under the Rabobank brand. Rabobank International has become a market leader in the agricultural processing industry in Australia and is the country's third largest agricultural financier.

Also in 2003, we acquired Lend Lease Agri-Business and Ag Services of America, Inc. Lend Lease Agri-Business now operates under the name Rabo Agrifinance and offers long-term financing to agricultural enterprises in the United States, secured by land and the buildings erected on it. Ag Services of America, Inc. has been renamed Rabo Ag Services and is specialized in harvest financing, mainly to American corn and soy growers. At year-end 2003, Rabobank International held \$3.5 billion in loans to the agricultural sector in the United States. Rabobank International's aggregate activities in the United States, including food and agri-business, corporate finance and capital markets operations, accounted for approximately half of Rabobank International's total profit in 2003. On September 3, 2004, we announced our intention to acquire a 35% interest in the Polish bank BGZ, which is one of the leading banks for the Polish agricultural and food economy sectors.

#### *Rabo Securities N.V.*

Rabo Securities operates Rabobank International's wholesale equity securities activities, executing a variety of capital market transactions for clients of the Local Rabobanks and Rabobank International. Its operations include share issues, mergers and acquisitions, derivatives and equity research, sales and trading. Rabo Securities operates from



Amsterdam and London and opened an office in New York in 2003. Rabo Securities supports our funding activities by participating in underwriting issues of equity securities, generally for resale, in both the domestic and international markets and for both institutional and private investors. Rabo Securities also writes equity derivatives for private investors. In 2003, Rabo Securities acquired a strategic interest of 51% in Rembrandt Corporate Finance, which focuses on tailored advice and support to directors and controlling shareholders during business transfers and expansions.

#### *Gilde Investment Management B.V.*

Gilde is engaged in venture capital financing and manages various specialized funds (including Gilde IT, Gilde Buy Out and Gilde Participations) in which certain non-group entities participate, both in the Netherlands and internationally. At June 30, 2004, Gilde had a total of €92 million in investments outstanding compared to €611 million at December 31, 2003.

#### ***Asset Management and Investment***

We provide asset management and investment services to private, institutional and corporate investors primarily through the following subsidiaries: Robeco (asset management), Schretlen (private banking), Effectenbank Stroeve (asset management and investment services) and Alex (internet broker). For the six months ended June 30, 2004, our Asset Management and Investment operations accounted for 6%, or €301 million, of our total income and 6%, or €80 million, of our operating profit before taxation. At June 30, 2004, our Asset Management and Investment operations employed 1,811 full-time equivalent employees.

#### *Robeco Group N.V.*

Robeco is headquartered in Rotterdam, the Netherlands, and has offices in Belgium, France, Germany, Switzerland, Italy and the United States. Robeco is engaged in asset management for private, institutional and corporate investors. Robeco also acts as the competence center for asset management services within the Rabobank Group, offering financial products and services to our other asset management and investment operations. Robeco is the Dutch market leader in investment funds, with €14 billion in assets under management at June 30, 2004. Assets managed for institutional investors amounted to €61 billion. Assets managed for private clients amounted to €53 billion. Rabobank Nederland owns a 100% equity interest in Robeco.

#### *Schretlen & Co. N.V.*

As the asset management specialist for the high net-worth clients of the Local Rabobanks, Schretlen undertakes our private banking activities both in the Netherlands and internationally. Schretlen's operations are headquartered in Amsterdam, the Netherlands. Schretlen's services are available to private individuals with a minimum of €500,000 freely available for investment. In addition, Schretlen, in cooperation with the Local Rabobanks, offers a standardized form of asset management, Rabobank Managed Investment, for private individuals with a minimum of €150,000 in assets managed. The Local Rabobanks, by using the standardized form of asset management, can offer their clients the choice of five standard investment portfolios, each managed by Schretlen and each with varying levels of risk. In addition, Schretlen focuses on small and medium-sized institutional investors. Schretlen had approximately €5.3 billion in assets under management at June 30, 2004.

#### *Bank Sarasin & Cie AG*

In 2002, we acquired a 28% equity stake in Bank Sarasin & Cie AG ("**Sarasin**"), with the option to increase our stake to a majority stake at any time before June 30, 2009. Sarasin offers investment consultancy and portfolio management services to private persons in Switzerland. As part of the joint venture, we contributed our International Private Banking activities which had operations in various locations around the world. At June 30, 2004, Sarasin had approximately €35.5 billion in assets under management.

#### *Effectenbank Stroeve N.V.*

Effectenbank Stroeve, headquartered in Amsterdam, The Netherlands, provides investment advice to investors with a minimum of €150,000 freely available for investment. Asset management services are also provided to clients with a minimum of €50,000 freely available for investment. Effectenbank Stroeve is the Dutch market leader in services to professional clients, such as independent asset managers and brokers. Effectenbank Stroeve had approximately €2.7 billion in assets under management at June 30, 2004.

#### *Alex*

In 2003, we acquired Alex, an online securities broker focusing on active clients who prefer to place their own orders at more competitive rates, and the order telephone line VEB Bottomline. Alex and VEB Bottomline have been combined into a separate business unit of Rabobank Nederland. Alex had €2 billion in assets under management at June 30, 2004.

## ***Insurance***

Interpolis, with headquarters in Tilburg, the Netherlands, was the sixth largest insurance company in the Netherlands in 2003 in terms of premium turnover. Interpolis provides comprehensive life and non-life insurance services to our retail, agricultural and corporate customers. In addition to the Netherlands, Interpolis is also active in Luxembourg, Ireland, the United States and Portugal. We are expanding Interpolis' services for brokers and, in the field of employment benefits, for small and medium-sized businesses. In order to strengthen Interpolis' market position, we are continuing to develop it as a full-service insurance company.

Interpolis is a market leader in the Netherlands in annuities, based on premium income. Income from annuities and single-premium policies totaled €784 million at December 31, 2003. As part of our cooperation with Eureko, announced in February 2004, Interpolis will sell health insurance provided by Achmea's subsidiary, Zilveren Kruis Achmea, via the Local Rabobanks.

For the six months ended June 30, 2004, premiums from life and non-life insurance activities were €1,311 million and €832 million, respectively. Operating profit before taxation from our Insurance operations, at €26 million, accounted for 9% of our operating profit before taxation for the six months ended June 30, 2004.

At June 30, 2004, our Insurance operations employed 5,200 full-time equivalent employees.

## ***Leasing***

Our leasing activities are undertaken primarily by De Lage Landen which provides factoring and leasing services to corporate borrowers, primarily in the food and agribusiness, technology, health care and banking industries in both the Netherlands and internationally. De Lage Landen is headquartered in Eindhoven, the Netherlands.

In the Netherlands, De Lage Landen focuses on leasing and trade finance products. Leasing products include equipment leases, ICT leases, vendor leases and car and commercial vehicle leases (Translease). De Lage Landen's strength in the Netherlands lies in its fast settlement of standard lease contracts and its specialist knowledge of various industry branches. De Lage Landen's product range is marketed in the Netherlands through the Local Rabobanks. De Lage Landen also directly markets its products. In early 2004, De Lage Landen sold De Lage Landen Vastgoedfinancieringen to FGH Bank.

Internationally, De Lage Landen specializes in asset financing and vendor finance services, offering lease facilities for sales support via the sales channels of manufacturers and distributors of capital goods. De Lage Landen operates in more than 20 countries in Europe and the Americas, and also in Australia and New Zealand. De Lage Landen concentrates on enterprises with activities in agricultural machinery, telecommunications, computers, photocopiers, (internal) means of transport and medical equipment. De Lage Landen has a leading position in the vendor finance market. As from 2004, the activities of the Dutch and European divisions have been combined in order to generate efficiency gains and to respond faster and more effectively to market changes.

At June 30, 2004, De Lage Landen had a loan portfolio of approximately €2.6 billion. Of this amount, €6.7 billion was attributable to the Vendor Finance Europe division and €5.9 billion was attributable to the Vendor Finance America division, including Australia and New Zealand. Operating profit before taxation from our Leasing operations, at €100 million accounted for 7% of our operating profit before taxation for the six months ended June 30, 2004.

At June 30, 2004, our Leasing operations employed 2,639 full-time equivalent employees.

## ***Real Estate***

We provide a variety of real estate services to institutional and corporate clients through Rabo Vastgoed and FGH Bank, which we acquired in October 2003. Rabo Vastgoed is our real estate project development and finance arm. Project development is carried out in close cooperation with the Local Rabobanks. In 2003, Rabo Vastgoed acquired a 60% majority interest in Livingstone Building Industry and the development activities and land positions of Gerritsen Bouwgroep. At June 30, 2004, its order portfolio amounted to €4.4 billion. In early 2004, FGH Bank acquired De Lage Landen Vastgoed Financieringen, which had a €1.1 billion lending portfolio at the end of 2003, from De Lage Landen, our leasing subsidiary.

FGH Bank is a Dutch bank specializing in commercial real estate financing and conducting its activities under its own trademark within the Rabobank Group. Approximately 75% of its portfolio relates to investment financing. In addition, FGH Bank is active in project and land financing, trade financing, 'sell off' financing (i.e., selling rented houses to sitting tenants), operating leases, mortgage financing and interest rate derivatives. At June 30, 2004, FGH Bank had a financing portfolio of approximately €5.6 billion in the Netherlands.

Operating profit before taxation from our Real Estate operations of €37 million accounted for 3% of our operating profit before taxation for the six months ended June 30, 2004.

At June 30, 2004, our Real Estate operations employed 274 full-time equivalent employees.

## **Competition**

We compete in the Netherlands with several other large commercial banks and financial institutions, such as ABN AMRO, ING and Fortis. As a result of the overall improving liquidity of Dutch corporations, increased emphasis by banks on the credit quality of borrowers and the deregulation of capital markets, competition among banks in the Netherlands has increased significantly during the past several years. In addition, life insurance companies and pension funds in the Netherlands have become major competitors in the markets for residential mortgage loans and private savings. Internationally, we face competition in the various countries in which Rabobank International operates.

In the Dutch market, we are one of the market leaders for many financial services. We had a 26% market share of new home mortgages in the first half of 2004 (by aggregate amount of loans) and 38% of private savings (by aggregate deposits) as of June 30, 2004. According to a survey conducted by a third-party consulting firm at the end of 2003, 85% of customers in the Dutch primary agricultural sector and 39% of customers in the trade, industry and services sector identified Rabobank Group as the most important bank to their business. We also considerably strengthened our share of the larger corporate market.

## **Employees**

We believe that achieving our clients' goals through financial services goes hand-in-hand with the personal development of our employees. Accordingly, in our view, good working conditions, terms of employment and ongoing development of our managers and employees are preconditions for achieving our strategy. Management believes its employee relations are good. In April 2004, we reached agreement with the unions on a new Collective Labour Agreement ("CLA"). The new CLA is in effect until May 1, 2005 and provided for a non-recurrent result-based bonus of 1% per September 1, 2004. The new CLA also provides for a new performance-based evaluation system, effective January 1, 2005, which will determine variable compensation for the first time in 2006.

In 2003, the number of employees at the combined Local Rabobanks declined by 1,921. Efficiency programs and the advance of virtual channels for distribution of our products and services resulted in further job losses at the Local Rabobanks in 2004. As part of our reorganization program "Operation Service," the number of employees of Rabobank Nederland is expected to gradually decline by nearly 1,200 full-time equivalent employees over the next couple of years. At June 30, 2004 the Rabobank Group had 56,732 employees (being 50,594 full-time equivalent employees), a decrease of 323 compared to December 31, 2003.

## **Properties**

Rabobank Nederland and the Local Rabobanks typically own the land and buildings used in the normal course of their business activities in the Netherlands. Outside the Netherlands, the Rabobank Group entities also typically own the land and buildings used in the normal course of their business activities. At June 30, 2004, the Local Rabobanks owned 1,322 branch offices within the Netherlands. In addition, our investment portfolio includes investments in land and buildings. Management believes that the Rabobank Group's facilities are adequate for its present needs in all material respects.

## **Environmental Policies and Social Responsibility**

We seek to conduct our business activities in a manner that is responsive to environmental and social concerns. As a result, in assessing credit applications we believe it is relevant to consider issues such as sustainability, socially responsible business practice and ethics. We believe that estimated environmental risks and social issues are important. We therefore consider not only current environmental laws and regulations, but also compliance with social standards, respect for the well-being of animals and the use of genetic modification as we carry out our business activities.

The Local Rabobanks, in keeping with their cooperative tradition and common values, also seek a proper balance between the various interests of people, the market and society. The Local Rabobanks attempt to reflect this balance in their lending policy, their engagement in local initiatives and the range of financial products offered to their clients. Sustainability also plays an important part in their advising on business plans and realignments. The choice in favor of environmentally-friendly products and technology is often a source of innovation and helps to encourage suppliers of the Rabobank Group to operate in an environment-friendly way.

In 2003, we carried out an extensive stakeholder consultation among fifteen social organizations, including trade unions and environmental development aid and human rights lobby groups. They gave their opinions on the Annual Responsibility and Sustainability Report and our corporate social responsibility policy stated therein. This feedback has partly determined our corporate social responsibility priorities for 2004: innovation and volume growth of sustainable products and services and corporate social responsibility as a testing criterion for lending. We have continued the stakeholder dialogue in 2004. According to an appraisal in September 2003 from the Swiss-based environmental rating agency Sustainable Asset Management Group, the Rabobank Group ranked among the international banking leaders in the area of sustainability. The Rabobank Group achieved the highest score in the European banking sector and achieved

second place worldwide. The Rabobank Group was awarded a score of 74%, a 10% improvement on the first appraisal that was conducted in 2001. The previous appraisal also placed the Rabobank Group among the European and worldwide leaders.

### **Legal Proceedings**

We are involved in litigation and arbitration proceedings in the Netherlands and in foreign jurisdictions, including the United States, involving claims by and against us which arise in the ordinary course of our businesses, including in connection with our activities as an insurer, lender, employer, investor and taxpayer. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings and litigation, management believes that the ultimate outcome of the various proceedings and litigation already commenced, and/or any future proceedings and litigation, will not have a material adverse effect on our financial condition, given our size, robust balance sheet, stable income stream and prudent provisioning policy.

### ***Enron Settlement***

In February 2004, Rabobank Nederland and The Royal Bank of Canada reached a settlement regarding their litigation before a New York State Court and the High Court in London in a complex off-balance sheet financial transaction involving Enron Corp. and certain related entities. The amount to be paid by Rabobank Nederland under the terms of the settlement was sufficiently covered by provisions that we had previously taken.

### ***Stutts, et al. v. The De Dietrich Group, et al.***

In 2003, the Rabobank Group was named as a defendant in *Stutts, et al. v. The De Dietrich Group, et al.* filed in the U.S. District Court for the Eastern District of New York. In the suit, certain U.S. veterans of the first Gulf War allege that they sustained injuries as a result of the Rabobank Group's role, among other banks, as a correspondent bank with respect to letters of credit obtained by the Iraqi government in order to purchase materials that may have been used in the manufacture of chemical weapons. No response has yet been filed, but the Rabobank Group intends to defend the suit vigorously.

### **Insurance**

The companies within the Rabobank Group carry insurance of a type customary for the industries in which they operate. Management believes that the insurance carried by these companies is maintained at an adequate level.

### **The Rabobank Group Structure**

Rabobank Nederland, having its statutory seat in Amsterdam, is a cooperative entity formed primarily as a result of the merger of the two largest banking cooperative entities in the Netherlands in December 1972. A cooperative under Dutch law is a form of association with the statutory objective to provide for certain material needs of its members. Rabobank Nederland is registered with the Trade Register of the Chamber of Commerce in Amsterdam, the Netherlands under number 30046259.

Membership in Rabobank Nederland is open only to cooperative banks whose articles of association have been approved by Rabobank Nederland. Upon obtaining membership, Rabobank Nederland issues a number of shares (par value €455 each), the number of which is dependent upon the Local Rabobank's balance sheet total. Since 1995, no new shares have been issued. The shares are fully paid up on issuance and are not permitted to be pledged, given in usufruct, or otherwise encumbered, alienated or transferred. The articles of association provide that shares may be issued only pursuant to a resolution proposed by Rabobank Nederland's Supervisory Board and approved by Local Rabobanks in a General Meeting. In certain circumstances, Rabobank Nederland may repurchase its shares from the Local Rabobanks. Pursuant to the articles of association, each Local Rabobank is obliged, by virtue of its membership, to participate in any future issue of shares in the same proportion as the proportion which existed in the year preceding the year of issue, between its balance sheet total and the sum of the balance sheet totals of all Local Rabobanks. At June 30, 2004, 1.4 million shares (for an aggregate amount of €638 million) had been issued to the Local Rabobanks.

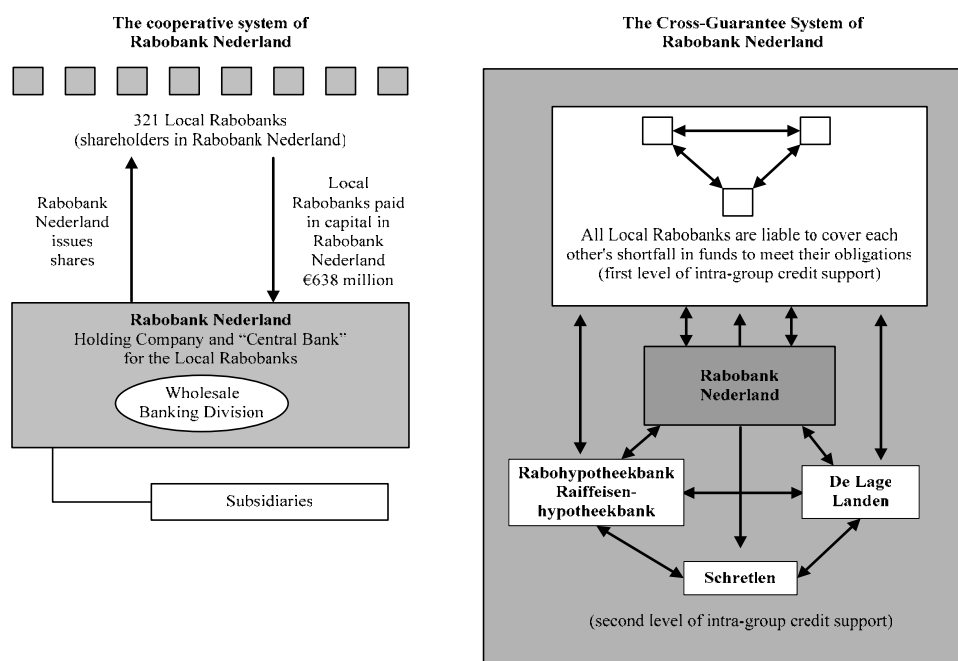
As members of the Rabobank Group cooperative, the Local Rabobanks have certain ownership rights with respect to Rabobank Nederland. However, their position with respect to ownership cannot be compared to the position of shareholders in a corporation. Pursuant to Rabobank Nederland's articles of association, if, in the event of Rabobank Nederland's liquidation, whether by court order or otherwise, its assets should prove to be insufficient to meet its liabilities, the Local Rabobanks, as members of Rabobank Nederland at the time of the liquidation as well as those who ceased to be members in the year prior to the liquidation, shall be liable for the deficit in proportion to their respective last adopted balance sheet totals. If it should prove impossible to recover the share of one or more liable members or former members in the shortfall, the remaining liable parties shall be jointly liable in the same proportion for the amount not recovered. Under the articles of association of Rabobank Nederland, the total amount for which members or former members are liable shall never exceed 3% of its last adopted balance sheet total. However, this limitation of

liability under the articles of association of Rabobank Nederland does not affect the liability of the Local Rabobanks under the Cross-Guarantee System and their liability under the compensation agreements, referenced below.

Rabobank Nederland's functions within the Rabobank Group can be broadly divided into three areas. First, it negotiates and enters into commitments on behalf of the Local Rabobanks, provided that such commitments have the same implications for all Local Rabobanks (for instance, entering into collective labor agreements on behalf of the Local Rabobanks). Second, Rabobank Nederland is entrusted with the supervision of the Local Rabobanks pursuant to the provisions of the Act on the Supervision of the Credit System 1992 (*Wet toezicht kredietwezen 1992*). In this capacity, it acts as a "central bank" to the Local Rabobanks (see "–Rabobank Nederland's "Central Bank" Activities"). Finally, Rabobank Nederland operates its own banking business, both complementary to and independent of the business of the Local Rabobanks, and is the holding company of the specialized subsidiaries. See also "General Information – Social Object of Rabobank Nederland."

The Local Rabobanks are organized as cooperative entities under Dutch law and draw all of their members from their customers. The number of Local Rabobanks has decreased from 328 at December 31, 2003 to 321 at June 30, 2004. At June 30, 2004, the Local Rabobanks had approximately 1.43 million members, an increase of approximately 65,000 members from the previous half year. Members of the Local Rabobanks do not make capital contributions to the Local Rabobanks and are not entitled to the equity of the Local Rabobanks. Members are not liable for any obligations of the Local Rabobanks.

### The Cross-Guarantee System



The following is a description of the two types of intra-group credit support within the Rabobank Group.

#### Cross-Guarantee System

In accordance with the 1992 Act on the Supervision of the Credit System (*Wet toezicht kredietwezen 1992*), an internal Cross-Guarantee System is in place whereby certain entities within the Rabobank Group are liable for making funds available to cover the other participants' shortfall in funds needed to meet their financial obligations. Participating entities within the Rabobank Group are Rabobank Nederland, the Local Rabobanks, certain entities within the De Lage Landen group of companies, Schretlen, Rabohypotheekbank and Raiffeisenhypotheekbank N.V. For regulatory and financial reporting purposes, Rabobank Nederland and the Local Rabobanks, as well as the participating subsidiaries are treated as a consolidated entity. In addition, Rabobank Nederland has assumed liability for the debts arising from legal transactions of a number of other Rabobank Group companies under Section 2:403 of the Dutch Civil Code.

#### Compensation Agreements

The Local Rabobanks are also parties to several compensation agreements whereby shortfalls of Local Rabobanks with respect to equity, profitability, loan loss reserves and due to financing losses are financed by charging all Local Rabobanks. In effect, the system interlinks the reserves of the Local Rabobanks. In connection therewith, the articles of

association of each of the Local Rabobanks provide that any surplus balance on the profit and loss account shall be allocated to the general reserve, although each Local Rabobank can, up to a limit, choose to allocate a portion to causes of local or general interest. The articles of association of each Local Rabobank further provide that reserves shall on no account be distributed to the members of the Local Rabobank, including upon liquidation.

Under the intra-group credit support system, including the Cross-Guarantee System, Local Rabobanks effectively first cover each other's shortfalls, before Rabobank Nederland or any of the other entities become involved.

### **Rabobank Nederland's "Central Bank" Activities**

#### *Capital Adequacy and Liquidity*

The Cross-Guarantee System operates in concert with the regulatory and administrative oversight of the Local Rabobanks by Rabobank Nederland. Notwithstanding the fact that Rabobank Nederland is supervised by the Dutch Central Bank on a consolidated basis, Rabobank Nederland has been assigned by law (section 12 of the 1992 Act on the Supervision of the Credit System (*Wet toezicht kredietwezen 1992*)) the responsibility for ensuring compliance by the Local Rabobanks with the Dutch Central Bank's capital adequacy and liquidity regulations. The Dutch Central Bank's capital adequacy regulations are intended to preserve a bank's ability to withstand loan losses and other business risks through reserves and retained earnings. The internal standards actually applied by Rabobank Nederland, however, are more conservative than the regulations promulgated by the Dutch Central Bank. This policy partly reflects the fact that cooperative banks, which cannot raise new capital by the issue of shares, can only grow and maintain an appropriate ratio of reserves to total liabilities by making profits. Any Local Rabobank whose ratio of reserves to total liabilities fails to meet internal solvency standards is subject to stricter supervision by Rabobank Nederland. In particular, Rabobank Nederland may restrict such Local Rabobank's authority to make lending decisions within the Rabobank Group lending limits.

The Local Rabobanks are permitted to have accounts only with Rabobank Nederland, which is the sole outlet for each Local Rabobank's excess liquidity and acts as treasurer to the Local Rabobanks. Each Local Rabobank is also required by Rabobank Nederland to keep a certain portion of its own deposits on current account with Rabobank Nederland.

#### *Profitability and Support*

In addition to its capital adequacy standards, Rabobank Nederland, when advising Local Rabobanks on interest rates and lending criteria, requires from each Local Rabobank a certain level of profitability. The activities of each Local Rabobank's activities are subject to the supervision of the Rabobank Group Audit Department, which makes routine inspections. When a Local Rabobank fails to perform adequately, Rabobank Nederland has the power under the articles of association to replace its management.

Rabobank Nederland also advises and supports the Local Rabobanks on a day-to-day basis on all aspects of the Local Rabobanks' or their customers' businesses, including marketing, setting of interest rates (both on deposits and on loans), asset and liability management, security valuation and assessment, co-financing and large-scale financing, trade financing, foreign exchange, securities transactions, portfolio management, insurance and legal matters. In addition, Rabobank Nederland also provides a number of administrative services to the Local Rabobanks, including payment transfers (domestic and internationally), accounting, auditing and the management and coordination of personnel policy and administration.

#### *Control Rabobank Group and Treasury Rabobank Group*

Control Rabobank Group and Treasury Rabobank Group coordinate the asset and liability management for the Rabobank Group. Control Rabobank Group is responsible for monitoring capital adequacy and profitability and managing compliance with the financial standards set by the Dutch Central Bank and by internal interest rate risk and liquidity parameters.

Control Rabobank Group and Treasury Rabobank Group manages the liquidity of the Rabobank Group by coordinating the investments in liquid assets or by obtaining short-, medium- and long-term funds from the domestic and international markets. Treasury Rabobank Group executes Rabobank Nederland's funding policy which aims to match maturities of loans and the funding for such loans through the issue of medium and long-term debt securities in the international capital markets. Short-term debt securities, such as international commercial paper and asset-backed commercial paper, are issued by Rabobank International, which also participates in international foreign exchange and money market trading transactions. These activities are partly undertaken in implementation of Rabobank Nederland's liquid asset management function.

## MANAGEMENT

### **Rabobank Nederland's Management**

Rabobank Nederland has a Supervisory Board and an Executive Board. The Supervisory Board (*raad van commissarissen*) of Rabobank Nederland must consist of at least seven members. Members of the Supervisory Board are appointed by the General Meeting. At present, the Supervisory Board consists of thirteen members and is responsible for monitoring Rabobank Nederland's policy and its compliance with applicable legislation and its articles of association. It is also responsible for reporting to the General Meeting on the annual statement of accounts. On the recommendation of the Supervisory Board, the General Meeting appoints Rabobank Group's external auditor, whose statement of accounts is submitted to the General Meeting. The total remuneration of the members of the Supervisory Board in 2003 was €1.7 million.

The Executive Board (*raad van bestuur*) of Rabobank Nederland must consist of at least two members. The members are appointed, and may be suspended and removed, by the Supervisory Board. At present, the Executive Board consists of five members. The Executive Board prepares and executes Group strategy and is responsible for the appointment, suspension and removal of general managers of Rabobank Nederland. The Executive Board is responsible for the management of Rabobank Nederland and the Local Rabobanks to the extent that they are subject to the supervision of Rabobank Nederland. The Executive Board's responsibilities include the authorization of debenture issues of Rabobank Nederland, subject to the approval of the Supervisory Board. The Executive Board is also responsible for the compilation of the annual statement of accounts for adoption by the General Meeting and the recommendation of the profit appropriation to Rabobank Nederland's members. Bert (H.) Heemskerk is the Chairman of the Executive Board and is currently acting CFO. The total remuneration of the members of the Executive Board in 2003 was €10.8 million.

The members of the Executive Board and the Supervisory Board are subject to several restrictions with respect to other positions they may hold. No individual may be a member of both the Supervisory Board and the Executive Board. No member of the Supervisory Board is permitted to belong to the staff of Rabobank Nederland, a Local Rabobank or any institution affiliated with Rabobank Nederland, nor is a member of the Supervisory Board permitted to belong to the supervisory board or board of directors of a Local Rabobank. No member of the Executive Board is permitted to hold office with, or be employed by, any Local Rabobank. The members of the Supervisory Board and the Executive Board are prohibited from holding any office with a credit institution within the meaning of the Credit System Supervision Act, other than credit institutions affiliated with Rabobank Nederland.

The Supervisory Board and the Executive Board maintain their offices at the head office of Rabobank Nederland at Croeselaan 18, 3521 CB Utrecht, the Netherlands.

Set forth below are the members of the Supervisory Board and the Executive Board of Rabobank Nederland and certain biographical information. All members are resident in the Netherlands except Mr. Berndsen who is resident in Belgium.

#### ***Supervisory Board of Rabobank Nederland***

<b>Name</b>	<b>Born</b>	<b>Year Appointed</b>	<b>Term Expires</b>	<b>Nationality</b>
Lense (L.) Koopmans, Chairman....	1943	2002	2005	Dutch
Leo (L.J.M.) Berndsen .....	1942	2002	2005	Dutch
Teun (T.) de Boon .....	1941	2002	2004	Dutch
Bernard (B.) Bijvoet.....	1940	2002	2004	Dutch
Wim (W.F.) Duisenberg.....	1935	2004	2008	Dutch
Sjoerd (S.E.) Eisma .....	1949	2002	2005	Dutch
Marinus (M.) Minderhoud .....	1946	2002	2007	Dutch
Hans (J.A.A.M.) van Rossum .....	1948	2002	2006	Dutch
Herman (H.C.) Scheffer .....	1948	2002	2006	Dutch
Martin (M.J.M.) Tielen .....	1942	2002	2006	Dutch
Aad (A.W.) Veenman.....	1947	2002	2006	Dutch
Antoon (A.J.A.M.) Vermeer .....	1949	2002	2007	Dutch
Arnold (A.H.C.M) Walravens .....	1940	2004	2007	Dutch

*Lense (L.) Koopmans*: Professor of Economics at the University of Groningen. Chairman of the Board Stichting TBI, which wholly-owns TBI Holdings (building and engineering). Chairman of the Supervisory Board of SFB Holding (social security). Chairman of the Supervisory Board of Siers Group (infrastructure). Chairman of the Supervisory Board of Burgfonds (project development). Chairman of the Supervisory Board of Agritech (venture capital). Member of the Supervisory Board of Nuon (electricity). Member of the Supervisory Board of Arriva Nederland (regional transport). Member of the Supervisory Board of IHC Holland (dredging and offshore pile driving). Member of the

Supervisory Board of Huntsman Holland (chemical industry). Member of the Supervisory Board of N.O.M. (Northern Development Company). Member of the Supervisory Board of TNO (Research).

*Leo (L.J.M.) Berndszen:* Member of the Supervisory Board of Koninklijke Nedlloyd N.V. (holding company). Co-chairman P&O Nedlloyd Containerline Ltd. (container shipping). Member of the Supervisory Board of Corus Nederland B.V. (steel). Member of the Supervisory Board of Océ N.V. (copiers). Member of the Supervisory Board of Nederlandse Staatsloterij (public lottery).

*Teun (T.) de Boon:* Member of the Supervisory Board of A.C. Sillevoldt (international spice and rice trading company). Member of the board of Directors (bestuur) of the Chamber of Commerce Midden-Brabant. Vice-Chairman of development institute ZOD Neere, Burkina Fasso. Senior Adviser of the Netherlands Management Corporation Programme (NMCP). Member of the Board of Directors of the Institute for Latin America.

*Bernard (B.) Bijvoet:* Chairman of the Board of Governors of the Brabantse Hogescholen Breda/s-Hertogenbosch (college of advanced education). Chairman of the Supervisory Board of De Eik B.V. (grocery). Chairman of the Supervisory Board of AH Kaascentrale (dairy). Member of the Supervisory Board of Essent N.V. (electricity). Member of the Board of the Coöperatieve Aardappelzetmeelbedrijven Avebe (agriculture).

*Wim (W.F.) Duisenberg:* Member of the Supervisory Board of the European Association for Banking. President of the Supervisory Board of the Dutch Institute for Cancer and Antonie van Leeuwenhoek hospital. President of the European Association of Banking History. President of the Rijksmuseumfonds. President of the European Central Bank from June 1998 until October 2003.

*Sjoerd (S.E.) Eisma:* Member of the bar in The Hague, partner at De Brauw Blackstone Westbroek N.V. Member of the Supervisory Board of Hal Holding N.V. (investment company). Member of the Supervisory Board of the SDU Government Printing office. Member of the Board of Directors of the Foundation of the Hal pension fund. Member of the Board of Directors of the Anton Philips Fund. Chairman of the Supervisory Council of the Kröller-Müller Museum. General Secretary of the VEVO (Dutch association of listed companies). Member of the Take-over Committee of the AFM (Dutch securities regulator). Member of the Board of Stichting Stev Reich.

*Marinus (M.) Minderhoud:* Chairman of the Supervisory Board of Vodafone Libertel N.V. Chairman of the Board of Directors of Vodafone International Holdings B.V. Chairman of the Board of Directors of Vodafone Europe B.V. (telecom). Member of the Supervisory Board of Nuon (electricity). Vice-Chairman of the Supervisory Board of Getronics (ICT).

*Hans (J.A.A.M.) van Rossum:* Head of the Administration Department of the Dutch Dairy Commodity Board. Chairman of the Board of Directors Zuid-Holland Investment Fund. Chairman of the Association Collectieve Beveiliging Bedrijven Rijswijk.

*Herman (H.C.) Scheffer:* Senior Counsel Boer & Croon (strategy and management). Member of the Supervisory Board of the Technical University of Delft. Member of the Supervisory Board of the Coöperatieve Cehave Landbouwbelaag (agriculture). Member of the Supervisory Board of Joint Services International N.V. (clothing). Chairman of the Supervisory Board of Bonda's Veevoeder B.V. (livestock feeding). Chairman of the Supervisory Board of De Drie Mollen (coffee and tea). Chairman of the Advisory Board of De Telefoongids (yellow pages).

*Martin (M.J.M.) Tielen:* Chairman of the Netherlands Feed Industry Association. Vice president of the European Federation for Feed Manufacturers. Member of the European Union Evaluation Commission of the European Association of Establishment for Veterinary Education.

*Aad (A.W.) Veenman:* Chairman of the Board of Directors of N.V. Nederlandse Spoorwegen (Dutch railways). Chairman of the Supervisory Board of Koninklijke Ten Cate N.V. (textile). Member of the Supervisory Board of the Athlon Group N.V. (car leasing).

*Antoon (A.J.A.M.) Vermeer:* Chairman of the Board of Directors of the Southern Agriculture and Horticulture Organization. Member of the Board of Directors of the Netherlands' Agriculture and Horticulture Organization. Chairman of the Supervisory Board of Best-Agrifund (meat rendering-gelatine).

*Arnold (A.H.C.M.) Walravens:* Vice Chairman of the Supervisory Board of Eureko B.V. and Achmea Holding N.V. Member of the Board of Directors of Achmea Association. Member of the Supervisory Board of OWM Molest-risico W.A.; Chairman of the Supervisory Board of OWM Zilveren Kruis Ziekenfonds; Member of the Supervisory Board of OWM Groene Land PWZ Zorgverzekeraar; Member of the Board of Directors of Stichting PVF Nederland. Chairman of the Board of Achmea Re, Luxembourg. Chairman of the Supervisory Board of Tauw Infra Consult (infrastructure consultancy). Member of the Supervisory Board of CSM N.V. (sugar). Director of PMBA Studies and Member of the senate of International Executive Development Center, Bled, Slovenia. Chairman of the Supervisory Board of Wolters Kluwer Nederland B.V. (multi-media publisher).



### ***Executive Board of Rabobank Nederland***

<b>Name</b>	<b>Born</b>	<b>Year Appointed</b>	<b>Nationality</b>
Bert (H.) Heemskerk, Chairman .....	1943	2002	Dutch
Hans (J.C.) ten Cate.....	1946	2000	Dutch
Piet (P.W.) Moerland .....	1949	2003	Dutch
Piet (P.J.A.) van Schijndel .....	1950	2002	Dutch
Rik (D.J.M.G.) baron van Slingelandt.....	1946	1996	Dutch

*Bert (H.) Heemskerk:* Mr. Heemskerk was appointed Chairman of the Executive Board of Rabobank Nederland as of December 1, 2002. Mr. Heemskerk was previously the Chairman of the Executive Board of F. van Lanschot Bankiers N.V. from 1991 to 2002. Before moving to F. van Lanschot Bankiers N.V., Mr. Heemskerk worked at AMRO Bank/ABN AMRO for more than 20 years, serving as Director General Netherlands for ABN AMRO Netherlands from 1988 to 1991. Mr. Heemskerk holds several positions outside of Rabobank Nederland's Executive Board, including, among others, as a Member of the Board of Liquidators, a Member of the Board of the Stock Exchange, a Member of the Advisory Council to the Amsterdam Institute of Finance and a Member of the Board of Supervisory Directors of VADO (investment fund).

*Hans (J.C.) ten Cate:* Mr. ten Cate was appointed to Rabobank Nederland's Executive Board as of September 1, 2000. As one of the two members of the Executive Board responsible for the wholesale business, Mr. ten Cate is primarily responsible for Rabobank Nederland Corporate Clients and Credit Risk Analysis. Prior to joining Rabobank Nederland, Mr. ten Cate was employed at AMRO Bank/ABN AMRO for more than 25 years, concluding his tenure there as Senior Executive Vice-president (*directeur generaal*) Credit & Special Financing in 2000. Within the Rabobank Group, Mr. ten Cate also serves as Chairman of the Supervisory Board of Rabo Vastgoed, Chairman of the Supervisory Board of Gilde, Chairman of the Supervisory Board of De Lage Landen, Chairman of the Supervisory Board of FGH Bank, Member of the Supervisory Board of Robeco and Vice Chairman of the Yes Bank in India. Mr. ten Cate also acts as Chairman of the Supervisory Board of Beurs Rotterdam N.V., Member of the Supervisory Board of Hogeschool Rotterdam (college of advanced education), Treasurer of the Foundation Museum Boijmans van Beuningen and Chairman of the Erasmus University Trust Fund.

*Piet (P.W.) Moerland:* Mr. Moerland was appointed to Rabobank Nederland's Executive Board as of January 1, 2003. As one of the two members of the Executive Board focused on the cooperative retail business, Mr. Moerland is responsible for the cooperative and local supervision and for information technology. After completing his degree and dissertation in the field of economics at the Erasmus University of Rotterdam in 1978, Mr. Moerland undertook a position with Rabobank Nederland's Central Group Staff from 1979 to 1980. Mr. Moerland then took a position as a professor of business administration with a focus on economics at the University of Groningen from 1981 to 1987 and as a professor of business economics with a focus on corporate finance at the University of Tilburg from 1988 to 2002. Mr. Moerland also had an unsponsored chair as a professor of corporate governance at the University of Tilburg. Within the Rabobank Group Mr. Moerland serves as a Member of the Supervisory Board of Rabobank International Advisory Services B.V., a Member of the Supervisory Board of Interpolis and a Member of the Board of Directors of Rabobank Foundation. Outside Rabobank, Mr. Moerland serves as a Member of the Supervisory Board of Essent N.V. (electricity), a Member of the Advisory Board of the Netherlands Order of Accountants and Administration Consultants and a Member of the Board of Directors of the NVB (Association of Dutch Banks).

*Piet (P.J.A.) van Schijndel:* Mr. van Schijndel was appointed to Rabobank Nederland's Executive Board as of December 1, 2002. As one of the two members of the Executive Board focused on the cooperative retail business, Mr. van Schijndel has responsibility for marketing, product development, market and operational support for the local banks and Alex Beleggersbank. Mr. van Schijndel took a position as a management consultant with Rabobank Nederland from 1975 to 1977. From 1977 to 1979, Mr. van Schijndel was Head of Insurance Administration. From 1979 to 1983, Mr. van Schijndel was a member of the Staff Group Directorate Insurance. Thereafter, he served as Acting Head and Head of the Insurance and Travel Directorate from 1983 to 1986 and from 1986 to 1990, respectively, Vice-Chairman of the Executive Board of Interpolis from 1990 to 1997 and Chairman of the Executive Board of Interpolis from 1998 to 2002. Mr. van Schijndel serves as Chairman of the Supervisory Board of Effectenbank Stroeve and as a Member of the Supervisory Boards of Schretlen, De Lage Landen, Obvion and the joint venture with KBC Bank. Furthermore, Mr. van Schijndel is a Member of the Board of Directors of the NVB (Association of Dutch Banks).

*Rik (D.J.M.G.) baron van Slingelandt:* Mr. van Slingelandt was appointed to Rabobank Nederland's Executive Board as of February 1, 1996. Mr. van Slingelandt is primarily responsible for the international activities of Rabobank Nederland (Rabobank International). From 1989 to 1996, he was the Director of International Operations for Rabobank Nederland. Mr. van Slingelandt worked with several companies before he joined the Rabobank Group. Mr. van Slingelandt was employed by Nationale Investeringsbank N.V. from 1972 to 1980. From 1980 to 1982, he was employed at Rijn Schelde Verolme (shipyard) as Head of the Financing Department. Subsequently, he was a Financial

Director at Verolme Estaleiros Reunidos do Brasil S.A. in Rio de Janeiro (1982 – 1985). He joined the Robeco Group in 1985 as a member of the Investment Committee (until 1989). Mr. van Slingelandt is a member of the executive boards and supervisory boards of a number of Rabobank Group companies, acting as, among others, Chairman of the Managing Board of Rabobank International, member of the Supervisory Board of Rabo Australia Ltd., Chairman of the Supervisory Board of Rabobank International Advisory Services B.V., Chairman of the Supervisory Board of Interpolis and Member of the Supervisory Board of both Robeco and Schretlen. Mr. van Slingelandt is a Member of the Board of Directors of Sarasin and a Member of the Advisory Committee of Issuing Institutions (Euronext).

#### **Changes in Management Membership**

Mr. Jac Verhaegen retired from the Executive Board per July 1, 2004 as a result of reaching the retirement age.

Mr. Duisenberg and Mr. Walravens joined the Supervisory Board as of June 24, 2004.

#### **Management of the Local Rabobanks**

Under the existing management model, each Local Rabobank within the Rabobank Group is governed by a board of directors and a supervisory board. Members of the supervisory board are elected by the members of the Local Rabobank. The supervisory board of each Local Rabobank, with the approval of Rabobank Nederland, appoints the managing director who is also a member of the supervisory board. The managing director is responsible for the management of the business and the implementation of policies of the Local Rabobank. As of October 2004, the Local Rabobanks may opt for an alternative management model under which an executive board, rather than a managing director, is responsible for the management of the Local Rabobank. Such executive board must consist of at least two members who may not be members of the Local Rabobank and who are appointed by the supervisory board of the Local Rabobank.

Representatives of the Local Rabobanks meet annually at the General Meeting of Rabobank Nederland to, amongst other things, approve the annual statement of accounts and any changes to the articles of association and to elect the members of Rabobank Nederland's Supervisory Board.

## SELECTED FINANCIAL INFORMATION

The following selected financial data are derived from the audited consolidated financial statements of the Rabobank Group as at and for the five years ended December 31, 2003, 2002, 2001, 2000 and 1999, the reviewed consolidated interim financial statements of the Rabobank Group as at and for the six months ended June 30, 2004 and the unaudited consolidated financial statements of the Rabobank Group as at and for the six months ended June 30, 2003. Ernst & Young Accountants have been the auditors for the Rabobank Group during the years ended December 31, 2003, 2002, 2001, 2000 and 1999. These selected financial data should be read in conjunction with such financial statements (including the notes thereto), as well as the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this offering memorandum. Our consolidated financial statements have been prepared in accordance with Dutch GAAP, which differs in certain significant respects from U.S. GAAP. See “Summary of Principal Differences between Dutch GAAP and U.S. GAAP”. From January 1, 2005, we will adopt International Financial Reporting Standards.

### Rabobank Group Consolidated Balance Sheet:

	At June 30,			At December 31, <sup>(1)</sup>					
	2004 AUD <sup>(2)</sup>	2004	2003	2003 AUD <sup>(3)</sup>	2003	2002	2001	2000	1999
	(unaudited)			(unaudited)			(audited)		
	(in millions of euro, unless otherwise specified)								
<b>Assets</b>									
Cash.....	16,605	9,478	6,371	11,893	7,117	3,807	3,736	3,086	2,327
Short-term government paper.....	5,936	3,388	2,619	5,366	3,211	1,813	5,311	7,362	1,179
Banks.....	84,981	48,505	44,464	70,051	41,919	47,229	40,078	38,364	24,599
Lending.....	458,313	261,594	237,163	419,107	250,797	225,252	208,614	191,666	171,001
Interest-bearing securities...	148,999	85,045	82,831	118,884	71,141	71,320	78,680	73,610	61,217
Shares.....	21,749	12,414	11,966	16,866	10,093	9,414	12,556	15,850	8,215
Participating interests.....	874	499	199	336	201	184	156	567	174
Property and equipment.....	6,941	3,962	3,900	6,624	3,964	3,870	3,756	3,392	3,143
Other assets.....	7,944	4,534	4,996	8,329	4,984	4,519	4,425	2,590	3,071
Prepayments and accrued income.....	19,148	10,929	7,858	16,507	9,878	7,312	6,367	6,433	6,292
<b>Total assets.....</b>	<b>771,490</b>	<b>440,348</b>	<b>402,367</b>	<b>673,963</b>	<b>403,305</b>	<b>374,720</b>	<b>363,679</b>	<b>342,920</b>	<b>281,218</b>
<b>Liabilities</b>									
Banks.....	163,710	93,442	84,891	138,461	82,856	85,886	80,014	83,891	59,106
Funds entrusted.....	316,208	180,484	180,878	288,383	172,571	171,632	172,174	146,705	127,527
Debt securities.....	169,273	96,617	76,484	134,849	80,695	61,739	58,514	49,887	44,012
Other liabilities.....	23,097	13,183	11,826	19,898	11,907	7,699	12,039	22,862	18,226
Accruals and deferred income.....	20,679	11,803	7,391	20,910	12,513	8,218	4,187	6,844	4,345
Provisions.....	35,285	20,140	18,923	32,047	19,177	18,338	18,336	14,753	13,028
Group equity <sup>(4)</sup> .....	43,238	24,679	21,974	39,415	23,586	21,208	18,415	17,978	14,974
<b>Total liabilities and group   equity<sup>(5)</sup>.....</b>	<b>771,490</b>	<b>440,348</b>	<b>402,367</b>	<b>673,963</b>	<b>403,305</b>	<b>374,720</b>	<b>363,679</b>	<b>342,920</b>	<b>281,218</b>
Contingent liabilities.....	12,807	7,310	7,373	10,754	6,435	7,655	9,652	10,292	9,520
Irrevocable facilities.....	48,518	27,693	28,577	43,644	26,117	27,151	25,674	38,583	28,224

(1) In order to facilitate comparisons, certain amounts for periods ended prior to December 31, 2003 have been presented to reflect changes in line item definitions and accounting policies adopted after that date. As a result, such amounts may not correspond to data for the same periods previously published by the Rabobank Group. For a discussion of these changes in line item definitions and accounting policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

(2) Euro amounts have been translated into Australian dollars at the exchange rate of A\$1.7520 to €1.00, as reported by Bloomberg LP at the close of business on June 30, 2004. All amounts are in millions of Australian dollars.

(3) Euro amounts have been translated into Australian dollars at the exchange rate of A\$1.6711 to €1.00, as reported by Bloomberg LP at the close of business on December 31, 2003. All amounts are in millions of Australian dollars.

(4) Includes fund for general banking risks, subordinated loans, reserves and third-party interests.

(5) As at August 31, 2004, total liabilities and group equity increased by €12,878 million from the corresponding figure of €40,348 million as at June 30, 2004. These figures are unaudited.

# Rabobank Group Consolidated Profit and Loss Account:<sup>(1)</sup>

	Six months ended June 30,			Year ended December 31,						
	2004 AUD <sup>(2)</sup>	2004	2003	2003 AUD <sup>(3)</sup>	2003	2003 <sup>(4)</sup>	2002	2001	2000	1999
	(unaudited)			(unaudited)		(audited)				
	(in millions of euro, unless otherwise specified)									
Income										
Interest.....	5,489	3,133	2,929	9,953	5,956 <sup>(5)</sup>	6,010	5,391	5,082	4,585	4,499
Income from securities and participating interests .....	401	229	109	590	353 <sup>(5)</sup>	519	529	517	759	299
Commission .....	1,787	1,020	869	3,095	1,852	1,852	1,795	1,760	1,467	1,234
Results on financial transactions .....	233	133	69	284	170	170	285	422	314	190
Other income.....	699	399	375	1,148	687	687	564	653	635	584
<b>Total income</b> <sup>(6)</sup> .....	8,609	4,914	4,351	15,070	9,018 <sup>(5)</sup>	9,238	8,564	8,434	7,760	6,806
Expenses										
Staff costs and other administrative expenses .....	5,401	3,083	2,743	9,811	5,871	5,871	5,471	5,597	4,985	4,454
Depreciation .....	310	177	177	622	372	372	368	368	474	372
Operating expenses .....	5,712	3,260	2,920	10,433	6,243	6,243	5,839	5,965	5,459	4,826
Value adjustments to receivables .....	482	275	275	961	575	575	500	480	360	350
Value adjustments to financial fixed assets .....	(21)	(12)	(50)	(247)	(148) <sup>(5)</sup>	18	252	59	9	—
Addition to fund for general banking risks.....	—	—	—	—	—	—	—	—	52	100
<b>Total expenses</b> .....	6,172	3,523	3,145	11,146	6,670 <sup>(5)</sup>	6,836	6,591	6,504	5,880	5,276
Operating profit before taxation <sup>(6)</sup> .....	2,437	1,391	1,206	3,924	2,348 <sup>(5)</sup>	2,402	1,973	1,930	1,880	1,530
Taxation on operating profit .....	720	411	347	1,190	712 <sup>(5)</sup>	733	514	532	507	423
Operating profit/Group profit after taxation .....	1,717	980	859	2,734	1,636 <sup>(5)</sup>	1,669	1,459	1,398	1,373	1,107
Third-party interests.....	272	155	125	445	266	266	209	192	179	87
<b>Net profit</b> <sup>(6)</sup> .....	1,445	825	734	2,289	1,370 <sup>(5)</sup>	1,403	1,250	1,206	1,194	1,020

(1) In order to facilitate comparisons, certain amounts for the periods ended prior to December 31, 2003 have been presented to reflect changes in line item definitions and accounting policies adopted after that date. As a result, such amounts may not correspond to data for the same periods previously published by the Rabobank Group. For a discussion of these changes in line item definitions and accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Euro amounts have been translated into Australian dollars at the exchange rate of A\$1.7520 to €1.00, as reported by Bloomberg LP at the close of business on June 30, 2004. All amounts are in millions of Australian dollars.

(3) Euro amounts have been translated into Australian dollars at the exchange rate of A\$1.6711 to €1.00, as reported by Bloomberg LP at the close of business on December 31, 2003. All amounts are in millions of Australian dollars.

(4) Results as previously published by the Rabobank Group, before changes in line item definitions and accounting policies adopted after December 31, 2003.

(5) Unaudited.

(6) For the period from July 1, 2004 to August 31, 2004, there was a decrease of €44 million in total income, €1 million in operating profit before taxation and €30 million in net profit as compared to the corresponding period in the preceding year. These figures are unaudited.

### Additional Financial Data and Selected Ratios:

	At June 30,		At December 31,				
	2004	2003	2003	2002	2001	2000	1999
Interest Margin <sup>(1)</sup> .....	1.44% <sup>(2)</sup>	1.52% <sup>(2)</sup>	1.49%	1.43%	1.38%	1.39%	1.60%
BIS ratio <sup>(3)</sup> .....	10.7	10.3	10.9	10.5	10.2	10.6	10.5
Tier 1 ratio .....	10.6	10.2	10.8	10.3	9.9	10.3	10.0
Ratio of value adjustments to receivables to loans and advances to banks and customers .....	0.22 <sup>(2)</sup>	0.25 <sup>(2)</sup>	0.24	0.24	0.24	0.20	0.22

(1) In this table, interest margin represents interest (interest income less interest expense) as a percentage of average total assets, based on month-end balances. Interest income includes interest income plus certain origination fees and credit facility fees.

(2) On an annualized basis.

(3) The required capital of the banking operations in accordance with the BIS requirements amounts to 8% of all risk-weighted assets, off-balance sheet items and market risk associated with trading portfolios.

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

*The following discussion should be read in conjunction with the financial statements and the notes thereto of the Rabobank Group included in this offering memorandum. These financial statements are prepared in accordance with Dutch GAAP and in accordance with Dutch legal requirements for financial statements. No reconciliation of the financial statements of the Rabobank Group included in this offering memorandum to U.S. GAAP has been prepared. You should refer to "Summary of Principal Differences between Dutch GAAP and U.S. GAAP" for a description of the significant differences between Dutch GAAP and U.S. GAAP.*

### Business Overview

The Rabobank Group is one of the largest banking organizations in the Netherlands and the largest mortgage lending and savings organization in the Netherlands by market share. We are one of the 25 largest banking institutions in the world in terms of assets and Tier 1 capital. We offer a broad range of financial, insurance and asset management services across retail, corporate and commercial sectors, both domestically and internationally. The Rabobank Group has the highest credit ratings awarded by the international rating agencies Moody's (Aaa since 1986) and Standard & Poor's (AAA since 1984). On a consolidated basis, our total assets were €440 billion at June 30, 2004. At June 30, 2004, we had 50,594 full-time equivalent employees.

The Rabobank Group is comprised of the cooperative Rabobank Nederland, the cooperative Local Rabobanks which are members of Rabobank Nederland and are also licensed credit institutions, and Rabobank Nederland's specialized subsidiaries. We had 321 Local Rabobanks and 1,322 branches located throughout the Netherlands at June 30, 2004. The Local Rabobanks are themselves cooperative entities that draw all of their members from their customers. See "Business—The Rabobank Group Structure."

Rabobank Nederland, the Local Rabobanks and certain subsidiaries in the Rabobank Group are linked through a "Cross-Guarantee System". The Cross-Guarantee System provides for intra-group credit support among Rabobank Nederland, all Local Rabobanks and certain of our subsidiaries that are participating institutions. Under the Cross-Guarantee System, funds are made available by each participating institution if another participant suffers a shortfall in its funds. If a participating institution is liquidated and has insufficient assets to cover its liabilities, the other participating institutions are liable for its debts. See "Business—The Rabobank Group Structure —The Cross-Guarantee System."

The various entities within the Rabobank Group comprise a network of "competence centers" which provide financial services and products to the Local Rabobanks and to each other. This networked expertise allows us to respond actively to the growing demand from private individuals and business clients for a balanced package of financial services and products. We therefore seek to combine the best of two worlds: the local presence of the Local Rabobanks and the expertise and scale of a large organization. The underlying purpose of Rabobank Nederland's cooperative structure is to provide high quality services and products to its customers at reasonable prices, while maintaining the financial stability of the Rabobank Group.

Historically, we engaged primarily in lending to the agricultural and horticultural sectors in the Dutch market. Since the 1990s, we have also offered a wide variety of commercial banking and other financial services not only in the Netherlands but also internationally. As part of an ongoing program, we have increased the number and variety of products and services available to our customers in order to diversify from a traditional savings and mortgage-based business to a provider of a full range of financial products and services, both in the Netherlands and internationally. To this end we pursue an "Allfinanz" concept, meaning that we provide an integrated range of financial services comprised primarily of retail banking, wholesale banking, asset management and investment, insurance and leasing to a wide range of individual and corporate customers. As part of this Allfinanz strategy, we focus on operations that produce fee-based income in addition to our traditional interest-based income sources.

Through Rabobank Nederland, the Local Rabobanks and our specialized subsidiaries, we provide services in the following six core business areas: Retail Banking, Wholesale Banking, Asset Management, Insurance, Leasing and Real Estate.

### Factors Affecting Results of Operations

#### General Market Conditions

Our results of operations are affected by a variety of market conditions, including economic cycles, fluctuations in stock markets, interest rates and increased competition. Since the second half of 2001, growth in the European banking markets has slowed as part of the overall slowdown of the world's major economies. In 2003, the Dutch economy declined. However, the more difficult economic environment has not led to materially higher corporate or retail loan provisioning by the Rabobank Group. Our current expectations for 2004 are that the Dutch economy will grow slightly.

In 2003, 76% of our total income and 66% of our consolidated results were derived from our Dutch operations. Accordingly, changes in the Dutch economy, the level of Dutch consumer spending and downturns in the Dutch real estate, securities and other markets may have a material effect on our operations. However, because of our high level of product diversification, we have not experienced major fluctuations in our levels of profitability in the past. Despite the declining economy in the Netherlands in 2003, our net result was higher than a year before. Outside of the Netherlands, the markets we focus on, i.e., principally the food and agribusiness, are dependent on business cycles only in a limited way.

Although we expect that the foregoing factors will continue to affect our consolidated results of operations, we believe that the impact of any one of these factors is mitigated by our high level of product diversification. Nevertheless, a protracted economic downturn in the Netherlands and our other major markets could have a material negative impact on our results of operations.

### ***Interest Rates***

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) can materially affect our results. For example, the relatively low interest rate risk environment in the Netherlands and our other major markets has driven a fast growth in mortgage volumes, which is positive. However, a low interest rate environment also has a downside, due to the structure of our balance sheet. We have a high level of non- and low-interest bearing liabilities (our reserves, balances on payment accounts and current accounts). Generally, a sustained period of lower interest rates will reduce the yields on the assets that are financed with these liabilities. Conversely, rising interest rates should, over time, increase investment income but may, at the same time, reduce the market value of pre-existing investment portfolios. Rising rates can also lead to higher or lower interest margins depending on whether our interest-earning assets reprice at a faster rate than interest-bearing liabilities and the degree to which the spreads on assets or liabilities narrows or widens.

As discussed under “Risk Management –Interest Rate Risk”, we generally take a limited interest rate position that is managed within strict limits and designed to take advantage of expected changes in interest rates and the yield curve.

### ***Stock Market Fluctuations***

Stock markets around the world have experienced significant declines from the levels prevailing in the first half of 2000. These changing conditions have had an impact on our results. In 2002, these conditions adversely impacted the performance of the equity securities of our insurance activities. In 2003, the stock markets, after reaching a low point in the first quarter, were able to recover. This recovery had a positive influence on our results, especially within our insurance activities. A protracted decline or a steep decline in the stock or bond markets could again adversely affect these activities and our investment portfolio.

### ***Critical Accounting Policies***

We have identified below the accounting policies that are most critical to our business operations and the understanding of our results. In each case, the application of these policies requires management to make complex judgments based on information and financial data that may change in future periods, the results of which can have a material effect on our results of operations. As a result, determinations regarding these items necessarily involve the use of assumptions and judgments as to future events and are subject to change. Different assumptions or judgments could lead to materially different results. See the footnotes to our audited consolidated financial statements elsewhere in this offering memorandum for additional discussion of the application of our accounting policies.

#### ***Value adjustments to receivables***

Management regularly assesses the adequacy of value adjustments to receivables, or provisions for loan losses, by performing ongoing evaluations of the loan portfolio. Value adjustments to receivables are made to account for estimated losses in outstanding loans for which there is doubt about the borrower’s capacity to repay the principal amount of the loan. Thus, adjustments may be made for both performing and non-performing loans. Value adjustments to receivables are established dynamically, which means that the new provisions are equalized to a long-term weighted average of the actual losses, as a percentage of the outstanding credit provided. In this process, the most weight is attributed to the most recent years. For example, for the year ended December 31, 2003, the last three years would together account for 65%. If the amount of the provision for counterparty risks calculated according to the dynamic method is significantly higher or lower than when the amount of the provision is calculated on the basis of an individual assessment of the items, the difference, in addition to the dynamically determined new losses, flows through the profit and loss account.

Local Rabobanks exercise a considerable degree of responsibility in determining when to make a value adjustment to their receivables although Rabobank Nederland (through its Credit Risk Management division) coordinates the process. A formal analysis of specifically identified loans takes place every quarter, in the form of quarterly loan strategy reports, including an evaluation of economic risks associated with each loan, the current

financial condition of the borrower, the economic environment in which the borrower operates, the level of delinquent loans, the value of collateral and the strategy for the coming period to protect the interests of Rabobank Nederland. A specific provisioning committee decides twice a year on provisions for classified loans (i.e., loans classified as loss, doubtful or substandard) above a certain exposure (currently over €20 million).

Credit ratings are assigned to borrowers by allocating all outstanding loans into various risk rating categories on a regular basis. These ratings are reviewed on a yearly basis.

In determining the amount of provisions, corporate loans are assessed on a case-by-case basis and the following factors are considered:

- the financial standing of the customer, including a realistic assessment of the likelihood of repayment of the loan within an acceptable period and the extent of our commitments to the customer;
- the realizable value of any security for the loan; and
- the costs associated with obtaining repayment and realization of any such security.

Considerable judgment is exercised in determining the extent of the provision. The determination is based on management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit and geographical concentration trends. Changes in such judgments and analyses may lead to changes in provisions over time.

Receivables are written off and charged against the accumulated value adjustments to receivables when all the necessary legal procedures have been completed and the amount of the loss is finally determined.

#### ***Financial fixed assets***

Interest-bearing securities (other than securities on which a large part or all of the interest is settled on redemption) held in our investment portfolio are carried at redemption value. The difference between redemption value and cost is accounted for under prepayments and accrued income or accruals and deferred income, as appropriate, and is reflected in interest income over the term of the securities concerned. Interest-bearing securities on which a large part or all of the interest is settled on redemption are carried at cost rather than redemption value. Results on sales of interest-bearing securities (other than sales made on account of structural changes in the investment portfolio) are reflected on the balance sheet in the reserves (taking into account deferred taxation) and recognized as interest income over the remaining term to maturity of those securities. Results on sales of interest-bearing securities made on account of structural changes in the investment portfolio are taken directly to interest income.

Shares and other variable-yield securities listed on a stock exchange are carried at year-end market value; unlisted securities are carried at estimated realizable value. Unrealized changes in the value of shares are reflected on the balance sheet in the revaluation reserve (taking into account deferred taxation) and realized differences in the value of shares are reflected in the profit and loss account under income from securities and participating interests.

Certain downward adjustments to interest-bearing securities and shares of the investment portfolio which cannot be charged to the revaluation reserve, as well as any reversals, are reflected in the profit and loss account under value adjustments to financial fixed assets.

#### ***Trading activities***

Our trading portfolio is carried at market value or the estimated realizable value at the balance sheet date. Value adjustments to financial fixed assets in our trading portfolio are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. Certain financial instruments, including OTC derivative instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlations, time value, credit, yield curve volatility factors and/or prepayment rates of the underlying positions.

#### ***Provisions for Pensions, Technical Reserves Relating to the Insurance Business and Other Provisions***

The establishment of provisions is an inherently uncertain process, involving assumptions about several factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns and other factors, and, in the life insurance (pension) business, assumptions concerning mortality and morbidity trends. Changes in such assumptions or variations in the impact of such factors may materially affect our results.



## Changes in Accounting Rules

### *Changes in Accounting Policies*

*Property Revaluation.* In accordance with Dutch GAAP, as from the 2003 financial statements changes in the carrying values of property not in use by Rabobank Group are taken to the profit and loss account. In addition, a revaluation reserve is formed and charged to the other reserves. Up to and including the 2002 financial statements, changes in value were only taken to the profit and loss account in the case of downward value adjustments and if the revaluation reserve was insufficient to absorb the adjustment. This change in accounting policy has no effect on our equity. The effect on our results are considered negligible. The other prior-year figures in the consolidated financial statements of Rabobank Group have been reclassified where necessary for comparative purposes. These reclassifications have no effect on our results or equity.

*Income from investments.* Prior to the 2004 financial statements, Interpolis recognized its results on investments in shares and property using the indirect return method. An important characteristic of this method is that results recognized on investments are based on long-term average yields. As from 2004, Interpolis no longer uses this method. Instead, it takes the results realised on investments direct to the profit and loss account, the most widely used method throughout the world. This new method conforms to International Financial Reporting Standards. The change in accounting policy has no effect on equity. The effects are only visible in the form of reclassifications in the profit and loss account, with no consequences for the net profit for 2003. The figures for the first and second halves of 2003 have been restated for comparative purposes. The income from securities and participating interests was down €19 million for the first half of 2003 and €47 million for the second half. The carrying values of financial fixed assets were adjusted by the same amounts for the respective periods.

*Trust Preferred Securities.* Prior to the 2004 financial statements, Trust Preferred Securities were recognized as equity. In line with developments in IFRS and their interpretation, we have decided to recognize the Trust Preferred Securities amounting to €2,037 million as group equity in the item Subordinated debt as from January 1, 2004. Accordingly, amounts owed on the Trust Preferred Securities will be taken to the profit and loss account (formerly profit appropriation) for 2004 and subsequent years. The figures for the first and second halves of 2003 have been restated for comparative purposes. Interest expenses have been increased by the following amounts: €23 million for the first half of 2003, €31 million for the second half of 2003 and €61 million for the first half of 2004. Tax has been reduced by €9 million, €12 million and €22 million respectively for the periods concerned. The change in accounting policy has no effect on the Tier 1 ratio or the BIS ratio.

### *International Financial Reporting Standards*

In accordance with European Union (“EU”) Regulations, we will adopt IFRS for external reporting purposes from 2005 onwards. In the course of 2002 and 2003, we made the key changes required to accounting and reporting procedures and consolidation systems in order to adopt IFRS for dual reporting purposes from January 1, 2004. The key impact on Rabobank Group from the adoption of IFRS will arise from the IAS 32 and 39 standards which relate to accounting for derivatives and other financial instruments, final versions of which have not yet been endorsed by the EU. As a result of including all derivative positions in the balance sheet, we expect total assets to increase by about 10%. Regarding the profit and loss account, we expect an increase in volatility of our results. However, through the active application of hedge accounting, we expect to be able to limit this volatility and the effect on our results.

## Results of Operations

### **Group Discussion**

*Six months ended June 30, 2004 compared to six months ended June 30, 2003*

*Income.* Total income increased by 13% in the first half of 2004 to €4,914 million compared to €4,351 million in the same period of 2003.

*Interest.* Interest is calculated by deducting interest expense from gross interest income. Gross interest income includes all income from loans and advances, deposits and interest bearing securities, as well as related income such as credit facility fees. Interest expense includes all interest payable on deposits and other funds entrusted, subordinated and non-subordinated loans and debt securities, as well as charges similar in nature to interest. Interest increased by €204 million, or 7% to €3,133 million for the first six months of 2004 compared to €2,929 million for the first six months of 2003. The increase was the result of growth in lending and savings partially offset by a slightly smaller interest margin which decreased from 1.52% to 1.44% due to increased competition in the Dutch market. Also, interest of €2,929 million for the first six months of 2003 was adjusted downward by €23 million to reflect the change in accounting policy with respect to the Trust Preferred Securities.

*Income from securities and participating interest.* This item includes dividends and other income from securities and participating interest, which may vary significantly from period to period. Income from securities and participating

interests increased by €120 million, or 110% to €229 million for the first six months of 2004 compared to €109 million for the same period of 2003. Income of €109 million for the first six months of 2003 was adjusted downward by €19 million to reflect the change in accounting policy with respect to the investment results of Interpolis. Excluding this effect of this change, the income for securities and participating interest in the first half year of 2004 was almost the same as in the same period in 2003.

*Commission.* Commission rose by €151 million or 17% to €1,020 million for the first six months of 2004 compared to €869 million for the same period of 2003. The increase was due to a higher level of commission income from insurance, securities and asset management.

*Securities brokerage.* After a few difficult years due to depressed stock markets, the fees in securities brokerage increased by 58% to €174 million for the first six months of 2004 compared to €110 million for the same period of 2003. The increase was due to the acquisition of Alex in April 2003 and an increase of 11% in the volume of orders. The average size of the orders was also higher than in prior periods.

*Asset management fees.* Asset management fees consist principally of management fees received from investment funds. Asset management fees increased by 14% to €211 million for the first six months of 2004 compared to €185 million for the same period in 2003. The growth was due to higher transaction volumes and a higher level of assets under management.

*Result on financial transactions.* This item includes both realised and unrealised gains and losses on securities in our trading portfolio, currency trading results and other income from financial transactions, excluding interest income. The result on financial transactions is mainly attributable to income from our Wholesale Banking business. The result on financial transactions rose by €64 million to €133 million for the first six months of 2004 compared to €69 million for the same period in 2003. The increase was due to better results on derivatives transactions. Rabobank Nederland hedges the interest payable on the capital represented by Membership Certificates with swaps. Hedge accounting of reserves is not allowed under IFRS and these swaps must be valued by market value. This resulted in the recognition of a loss of €107 million.

*Other income.* This income relates to income that cannot be classified elsewhere and does not represent extraordinary income, such as technical results on our insurance business, rent from leased products or results on project development. Other income consists mainly of the results of Interpolis. Other income increased by €24 million to €399 million for the first six months of 2004 compared to €375 million for the same period in 2003.

*Expenses.* Operating expenses rose by 12% in the first half of 2004 to €3,260 million, an increase of €340 million compared to €2,920 million for the same period in 2003. Of this increase 2% was due to acquisitions, 6% was due to additional provisions and 4% was due to organic growth of our business.

*Staff costs.* This item consists of wages and salaries, pension charges, social security charges and related costs. Staff costs rose by 6% during the first half of 2004 to €1,928 million compared to €1,822 million for the same period in 2003. The decrease in the size of the workforce due to efficiency programs was more than offset by pay increases. Rabobank Group's workforce consisted of 50,594 full-time equivalent employees at June 30, 2004, i.e., a decrease of 644 full-time equivalent employees compared to June 30, 2003.

*Other administrative expenses and depreciation.* Other administrative expenses include provisions, office supplies, IT expenses, postage, advertising, rent and maintenance of buildings and related costs. Other administrative expenses increased by 25% to €1,155 million for the first six months of 2004 compared to €921 million for the same period in 2003. The increase was mainly due to additional provisions, including a €120 million reorganization provision relating to the proposed restructuring of Rabobank Nederland. Depreciation relates to the depreciation of fixed assets. Depreciation remained unchanged at €177 million for the first six months of 2004 compared to the same period in 2003.

*Value adjustments to receivables.* This item consists of provisions to the value of loans and advances and provisions for commitments, as well as any releases. Value adjustments to receivables of €275 million remained unchanged for the first six months of 2004 compared to the same period in 2003. As a percentage of total loans and advances, value adjustments to receivables declined slightly from 0.25 at June 30, 2003 compared to 0.22 at June 30, 2004.

*Value adjustments to financial fixed assets.* This item relates to downward adjustments to the value of interest-bearing securities, shares forming part of the investment portfolio and participating interests, as well any reversals thereof. Upward value adjustments to financial fixed assets decreased by €38 million to €12 million for the first six months of 2004 compared to a profit of €50 million for the same period in 2003. The value adjustments primarily reflected a revaluation of investments of Gilde. Value adjustments to financial fixed assets for the first six months of 2003 originally amounted to a loss of €69 million. However, under the new accounting policy in respect of the investment results of Interpolis this number was restated to a profit of €50 million. See “– Segment Discussion – Insurance – Changes in accounting policy.”

*Net profit.* For the reasons stated above, after taxes of €411 million (at an effective tax rate of 29.5%) and third-party interests of €155 million, net profit was €825 million for the first six months of 2004 compared to €734 million for the same period in 2003. Net profit of €734 million for the first six months of 2003 was adjusted downward by €14 million to reflect the change in accounting policy with respect to the Trust Preferred Securities.

*Year ended December 31, 2003 compared to year ended December 31, 2002*

*Income.* Total income rose by 8% in 2003 to €9,238 million compared to €8,564 million in 2002, primarily due to internal growth and acquisitions. Given the sluggish economic conditions in the Netherlands in 2003, income growth was relatively sizeable. Interest accounted for 65% of total income in 2003 compared to 63% of total income in 2002.

*Interest and interest margin.* Interest increased by €19 million, or 11%, in 2003, to €6,010 million compared to €5,391 million in 2002. The increase was due to growth in both lending and savings and a higher interest margin. In general, there were volume and price components to the increase in interest. The volume growth in lending, especially home mortgages, was relatively high in the Netherlands in 2003. Interest margin (i.e., interest income less interest expense) of the Rabobank Group as a percentage of average total assets, increased from 1.43% in 2002 to 1.49% in 2003, based on month-end balances.

*Income from securities and participating interests.* Income from securities and participating interests declined by 2% or €10 million to €519 million in 2003 compared to €529 million in 2002.

*Commission.* Commission increased by 3% or €57 million to €1,852 million in 2003 compared to €1,795 million in 2002 primarily because of improved market conditions and an increase in fees from insurance, services and fund transfers and foreign exchange.

*Securities brokerage.* After reaching its lowest level in March 2003, the stock market in the Netherlands recovered and closed at year end at a higher level than in 2002. Income from securities brokerage rose by 11% to €298 million in 2003 compared to €269 million in 2002 primarily because of our acquisition of Alex which accounted for 91% of the increase. The total volume of orders processed for clients also showed an increase.

*Asset management fees.* Asset management fees mainly consist of management fees received from the investment funds. Asset management fees in 2003 were €385 million compared to €386 million in 2002.

*Results on financial transactions.* Results on financial transactions fell by 40% to €170 million in 2003 compared to €285 million in 2002, due to less favorable conditions in the capital markets in Europe. Results on financial transactions are primarily attributable to our Wholesale Banking business.

*Other income.* Other income increased by 22% to €687 million in 2003 compared to €564 million in 2002. This increase was principally due to the better results of Interpolis.

*Expenses.* Operating expenses increased by 7% to €6,243 million in 2003 compared to €5,839 million in 2002. The increase was mainly due to an increase in other administrative expenses and, to a lesser extent, staff costs, which make up 60% of operating expenses.

*Staff costs.* Staff costs rose by 2% to €3,770 million in 2003 compared to €3,682 million in 2002, mainly due to salary increases. Costs for temporary and external staff decreased as part of an ongoing effort to improve efficiency. In 2003, the Rabobank Group's staff decreased by 1,018 full-time equivalent employees to 50,849 full-time equivalent employees. The number of jobs decreased especially at the Local Rabobanks, where the number of full-time equivalent employees fell by 1,921, as a result of announced efficiency programs. In other divisions of the Rabobank Group, the number of full-time equivalent employees increased as a result of acquisitions and some replacement of external staff such as consultants.

*Other administrative expenses and depreciation.* Other administrative expenses increased by 17% to €2,101 million in 2003 compared to €1,789 million in 2002. The lower level in 2002 was due in part to non-recurring items, such as the release of provisions of €60 million. In 2003, the level of expenses increased as a result of €37 million additional provisions, partly in connection with restructurings. In addition, acquisitions further increased the level of other administrative expenses. Depreciation of buildings and fixtures and fittings increased by €4 million to €372 million in 2003 compared to €368 million in 2002.

*Value adjustments to receivables.* In 2003, value adjustments to receivables increased by 15% or €75 million to €575 million compared to €500 million in 2002. This increase was mainly due to sluggish economic conditions in the Netherlands and an increase in lending. However, the increase in basis points was still relatively low because of the low risk profile of our lending portfolio.

*Value adjustments to financial fixed assets.* Value adjustments to financial fixed assets decreased by €234 million from €252 million in 2002 to €18 million in 2003. This improvement was attributable to the effect of unrealised price gains on the Interpolis securities portfolio.

*Net profit.* After taxes of €733 million and third-party interests of €266 million, net profit increased by 12% from €1,250 million in 2002 to €1,403 million in 2003, for the reasons outlined above.

*Year ended December 31, 2002 compared to year ended December 31, 2001*

*Income.* Total income rose by 2% in 2002 to €8,564 million compared to €8,434 million in 2001. The moderate increase reflected the disappointing economic climate in 2002, especially the developments on the stock market. Interest accounted for 63% of total income in 2002 compared to 60% of total income in 2001.

*Interest and interest margin.* Interest increased by €309 million, or 6%, in 2002, to €5,391 million compared to €5,082 million in 2001. The increase was due to growth in both lending and savings, principally in our Retail Banking operations. In general, there were volume and price components to the increase in interest. The volume growth in lending, especially home mortgages, was relatively high in the Netherlands in 2002 and 2001. With regard to margins, the main determinants, especially in the retail segment, were the level of competition and as a consequence the balancing between tariffs that yield a profitable margin and maintaining high market shares. Interest margin for the Rabobank Group (interest income less interest expense) as a percentage of average total assets, based on month-end balances increased in 2002 to 1.43% from 1.38% in 2001. Over the course of 2002, there was a shift in the balance sheet from assets with lower margins towards assets with higher margins (from interest-bearing securities towards loans).

*Income from securities and participating interests.* Income from securities and participating interests increased by €12 million to €29 million in 2002 compared to €17 million in 2001. Gains on the sale of participating interests showed a significant decline in 2002 as a result of the unfavorable stock exchange climate. This decline was more than offset by the sale to Sarasin of the International Private Banking business, which resulted in a gain of €81 million, after deduction of divestiture costs.

*Commission.* Commission increased by 2% or €35 million to €1,795 million in 2002 compared to €1,760 million in 2001. Commissions from securities and asset management decreased due to the fall in stock prices, which was offset by higher commissions on services.

*Securities brokerage.* As a result of the depressed state of the stock markets, income from securities brokerage fell by 7% to €269 million compared to €291 million in 2001. Securities brokerage is largely attributable to the Local Rabobanks. The fall in stock prices led to a decline in investment by individual investors, which caused the number of orders for securities, options and branded investment funds to decline by 6%, to 2.9 million, from the poor year experienced in 2001. The increase in the use of the internet to place investment orders which generates lower fees also contributed to the decrease in income from securities brokerage.

*Asset management fees.* Asset management fees in 2002 were €386 million compared to €401 million in 2001, or down 4%. This decline was due to the decrease in the value of the assets under management, lower transaction volumes and the sale of our International Private Banking activities during 2002.

*Results on financial transactions.* Results on financial transactions fell by 32% in 2002 to €285 million compared to €422 million in 2001, due to less favorable conditions in the capital markets. Results on financial transactions are primarily attributable to the Wholesale Banking business.

*Other income.* Other income was €564 million compared to €653 million in 2001, a decrease of 14%. This was principally due to the lower results achieved by Interpolis.

*Expenses.* Operating expenses fell slightly, by 2% to €5,839 million compared to €5,965 million in 2001 principally due to the decrease in other administrative expenses. At 63% of total expenses staff costs make up the bulk of expenses.

*Staff costs.* Staff costs rose by 3% in 2002 to €3,682 million compared to €3,565 million in 2001, mainly due to salary increases. Hiring costs for temporary and external staff were lower, as part of an ongoing effort to improve efficiency. The Rabobank Group's staff numbers decreased by 306 full-time equivalent employees to 51,867 full-time equivalent employees. The number of jobs decreased especially at the Local Rabobanks, where the number of full-time equivalent employees fell by 1,643, as a result of efficiency programs. In other activities, the number of full-time equivalent employees increased as a result of acquisitions and some replacement of external staff such as consultants.

*Other administrative expenses and depreciation.* Other administrative expenses declined by 12% to €1,789 million compared to €2,032 million in 2001. This was mainly due to cost cutting as part of an ongoing effort to improve efficiency and lower costs due to increased automation. Depreciation of buildings and fixtures and fittings was unchanged at €68 million.

*Value adjustments to receivables.* In 2002, value adjustments to receivables increased by €20 million, or 4%, to €500 million compared to €480 million in 2001. However, as a percentage of total private sector lending, value adjustments to receivables increased by only 0.8 basis points from 24.3 basis points of private sector lending in 2001 to

23.5 basis points of private sector lending in 2002. Despite the economic downturn, the losses due to bad loans were relatively low as a consequence of the low risk profile of the lending portfolio.

*Value adjustments to financial fixed assets.* Value adjustments to financial fixed assets were €252 million in 2002 compared to €59 million in 2001. This increase was mainly due to write-downs of participating interests and unrealized price losses on the Interpolis securities portfolio.

*Net profit.* After taxes of €14 million and third-party interests of €209 million, net profit amounted to €1,250 million compared to €1,206 million in 2001, or a rise of 4%.

## Segment Discussion

### Retail Banking

The following table sets forth certain summarized financial information for the Rabobank Group's Retail Banking business for the years indicated.

	Six months ended June 30,		Year ended December 31,		
	2004	2003	2003	2002	2001
	(in millions of euro)				
Interest .....	2,091	1,964	4,105	3,767	3,463
Commission .....	524	413	944	859	953
Other Income .....	2	7	41	79	20
<b>Total income</b> .....	<b>2,617</b>	<b>2,384</b>	<b>5,090</b>	<b>4,705</b>	<b>4,436</b>
Staff costs .....	813	804	1,666	1,621	1,401
Other administrative expenses .....	786	734	1,577	1,492	1,514
Depreciation .....	95	97	204	205	178
<b>Total operating expenses</b> .....	<b>1,694</b>	<b>1,635</b>	<b>3,447</b>	<b>3,318</b>	<b>3,093</b>
<b>Gross operating profit</b> .....	<b>923</b>	<b>749</b>	<b>1,643</b>	<b>1,387</b>	<b>1,343</b>
Value adjustments to receivables .....	126	108	213	165	150
Value adjustments to financial fixed assets .....	—	—	—	—	1
<b>Operating profit before taxation</b> .....	<b>797</b>	<b>641</b>	<b>1,430</b>	<b>1,222</b>	<b>1,192</b>

*Six months ended June 30, 2004 compared to six months ended June 30, 2003*

*Income.* Income increased by 10% to €2,617 million for the first half of 2004 compared to €2,384 million for the same period in 2003. Interest accounted for 80% of total income. The increase was due to higher interest income and higher commission.

*Interest.* Interest increased by 6% to €2,091 million in the first half of 2004 compared to €1,964 million for the same period in 2003. The increase was attributable to the growth in loans and the level of savings as a portion of total funding, which bear interest at lower rates than certain other forms of funding. This was partly offset by a slightly lower interest margin due to competition.

*Commission.* Commission increased by 27% to €524 million for the first half of 2004 compared to €413 million for the first half of 2003. The increase was attributable to the greater volume and size of orders of clients due to improved market conditions.

*Expenses.* Operating expenses increased by 4% to €1,694 million for the first half of 2004 compared to €1,635 million for the first half of 2003. The increase was mainly due to higher other administrative expenses.

*Staff costs.* Despite a decrease in the number of full-time equivalent employees by 464 to 29,285 due to announced efficiency programs in the first half of 2004, staff costs increased by 1% to €813 million compared to €804 million for the first half of 2003.

*Other administrative expenses.* Other administrative expenses increased by 7% to €786 million for the first six months of 2004 compared to €734 million for the same period in 2003. The increase was mainly due to higher expenses charged by Rabobank Nederland for their support functions.

*Value adjustments to receivables.* Value adjustments to receivables increased by 17% to €126 million for the first half of 2004 compared to €108 million for the first half of 2003. The increase was due to the sluggish economic growth and a decrease in consumer spending in the Netherlands which impacted our borrowers in the trade, industry and services sector.

*Operating profit before taxation.* Operating profit before taxation increased by 24% or €156 million to €797 million for the first six months of 2004 compared to €641 million for the same period in 2003, for the reasons outlined above.

*Year ended December 31, 2003 compared to year ended December 31, 2002*

*Income.* Income rose by 8% in 2003 to €5,090 million compared to €4,705 million in 2002. Interest accounted for 81% of total income. The increase in income was largely due to growth in both lending and relatively low-cost savings as a source of funding.

*Interest.* Interest increased by 9% or €338 million to €4,105 million in 2003 compared to €3,767 million in 2002. The increase was primarily due to growth in both mortgage lending and savings. The interest margin was unchanged at 2.4%.

*Commission.* Total commission increased by 10% to €944 million in 2003 compared to €859 million in 2002. The increase was due to the increase in commission from securities, insurance and funds transfers and foreign exchange. The increase in commission from securities was due to the recovery of the stock market, specifically in the second half of 2003, and an increase in the volume of orders.

*Other income.* Other income declined by €38 million to €41 million in 2003 compared to €79 million in 2002. This decrease was primarily attributable to non-recurring income in 2002 from Rabobank Group entities which do not belong to the Retail Banking segment.

*Expenses.* Operating expenses increased by 4% to €3,447 million in 2003 compared to €3,318 million in 2002 principally due to the increase of other administrative expenses.

*Staff costs.* Staff costs increased by 3% in 2003 to €1,666 million compared to €1,621 million in 2002. This increase was due to higher labor costs per employee as a result of salary increases. Staff numbers fell by 6% or 1,921 full-time equivalent employees to 29,749 full-time equivalent employees at the end of 2003 as a consequence of announced efficiency programs.

*Other administrative expenses.* Other administrative expenses increased by 6% to €1,577 million in 2003 compared to €1,492 million in 2002. The increase was mainly due to higher expenditures incurred by Rabobank Nederland to provide support functions to the Local Rabobanks.

*Gross operating profit.* In 2003, gross operating profit increased by 18% or €256 million to €1,643 million, compared to €1,387 million in 2002, for the reasons outlined above.

*Year ended December 31, 2002 compared to year ended December 31, 2001*

*Income.* Income rose by 6% in 2002 to €4,705 million compared to €4,436 million in 2001. Interest accounted for 80% of total income. The increase in income was largely due to growth in both lending and relatively low-cost savings as a source of funding. Interest increased by 9% but this was offset by a decrease of 10% in commission income.

*Interest.* Interest increased by €304 million, or 9%, in 2002, to €3,767 million compared to €3,463 million in 2001. The increase was due to growth in loan volume and the level of savings as a component of loan funding. The interest margin increased from 2.3% to 2.4%.

*Commission.* Total commission fell by 10% in 2002 to €859 million compared to €953 million in 2001. The decrease was due primarily to the fall in the number of security orders due to the unfavorable stock market conditions from 1.9 million to 1.8 million and because of the increasing share of orders conducted through the internet (60% in 2002 and 54% in 2001), which resulted in lower commissions per order.

*Other income.* Other income increased by €59 million in 2002 to €79 million compared to €20 million in 2001. This increase was primarily attributable to non-recurring income from Rabobank Group entities which do not belong to the Retail Banking segment.

*Expenses.* Operating expenses increased by 7% to €3,318 million compared to €3,093 million in 2001 principally due to the increase in staff costs.

*Staff costs.* Staff costs increased by 16% in 2002 to €1,621 million compared to €1,401 million in 2001. This significant increase was mainly due to increased pension charges resulting from the change in accounting policy. While staff cost figures for 2001 had been adjusted accordingly on a consolidated level, such adjustment was not made at the level of Retail Banking. Staff numbers, however, fell by 1,643 full-time equivalent employees in 2002 as a consequence of an ongoing effort to increase efficiency.

*Other administrative expenses and depreciation.* Other administrative expenses fell by 1% to €1,492 million in 2002 compared to €1,514 million in 2001. Depreciation of buildings and fixtures and fittings increased by 15% to €205

million in 2002 compared to €178 million in 2001. This increase was attributable to increased capital expenditures on premises and IT.

*Gross operating profit.* In 2002, gross operating profit increased by 3% or €44 million to €1,387 million, compared to €1,343 million in 2001, for the reasons outlined above.

### **Wholesale Banking**

The following table sets forth certain summarized financial information for the Rabobank Group's Wholesale Banking business for the years indicated.

	Six months ended June 30,		Year ended December 31,		
	2004	2003	2003	2002	2001
	(in millions of euro)				
Interest .....	661	621	1,120	901	914
Commission .....	177	159	315	321	216
Other income .....	220	214	519	593	738
<b>Total income</b> .....	<b>1,058</b>	<b>994</b>	<b>1,954</b>	<b>1,815</b>	<b>1,868</b>
Staff costs .....	334	273	598	562	558
Other administrative expenses .....	176	150	337	321	364
Depreciation .....	14	16	32	32	61
<b>Total operating expenses</b> .....	<b>524</b>	<b>439</b>	<b>967</b>	<b>915</b>	<b>983</b>
<b>Gross operating profit</b> .....	<b>534</b>	<b>555</b>	<b>987</b>	<b>900</b>	<b>885</b>
Value adjustments to receivables .....	82	125	284	266	268
Value adjustments to financial fixed assets .....	(12)	43	59	69	17
<b>Operating profit before taxation</b> .....	<b>464</b>	<b>387</b>	<b>644</b>	<b>565</b>	<b>600</b>

#### *Six months ended June 30, 2004 compared to six months ended June 30, 2003*

*Income.* Income increased by 6% to €1,058 million in the first half of 2004 compared to €994 million in the same period in 2003. The increase in income was principally due to higher other income and commission.

*Interest.* Interest increased by 6% to €661 million in the first half of 2004 compared to €621 million in the first half of 2003. The increase was attributable to the growth in loans and, to a lesser extent, the acquisitions of VIB Corp and Ag Services of America, Inc.

*Commission.* Commission increased by 11% or €18 million to €177 million in the first half of 2004 compared to €159 million in the same period in 2003. The increase was mainly attributable to higher commissions earned on tailored structured finance transactions on behalf of clients.

*Other income.* Other income increased by €6 million to €220 million for the first half of 2004 compared to €214 million for the same period in 2003. The increase was primarily due to better results on financial transactions.

*Staff costs.* Staff costs increased by 23% or €61 million to €334 million for the first half of 2004 compared to €273 million for the first half of 2003. The increase in staff costs was primarily due to the acquisitions described above and higher bonus reserves.

*Other administrative expenses.* Other administrative expenses increased by 17% or €26 million to €176 million for the first six months of 2004 compared to €150 million for the same period in 2003. The increase was mainly due to the acquisitions described above.

*Value adjustments to receivables.* Value adjustments to receivables declined by 34% or €43 million to €82 million for the first half of 2004 compared to €125 million for the first half of 2003. This decrease was primarily due to improved global economic conditions.

*Value adjustments to financial fixed assets.* This item increased by €55 million to a profit of €12 million for the first half of 2004 compared to a loss of €43 million for the same period in 2003. The improvement was primarily due to the improved global economic conditions which resulted in a revaluation of investments of Gilde.

*Operating profit before taxation.* Operating profit before taxation increased by 20% to €464 million for the first six months of 2004 compared to €387 million for the same period in 2003, for the reasons outlined above.

#### *Year ended December 31, 2003 compared to year ended December 31, 2002*

*Income.* Income increased by 8% to €1,954 million in 2003 compared to €1,815 million in 2002. The increase was mainly attributable to acquisitions.

*Interest.* Interest increased by 24% or €19 million to €1,120 million in 2003 compared to €901 million in 2002. The increase was mainly due to acquisitions.

*Commission.* Commissions fell by 2% to €15 million in 2003 compared to €321 million in 2002.

*Other income.* Other income fell by 12% or €74 million to €19 million in 2003 compared to €93 million in 2002.

*Expenses.* Operating expenses increased by 6% to €67 million compared to €15 million in 2002 due to an increase in staff costs and other administrative expenses.

*Staff costs.* Staff costs increased by 6% or €5 million to €97 million in 2003 compared to €62 million in 2002. The increase was mainly attributable to an 11% increase in the number of full-time equivalent employees due to acquisitions.

*Other administrative expenses.* Other administrative expenses increased by 5% to €37 million in 2003 compared to €321 million in 2002. This was mainly due to acquisitions and higher consulting fees.

*Value adjustments to receivables.* This item increased by €18 million to €284 million in 2003 compared to €266 million in 2002.

*Value adjustments to financial fixed assets.* This item decreased by €10 million to €9 million in 2003 compared to €69 million in 2002. The decrease was due to lower write-downs on Gilde participations.

*Gross operating profit.* Gross operating profit grew by 10% to €987 million in 2003, compared to €900 million in 2002, for the reasons outlined above.

#### *Year ended December 31, 2002 compared to year ended December 31, 2001*

*Income.* Income declined by 3% to €1,815 million in 2002 compared to €1,868 million in 2001. Rabobank International's income from venture capital in particular was lower. The decline in interest rates was only partially offset by higher interest income of RNCC as a result of increased margins on corporate lending.

*Interest.* Interest decreased by €13 million, or 1% in 2002 to €901 million compared to €914 million in 2001.

*Commission.* Commissions increased by 49% to €321 million in 2002 compared to €216 million in 2001. The increase was mainly due to higher commissions earned on tailored structured finance transactions on behalf of clients.

*Other income.* Other income fell by 20% or €145 million to €93 million in 2002 compared to €738 million in 2001. This was mainly due to lower gains on venture capital investments by Gilde and lower results on financial transactions.

*Staff costs.* Staff costs were virtually unchanged at €62 million in 2002 compared to €58 million in 2001.

*Other administrative expenses.* Other administrative expenses declined by 12% to €321 million in 2002 compared to €364 million in 2001. This was mainly due to cost savings resulting from investments in improved financial reporting and other administrative systems.

*Value adjustments to receivables.* This item decreased slightly from €268 million in 2001 to €266 million in 2002.

*Value adjustments to financial fixed assets.* This item increased by €2 million to €9 million in 2002 compared to €7 million in 2001. The increase was due to write-downs on IT participations in the venture capital portfolio.

*Gross operating profit.* Gross operating profit grew marginally by €15 million to €900 million in 2002, compared to €885 million in 2001, for the reasons outlined above.



## Asset Management

The following table sets forth certain summarized financial information for the Rabobank Group's Asset Management business for the years indicated.

	Six months ended June 30,		Year ended December 31,		
	2004	2003	2003	2002	2001
	(in millions of euro)				
Interest .....	38	38	83	84	100
Commission .....	223	212	418	423	512
Other income .....	40	60	119	79	67
<b>Total income</b> .....	<b>301</b>	<b>310</b>	<b>620</b>	<b>586</b>	<b>679</b>
Staff costs .....	128	130	264	250	322
Other administrative expenses .....	86	88	181	190	215
Depreciation .....	7	8	18	19	26
<b>Total operating expenses</b> .....	<b>221</b>	<b>226</b>	<b>463</b>	<b>459</b>	<b>563</b>
<b>Gross operating profit</b> .....	<b>80</b>	<b>84</b>	<b>157</b>	<b>127</b>	<b>116</b>
Value adjustments to receivables .....	—	—	—	—	1
Value adjustments to financial fixed assets .....	—	(1)	(2)	11	1
<b>Operating profit before taxation</b> .....	<b>80</b>	<b>85</b>	<b>159</b>	<b>116</b>	<b>114</b>

### Six months ended June 30, 2004 compared to six months ended June 30, 2003

*Income.* Income decreased by 3% to €301 million for the first six months of 2004 compared to €310 million for the same period in 2003. The decline was due mainly to lower other income.

*Commission.* Commission increased by 5% or €11 million to €223 million for the first six months of 2004 compared to €212 million for the same period of 2003. The increase was mainly due to the greater volume and size of securities brokerage orders.

*Other income.* Other income decreased by €20 million to €40 million for the first six months of 2004 compared to €60 million for the first six months of 2003. Of the decrease, €10 million was due to lower non-recurring results on co-investing and lower results on financial transactions. Another €10 million of other income from market making activities earned in 2003 was returned to investment funds as required by the Dutch Authority for the Financial Markets.

*Staff costs.* Staff costs decreased by 2% to €128 million for the first six months of 2004 compared to €130 million for the first half of 2003. The decrease was attributable to a lower number of full-time equivalent employees due to announced efficiency programs.

*Other administrative expenses.* Other administrative expenses declined by 2% to €86 million for the first six months of 2004 compared to €88 million for the same period in 2003. The decline was due to announced efficiency programs.

*Operating profit before taxation.* Operating profit before taxation decreased by 6% or €5 million to €80 million for the first six months of 2004 compared to €85 million for the first half of 2003, for the reasons outlined above.

### Year ended December 31, 2003 compared to year ended December 31, 2002

*Income.* Income in 2003 increased by 6% or €34 million to €620 million in 2003 compared to €586 million in 2002. This increase was mainly due to other income.

*Commission.* Commission fell marginally by 1% or €5 million to €418 million in 2003 compared to €423 million in 2002 due to ongoing pressure on management fees and a depreciation of the dollar.

*Other income.* Other income increased by €40 million to €119 million in 2003 compared to €79 million in 2002. The increase was principally due to higher income from alternative investments and co-investments in specialized structures such as CDO's.

*Staff costs.* Staff costs increased by 6% to €264 million in 2003 compared to €250 million in 2002. This increase was mainly due to salary increases. Staff numbers increased by 1% to 2,050 full-time equivalent employees at the end of 2003.

*Other administrative expenses.* Other administrative expenses decreased by €9 million to €181 million in 2003 compared to €190 million in 2002, principally due to lower marketing costs and consultancy fees.

*Gross operating profit.* Gross operating profit rose by 24% to €157 million in 2003 compared to €127 million in 2002, for the reasons outlined above.

*Year ended December 31, 2002 compared to year ended December 31, 2001*

*Income.* Income in 2002 fell by 14% or €93 million to €586 million in 2002 compared to €679 million in 2001. This was principally due to the unfavorable stock exchange climate in 2002 and its effect on the value of assets under management.

*Commission.* Commission fell by 17% or €89 million to €423 million in 2002 compared to €512 million in 2001. The decrease was due to the unfavorable stock exchange climate which resulted in lower levels of assets under management. In addition, the sale of the International Private Banking business resulted in lower commission. Assets managed on behalf of clients declined by €16 billion to €102 billion. The lower level of assets under management resulted in lower management fees. Transaction fees were also considerably lower.

*Staff costs.* Staff costs decreased by 22% to €250 million in 2002 compared to €322 million in 2001. The decrease was due to the sale of the International Private Banking activities and cost-saving measures. The number of full-time equivalent employees fell by 18% to 2,030 full-time equivalent employees, due to a specific cost saving and efficiency program.

*Other administrative expenses.* Other administrative expenses decreased by €25 million to €190 million in 2002 compared to €215 million in 2001, principally due to lower office expenses and lower costs as a result of decreased reliance on external consultants.

*Gross operating profit.* Gross operating profit rose by 10% to €127 million in 2002 compared to €116 million in 2001 as a result of acquisitions and cost savings.

## Insurance

The following table sets forth certain summarized financial information for the Rabobank Group's Insurance business for the years indicated.

	Six months ended June 30,		Year ended December 31,			
	2004	2003	2003	2003 <sup>(1)</sup>	2002	2001
	(in millions of euro)					
Interest .....	24	16	51	51	49	78
Commission .....	136	136	280	280	280	236
Other income .....	296	176	362	527	399	496
<b>Total income</b> .....	<b>456</b>	<b>328</b>	<b>693</b>	<b>858</b>	<b>728</b>	<b>810</b>
Staff costs .....	225	229	449	449	419	372
Other administrative expenses .....	104	106	207	207	207	221
Depreciation .....	12	11	28	28	25	16
<b>Total operating expenses</b> .....	<b>341</b>	<b>346</b>	<b>684</b>	<b>684</b>	<b>651</b>	<b>609</b>
<b>Gross operating profit</b> .....	<b>115</b>	<b>(18)</b>	<b>9</b>	<b>174</b>	<b>77</b>	<b>201</b>
Value adjustments to receivables .....	—	—	—	—	—	—
Value adjustments to financial fixed assets .....	(11)	(93)	(213)	(48)	192	—
<b>Operating profit before taxation</b> .....	<b>126</b>	<b>75</b>	<b>222</b>	<b>222</b>	<b>(115)</b>	<b>201</b>

(1) Before changes in accounting policy adopted after December 31, 2003.

*Changes in accounting policy.* Prior to the 2004 financial statements, Interpolis recognized its results on investments in shares and property using the indirect return method. An important characteristic of this method is that results recognized on investments are based on long-term average yields. As from 2004, Interpolis no longer uses this method. Instead, it takes the results realized on investments direct to the profit and loss account, the most widely used method throughout the world. This new method conforms to the International Financial Reporting Standards (IFRS). The change in accounting policy has no effect on equity. The effects are only visible in the form of reclassifications in the profit and loss account, with no consequences for the net profit for 2003. The figures for the first and second halves of 2003 have been restated for comparative purposes. Income from securities and participating interests was down €19 million for the first half of 2003 and €47 million for the second half. The carrying values of financial fixed assets were adjusted by the same amounts for the respective periods.

*Six months ended June 30, 2004 compared to six months ended June 30, 2003*

*Income.* Income increased by 39% to €456 million for the first six months of 2004 compared to €328 million for the same period of 2003. The increase was mainly due to higher other income.

*Interest.* Interest increased by €8 million to €24 million for the first six months of 2004 compared to €16 million for the same period in 2003. The increase was primarily due to lower interest expenses.

*Other income.* Other income increased by 68% or €120 million to €296 million for the first half of 2004 compared to €176 million for the first half of 2003. The increase was mainly due to an improved performance of the equity markets in the Netherlands which resulted in an increase in income from securities and participating interest.

*Expenses.* Expenses declined by 1% to €341 million for the first six months of 2004 compared to €346 million for the same period of 2003. The decrease was due to lower staff costs and other administrative expenses.

*Staff costs.* Staff costs decreased by 2% to €225 million for the first six months of 2004 compared to €229 million for the same period of 2003. The decrease was mainly due to lower costs of external staff.

*Other administrative expenses.* Other administrative expenses declined by 2% or €2 million to €104 million for the first six months of 2004 compared to €106 million for the same period in 2003. The decrease was primarily due to lower office expenses.

*Value adjustments to financial fixed assets.* This item amounted to a profit of €11 million for the first six months of 2004 compared to a profit of €93 million for the same period in 2003. The change is due to a weaker performance of Interpolis' share portfolio.

*Operating profit before taxation.* Operating profit before taxation increased by 68% or €51 million to €126 million for the first half of 2004 compared to €75 million for the same period in 2003, for the reasons outlined above.

#### *Year ended December 31, 2003 compared to year ended December 31, 2002*

*Income.* After a difficult year in 2002, Interpolis' results improved significantly in 2003. Income rose by 18% to €58 million in 2003 compared to €728 million in 2002 mainly due to higher other income.

*Interest.* Interest rose by 4% or €2 million to €1 million in 2003 compared to €49 million in 2002.

*Commission.* Commission of €280 million was unchanged in 2003 compared to 2002.

*Other income.* Other income increased by 32% to €527 million in 2003 compared to €399 million in 2002. The increase resulted mainly from higher income from life insurance activities.

*Staff costs.* Staff costs increased by 7% or €30 million to €449 million in 2003 compared to €419 million in 2002. The increase was mainly attributable to a 2% increase in the number of full-time equivalent employees and to salary increases.

*Value adjustments to financial fixed assets.* Value adjustments to financial fixed assets amounted to a profit of €48 million in 2003 compared to a loss of €192 million in 2002. The improvement reflects the better performance of Interpolis' share portfolio.

*Gross operating profit.* Gross operating profit increased by 126% or €97 million to €174 million in 2003, compared to €77 million in 2002, for the reasons outlined above.

#### *Year ended December 31, 2002 compared to year ended December 31, 2001*

*Income.* Interpolis had a disappointing year with income falling by 10% or €82 million to €728 million in 2002 compared to €810 million in 2001. Changes in the Dutch tax regime limiting the tax advantages for individuals related to life insurance products became effective in 2001 and caused a significant decrease in results from life insurance. Income was also depressed by the negative return on the investment portfolio and the storm damage caused in the Netherlands in October 2002. Income from the occupational health and safety business grew from €223 million in 2001 to €242 million in 2002, in line with the overall growth in this market.

*Interest.* Interest declined by almost 37% or €29 million from €78 million in 2001 to €49 million in 2002.

*Commission.* Commission increased by 19% to €280 million in 2002 compared to €236 million in 2001. The increase was mainly due to higher commissions on various services (pensions, occupational health and safety) as discussed above.

*Other income.* Other income declined by 20% to €399 million in 2002 compared to €496 million in 2001. The decrease resulted from lower income from annuities and single premium policies (life insurance) due to the change in the tax regime described above.

*Staff costs.* Staff costs increased by €47 million or almost 13% to €419 million in 2002 compared to €372 million in 2001. The increase was mainly due to a higher number of full-time equivalent employees. The number of full-time equivalent employees increased by 9% from 4,788 full-time equivalent employees in 2001 to 5,215 full-time equivalent employees in 2002.

*Value adjustments to financial fixed assets.* Downward value adjustments to financial fixed assets amounted to €192 million in 2002 compared to no change in 2001. The change reflected the extent to which the market value of Interpolis' share portfolio had fallen below the purchase price as a result of the strong decline in share prices in 2002.

*Gross operating profit.* Gross operating profit fell by €124 million or 62% to €77 million in 2002, compared to €201 million in 2001, for the reasons outlined above.

### Leasing

The following table sets forth certain summarized financial information for the Rabobank Group's Leasing business for the years indicated.

	Six months ended June 30,		Year ended December 31,		
	2004 <sup>(1)</sup>	2003	2003	2002	2001
	(in millions of euro)				
Interest .....	260	238	491	449	411
Commission .....	14	12	34	35	30
Other income .....	40	21	44	41	34
<b>Total income</b> .....	<b>314</b>	<b>271</b>	<b>569</b>	<b>525</b>	<b>475</b>
Staff costs .....	99	87	176	177	156
Other administrative expenses .....	69	49	117	96	91
Depreciation .....	6	6	12	14	13
<b>Total operating expenses</b> .....	<b>174</b>	<b>142</b>	<b>305</b>	<b>287</b>	<b>260</b>
<b>Gross operating profit</b> .....	<b>140</b>	<b>129</b>	<b>264</b>	<b>238</b>	<b>215</b>
Value adjustments to receivables .....	40	41	75	68	60
Value adjustments to financial fixed assets .....	—	—	—	—	—
<b>Operating profit before taxation</b> .....	<b>100</b>	<b>88</b>	<b>189</b>	<b>170</b>	<b>155</b>

(1) The results for this segment no longer include De Lage Landen Vastgoedfinancieringen which was acquired by FGH Bank in early 2004. See "— Real Estate."

#### Six months ended June 30, 2004 compared to six months ended June 30, 2003

*Income.* Income increased by 16% to €314 million for the first half of 2004 compared to €271 million for the same period in 2003. The increase was primarily due to the acquisition of Telia Finans AB and, to a lesser extent, an increase in interest and other income.

*Interest.* Interest increased by 9% to €260 million for the first half of 2004 compared to €238 million for the same period in 2003. The increase was attributable to the acquisition of Telia Finans AB and to increased volumes in leasing, trade finance and vendor finance due to positive market conditions.

*Other income.* Other income increased by €19 million to €40 million for the first half of 2004 compared to €21 million for the first half of 2003. This increase was mainly due to an increase in the residual value of leasing equipment.

*Staff costs.* Staff costs increased by 15% to €99 million for the first six months of 2004 compared to €87 million for the same period in 2003. The increase was due to a higher number of full-time equivalent employees related to the acquisition of Telia Finans AB.

*Other administrative expenses.* This item increased by €20 million to €69 million for the first six months of 2004 compared to €49 million for the same period in 2003. This was primarily attributable to the acquisition of Telia Finans AB and the expansion of business activities.

*Operating profit before taxation.* Operating profit before taxation increased by 14% to €100 million in the first half of 2004 compared to €88 million in the first half of 2003, for the reasons outlined above.

#### Year ended December 31, 2003 compared to year ended December 31, 2002

*Income.* Income increased by 8% or €44 million to €569 million in 2003 compared to €525 million in 2002. The result is largely attributable to increased volumes in leasing, trade finance and vendor finance in the Netherlands and the United States. As a result, interest income increased by 9% to €491 million in 2003 compared to €449 million in 2002.

*Staff costs.* Staff costs were virtually unchanged at €176 million in 2003 compared to €177 million in 2002. The number of full-time equivalent employees increased by 9% from 2,225 full-time equivalent employees at the end of 2002 to 2,424 full-time equivalent employees at the end of 2003.

*Gross operating profit.* Gross operating profit rose by 11% to €264 million in 2003, compared to €238 million in 2002, for the reasons outlined above.

*Year ended December 31, 2002 compared to year ended December 31, 2001*

*Income.* Income increased by 11% or €50 million to €525 million in 2002 compared to €475 million in 2001. Increased volumes in leasing and trade finance in the Netherlands contributed to this increase, as did the international activities in vendor finance. As a result, interest income increased by 9% to €449 million in 2002 compared to €411 million in 2001.

*Staff costs.* Staff costs increased by 13% to €177 million in 2002 compared to €156 million in 2001 reflecting the growth in the business.

*Gross operating profit.* Gross operating profit rose by 11% to €238 million in 2002, compared to €215 million in 2001, for the reasons outlined above.

### **Real Estate**

The following table sets forth certain summarized financial information for the Rabobank Group's Real Estate business for the years indicated.

	Six months ended June 30,	Year ended December 31,
	2004	2003
	(in millions of euro)	
Interest .....	50	23
Commission .....	0	1
Other income .....	4	9
<b>Total income</b> .....	<b>54</b>	<b>32</b>
Staff costs .....	9	4
Other administrative expenses .....	7	5
Depreciation .....	0	0
<b>Total operating expenses</b> .....	<b>16</b>	<b>9</b>
<b>Gross operating profit</b> .....	<b>38</b>	<b>23</b>
Value adjustments to receivables .....	1	0
Value adjustments to financial fixed assets .....	0	0
<b>Operating profit before taxation</b> .....	<b>37</b>	<b>23</b>

Real estate is a new business segment of Rabobank Group and it is therefore not possible to make a comparison with prior periods. Our Real Estate segment consists of Rabo Vastgoed and FGH Bank, which was acquired in October 2003. This segment also includes De Lage Landen Vastgoedfinancieringen, which was acquired by FGH Bank from De Lage Landen in early 2004.

### **Liquidity and Capital Resources**

The Rabobank Group's total assets were €403 billion at December 31, 2003, an 8% increase from €375 billion at December 31, 2002, which reflected an increase of 3% from €364 billion at December 31, 2001. The largest proportion of the Rabobank Group's existing lending (not including investments in Dutch treasury securities, other Dutch public sector bonds and securities and interbank deposit placements) consists of residential mortgage loans, which in the Netherlands are primarily fixed rate.

### **Lending**

Lending increased by 11% or €25.5 billion to €250.8 billion at December 31, 2003 from €225.3 billion at December 31, 2002, which reflected an increase of 8% from €208.6 billion at December 31, 2001. Private sector lending increased by €23.1 billion to €235.4 billion at December 31, 2003, an increase of 11% from €212.3 billion at December 31, 2002, of which 3% resulted from acquisitions. The increase in private sector lending for private individuals, primarily for mortgage finance, was €14.5 billion to €17.5 billion at December 31, 2003 from €103 billion at December 31, 2002. This high demand for mortgage finance was consistent with prior years and was driven by lower interest rates. Residential mortgage loans are made by Local Rabobanks and by the Rabobank Group's mortgage banking subsidiary, Rabohypotheekbank and by Obvion. These loans are secured by mortgages on underlying properties and have maturities up to thirty years. Lending to companies in the trade, industry and services sector increased by €5.5 billion to €81.3 billion at December 31, 2003, a 7% increase compared to December 31, 2002. Lending to the agricultural sector increased by €3.2 billion to €36.6 billion at December 31, 2003, a 9% increase of which €24.2 billion went to the primary agricultural sector, an increase from €20.2 billion in 2002, and €12.4 billion went to the international food and agribusiness sector, a decrease from €13.2 billion in 2002.

The following table shows a breakdown of the Rabobank Group's total lending outstanding to the private sector at December 31, 2003 and 2002, by category of borrower:

	At December 31,			
	2003		2002	
	(in billions of euro and as % of total private lending)			
Agricultural sector.....	36.6	16%	33.4	16%
Trade and industry and the services sector....	81.3	35%	75.9	36%
Private individuals.....	117.5	49%	103.0	48%
<b>Total</b> .....	<b>235.4</b>	<b>100%</b>	<b>212.3</b>	<b>100%</b>

The maturities of loans granted by the Rabobank Group vary from overdraft facilities to thirty-year term loans.

The following table provides a breakdown at December 31, 2003 of the remaining maturity of the Rabobank Group's total outstanding lending (public and private sector) and professional securities transactions:

	At December 31, 2003	
	(in billions of euro and as % of total loans)	
Three months or less .....	41.8	17%
From three months to one year .....	12.9	5%
From one to five years .....	38.4	15%
More than five years .....	149.0	59%
Undated/withdrawable on demand	8.7	4%
<b>Total</b> .....	<b>250.8</b>	<b>100%</b>

### **Funding**

At December 31, 2003, funds entrusted to the Rabobank Group were €172.6 billion, virtually the same level as at December 31, 2002. The balance held in savings accounts rose by €6 billion to €172 billion, an increase of 8%, with Internet savings accounting for the majority of the increase. Other funds entrusted (including corporate and retail current account balances, funds outstanding to professional counterparties and other savings funds) declined by €4.3 billion to €168.3 billion at December 31, 2003, generated mainly by professional counterparties. Funds from professional securities transactions decreased €2.7 billion from €16.0 billion to €13.3 billion in the same time period. At December 31, 2003, deposits with Local Rabobanks amounted to approximately €107.8 billion, of which 60% were savings deposits. At December 31, 2003, non-subordinated bonds and other debt securities, including certificates of deposit, totaled €80.7 billion compared to €81.7 billion at December 31, 2002. Savings deposits (except those withdrawable upon notice, from one month to 10 years) generally bear interest at rates that Rabobank Nederland can unilaterally change. At December 31, 2003, the Rabobank Group held approximately 38% of all savings deposits maintained by individuals with banks in the Netherlands.

The following table shows the Rabobank Group's sources of funding by source at December 31, 2003, 2002 and 2001:

	At December 31,		
	2003	2002	2001
	(in millions of euro)		
Savings accounts .....	71,559	66,272	63,060
Debt securities .....	80,695	61,739	58,514
Other funds entrusted and Professional securities transactions .....	101,012	105,360	109,114
<b>Total</b> .....	<b>253,266</b>	<b>233,371</b>	<b>230,688</b>

The Rabobank Group also funds itself in the interbank and institutional market. The Rabobank Group's total liabilities to credit institutions (other than debt securities) were €82.9 billion at December 31, 2003, a 4% decrease from €85.9 billion at December 31, 2002, which reflects a 7% increase from €80.0 billion at December 31, 2001.

### **Investment Securities**

The Rabobank Group has equity investments and, in some cases, loan investments in various companies in the Netherlands and overseas.

The following tables show the Rabobank Group's investments in interest-bearing negotiable bonds and other interest bearing securities, other than short-term government paper, at December 31, 2003, 2002 and 2001 by issuer and type of security. The value of the Rabobank Group's total investment in such securities decreased from €78.7 billion at December 31, 2001 to €71.3 billion at December 31, 2002, a decrease of 9%, and remained virtually unchanged at €71.1 billion at December 31, 2003.

	At December 31,		
	2003	2002	2001
	(in millions of euro)		
Public authorities .....	35,480	38,644	49,052
Other issuers .....	35,661	32,676	29,628
<b>Total .....</b>	<b>71,141</b>	<b>71,320</b>	<b>78,680</b>

	At December 31,		
	2003	2002	2001
	(in millions of euro)		
Investment portfolio .....	43,913	40,946	44,955
Trading portfolio .....	26,068	29,264	32,769
Securitized loans .....	1,160	1,110	956
<b>Total .....</b>	<b>71,141</b>	<b>71,320</b>	<b>78,680</b>

The following table shows the Rabobank Group's investment in shares, including equity shares and other variable-yield securities as well as options and other temporary investments, at December 31, 2003, 2002 and 2001:

	At December 31,		
	2003	2002	2001
	(in millions of euro)		
Investment portfolio .....	7,532	8,293	9,709
Trading portfolio .....	2,561	1,121	2,539
Options of clients .....	—	—	308
<b>Total .....</b>	<b>10,093</b>	<b>9,414</b>	<b>12,556</b>

#### ***Contractual Obligations and Contingent Liabilities***

The table below provides certain information concerning the payments coming due under our existing contractual obligations at December 31, 2003.

	Payments Due by Period				
	On demand/ undated	≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
	(in millions of euro)				
Debt securities .....	—	39,399	28,793	12,503	80,695
Subordinated loans .....	—	—	78	96	174
Other long-term obligations .....	114,437	46,414	8,688	3,032	172,571

Other long-term obligations consist of funds entrusted by clients other than debt securities (liabilities for deposits and savings, professional securities transactions and other client accounts). For further information, see note 12 to the consolidated financial statements for the year 2003.

Contingent liabilities relate primarily to transactions in which the Rabobank Group stands surety for commitments of third parties.

	At December 31,	
	2003	2002
	(in millions of euro)	
Contingent liabilities consist of:		
Bills discounted .....	—	25
Guarantees, etc. ....	5,303	6,412
Irrevocable letters of credit .....	943	977
Other contingent liabilities .....	189	241
<b>Total contingent liabilities .....</b>	<b>6,435</b>	<b>7,655</b>

Contingent liabilities secured by assets were €11 million at December 31, 2003 compared to €353 million at December 31, 2002.

Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by Rabobank Group entities in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows.

Irrevocable letters of credit mainly secure payments to a third party for a customer's foreign and domestic trade transactions in order to finance a shipment of goods. The Rabobank Group's credit risk in these transactions is limited since these transactions are collateralized by the commodity shipped and are of a short duration. Other contingent liabilities mainly relate to acceptances of bills and are of a short-term nature. As described below, facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. Most of the unused portion of irrevocable credit facilities is secured by customers' assets or counter-guarantees by the central government and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Irrevocable facilities relate to all irrevocable facilities that could lead to lending.

	At December 31,	
	2003	2002
	(in millions of euro)	
Unused credit facilities.....	25,876	26,979
Other .....	241	172
<b>Total irrevocable facilities .....</b>	<b>26,117</b>	<b>27,151</b>

### **Capital Adequacy**

Capital adequacy and the use of capital are monitored by the Rabobank Group and its subsidiaries, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practices (the "**Basel Committee**") and implemented by the EU and the Dutch Central Bank for supervisory purposes.

The Dutch Central Bank, in conjunction with other bank supervisors, regards the risk asset ratio developed by the Basel Committee as a key supervisory tool and sets individual ratio requirements for banks in the Netherlands. This ratio was designed to meet the dual objectives of strengthening the soundness and stability of the international banking system and of creating a fair and consistent supervisory framework for international banks by means of an international convergence of capital measurement and capital standards. The technique involves the application of risk weightings to assets (which for this purpose includes both balance sheet assets and off-balance sheet items) to reflect the credit and other risks associated with broad categories of transactions and counterparties.

The Basel Committee guidelines set a minimum total risk asset ratio for all international banks of 8%. Bank capital adequacy requirements have also been established pursuant to EU directives. These directives, as implemented in the Netherlands, set forth capital standards similar to those of the Basel Committee guidelines.

In addition, the EU Capital Adequacy Directive (the "**CAD**") became effective January 1, 1996. This directive establishes minimum capital requirements for banks and investment firms for market risks. The CAD is based on a proposal by the Basel Committee.

The risk asset approach to capital adequacy emphasizes the importance of Tier 1 (core) capital, comprising primarily Group equity, including the Fund for general banking risks. In determining a bank's risk asset ratio, the rules limit qualifying Tier 2 supplementary capital to an amount equal to Tier 1 capital. Tier 2 capital includes subordinated debt and fixed asset revaluation reserves.

The concept of risk weighting assumes that banking activities generally involve some risk of loss. For risk weighting purposes, commercial lendings are taken as a bench-mark to which a risk weighting of 100% is ascribed. Other transactions, which are considered to present lower levels of risk than commercial lending, may qualify for reduced weightings. Off-balance sheet items are generally converted to credit risk equivalents by applying credit conversion factors laid down by the Basel Committee. The resulting amounts are then risk-weighted according to the nature of the counterparty. As a result, credit substitutes, such as standby letters of credit and acceptances, are allocated the same risk weightings as similar on balance sheet lending, while transaction-related off-balance sheet items, such as performance bonds, are allocated a lower weighting in recognition of the smaller likelihood of loss from these instruments.

In the case of interest and exchange rate related contracts, the risks involved relate to the potential loss of cash flows rather than notional principal amounts. These risks are represented by the replacement cost (as defined by the Dutch Central Bank) of the contracts plus an add-on to reflect potential future volatility in replacement cost arising from movements in market rates.

The Tier I ratio and the BIS ratio are the most common ratios used in the financial world to measure solvency. The Tier I ratio expresses the relationship between core capital and total risk-adjusted assets. At December 31, 2003, Rabobank Group's Tier I ratio stood at 10.8 (10.3 at December 31, 2002). This is higher than the long-term target of 10.



The minimum requirement set by the external supervisors is 4. The high solvency ratio is one of the reasons for the Rabobank Group's long-term corporate triple A rating by both Moody's and Standard & Poor's.

Total risk-adjusted items increased by €17.0 billion to €182.8 billion at December 31, 2003. This increase was largely due to the increase in lending. Tier I capital increased by €2.5 billion to €19.7 billion at December 31, 2003.

The BIS ratio is calculated by dividing the total of Tier I and Tier II capital by the total of risk-adjusted assets times one hundred. At December 31, 2003, the BIS ratio came to 10.9 (10.5 at December 31, 2002). This comfortably exceeds the minimum requirement set by the external supervisors of 8.0.

The following table sets forth the risk-weighted capital ratios of the Rabobank Group as of December 31, 2003 and 2002, in each case calculated under the Netherlands' implementation of the relevant EU directives.

### Development in capital and solvency ratios

	At December 31,	
	2003	2002
	(in millions of euro, except ratios)	
Tier 1 capital.....	19,660	17,202
Tier 1 ratio .....	10.8	10.3
Tier 1 and Tier II capital .....	19,892	17,414
BIS ratio.....	10.9	10.5

### Selected Statistical Information

The following section discusses selected statistical information regarding the Rabobank Group's operations. Unless otherwise indicated, average balances are calculated based on monthly balances and geographic data are based on the domicile of the customer. See "–Results of Operations" for an analysis of fluctuations in the Rabobank Group's results between periods.

#### Average Balance Sheet

The following tables present total average balances, based on month-end balances, and interest amounts for each of the past three years for the consolidated Rabobank Group and for our Retail Banking operations. For further information on general trends affecting interest, see "–Results of Operations."

#### Rabobank Group

	2003		2002		2001	
	Average Balance	Interest Income/(Expense)	Average Balance	Interest Income/(Expense)	Average Balance	Interest Income/(Expense)
	(in millions of euro)					
Total assets <sup>(1)</sup> .....	397,481	17,794	376,575	18,265	367,254	20,042
Total liabilities and Rabobank Group equity <sup>(2)</sup> .....	397,481	(11,784)	376,575	(12,874)	367,254	(14,960)
Interest .....		6,010		5,391		5,082

(1) Includes non-interest bearing assets.

(2) Rabobank Group equity includes minority interests.

#### Retail Banking

	2003		2002		2001	
	Average Balance	Interest Income/(Expense)	Average Balance	Interest Income/(Expense)	Average Balance	Interest Income/(Expense)
	(in millions of euro)					
Total assets .....	169,752	9,348	156,029	8,994	153,131	9,145
Total liabilities.....	169,752	(5,243)	156,029	(5,227)	153,131	(5,682)
Interest .....		4,105		3,767		3,463

### *Yields and Margins*

The following table presents selected yield and margin information for each of the past three years.

	2003	2002	2001
<b>Gross yield<sup>(1)</sup></b>			
Rabobank Group .....	4.9%	4.9%	5.4%
Retail Banking .....	5.8%	5.8%	6.0%
<b>Interest margin<sup>(2)</sup></b>			
Rabobank Group .....	1.49%	1.43%	1.38%
Retail Banking .....	2.39%	2.40%	2.25%

(1) Gross yield represents gross interest income as a percentage of average interest bearing assets, based on month-end balances.

(2) In this table, interest margin represents interest (interest income less interest expense) as a percentage of average total assets, based on month-end balances. Interest income includes interest plus certain origination fees and credit facility fees.

### *Return on Equity and Assets*

The following table presents information relating to the Rabobank Group's return on equity and assets for each of the past three years.

	2003	2002	2001
Return on Assets <sup>(1)</sup> .....	0.35%	0.33%	0.33%
Return on Equity <sup>(2)</sup> .....	8.93%	9.13%	9.14%
Equity to Assets Ratio <sup>(3)</sup> .....	3.95	3.64	3.59

(1) Net profit as a percentage of total average assets, based on month-end balances.

(2) Net profit as a percentage of average equity, based on quarterly-end balances.

(3) Average equity divided by average total assets, based on quarterly-end balances. Excluding the issue of Trust Preferred Securities in 2003, the Equity to Assets Ratio was 3.72, 3.46 and 3.38 in 2003, 2002 and 2001, respectively.

The following table presents information relating to dividends paid on Rabobank Member Certificates for each of the past three years.

	2003	2002	2001
	<b>(in millions of euro, except percentages)</b>		
Outstanding Member Certificates <sup>(1)</sup> .....	4,322	2,784	1,275
Payments .....	215	160	76
Average Dividend Yield .....	5.19%	5.97%	6.09%

(1) Average monthly amount outstanding for the 12 months ended December 31.

### Investment and Trading Portfolios

The following table shows the book value of the Rabobank Group's investment portfolio and trading portfolio at December 31, 2003, 2002 and 2001.

	At December 31,		
	2003	2002	2001
	(in millions of euro)		
Investment portfolio:			
Dutch government .....	3,794	4,562	5,983
Other OECD states .....	22,169	20,433	29,817
Mortgage-backed securities .....	5,035	4,947	4,829
Other interest-earning securities .....	13,111	12,817	9,637
Total interest-earning securities and short-term government bonds .....	44,109	42,759	50,266
Shares.....	7,532	8,293	9,709
Total investment portfolio.....	51,641	51,052	59,975
Trading portfolio:			
Dutch government .....	2,021	2,597	2,524
Other OECD states .....	23,389	24,081	25,628
Mortgage-backed securities .....	184	—	—
Other interest-earning security .....	3,489	2,586	4,617
Total interest-earning securities .....	29,083	29,264	32,769
Shares.....	2,561	1,121	2,539
Total trading portfolio .....	31,644	30,385	35,308
Total investment and trading portfolios.....	81,285	81,437	95,283

### Loan Portfolio

Our loan portfolio consists of loans, overdrafts, assets subject to operating leases, finance lease receivables to governments, corporations and consumers and reverse repurchase agreements. The following table analyzes our loan portfolio by sector at December 31, 2003, 2002 and 2001.

	At December 31,		
	2003	2002	2001
	(in millions of euro)		
Public sector .....	2,161	797	761
Private sector (corporate lending) .....	119,457	111,382	106,885
Private sector (personal lending) .....	117,816	102,665	92,077
Total loans (gross) excluding professional securities transactions .....	239,434	214,844	199,723
Professional securities transactions.....	13,211	12,132	10,591
Total loans (gross) including professional securities transactions .....	252,645	226,976	210,314
Total loans (net) <sup>(1)</sup> .....	250,797	225,252	208,614

(1) The difference between total loans (gross) and total loans (net) represents provisions for loan losses.

The table below sets forth a geographic breakdown of the Rabobank Group's loan portfolio at December 31, 2003, 2002 and 2001:

	At December 31,		
	2003	2002	2001
	(in millions of euro)		
Public Sector:			
The Netherlands .....	1,590	493	525
Western Europe <sup>(1)</sup> .....	135	99	70
Eastern Europe .....	111	87	13
North America .....	127	111	83
Asia .....	191	7	14
Australia/New Zealand .....	—	—	56
Africa .....	—	—	—
South America .....	7	—	—
<b>Total Public Sector</b> .....	<b>2,161</b>	<b>797</b>	<b>761</b>
Private Sector:			
The Netherlands .....	188,469	168,621	155,507
Western Europe <sup>(1)</sup> .....	17,446	14,579	12,570
Eastern Europe .....	442	460	489
North America .....	15,699	16,147	16,168
South America .....	2,478	2,649	2,618
Asia .....	3,054	4,208	4,146
Australia/New Zealand .....	7,722	5,531	5,573
Africa .....	115	128	191
<b>Total Private Sector</b> <sup>(2)</sup> .....	<b>235,425</b>	<b>212,323</b>	<b>197,262</b>

(1) Excluding the Netherlands.

(2) After provisions for loan losses.

Our lease portfolio totalled €2,265 million, €1,228 million and €10,417 million at December 31, 2003, 2002 and 2001, respectively. At December 31, 2003, our lease portfolio was comprised of finance lease receivables of €8,845 million and assets subject to operating leases of €3,420 million.

#### ***Maturities and Interest Rate Sensitivity of Loan Portfolio***

Our domestic loan portfolio consists of mortgages, loans and amounts outstanding under current account facilities (which include consumer financings). The following tables analyze our domestic loan portfolio as modelled for interest rate purposes by time remaining until maturity as at December 31, 2003.

	On demand	1 to 3 Months	4 to 6 Months	7 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years
	(in millions of euro)							
Mortgages/Loans (variable or next repricing date) <sup>(1)</sup> .....	—	8,410	400	801	1,602	1,602	1,602	1,602
Mortgages/Loans (fixed or next repricing date) <sup>(2)</sup> .....	—	15,288	7,124	10,232	12,986	16,317	13,223	15,659
Current Accounts <sup>(3)</sup> .....	15,036	2,038	30	60	121	121	121	121

	5 to 6 Years	6 to 7 Years	7 to 8 Years	8 to 9 Years	9 to 10 Years	More than 10 Years	Total
	(in millions of euro)						
Mortgages/Loans (variable or next repricing date) <sup>(1)</sup> .....	—	—	—	—	—	—	16,019
Mortgages/Loans (fixed or next repricing date) <sup>(2)</sup> .....	11,158	7,681	6,376	4,441	6,357	6,220	133,061
Current Accounts <sup>(3)</sup> .....	—	—	—	—	—	—	17,650

(1) Although these represent variable interest rate mortgages and loans, for the purposes of interest rate sensitivity analysis, the behavioural repricing characteristics of the products are taken into consideration.

(2) Mortgages and loans with an initial fixed interest rate are consistent fixed interest mortgages and loans for the purposes of interest rate sensitivity analysis.

(3) Current accounts include amounts outstanding under current account facilities and consumer financings.

Consolidated results of operations are affected by Rabobank Group's ability to manage interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in interest income. The sensitivity of interest income to interest rate conditions is estimated, assuming an immediate and lasting increase of 100 basis points in the yield curve. The Rabobank Group's sensitivity analysis indicates that such an increase (as of December 31, 2003 and based on our position as of such date), would have lead to a decrease of €170 million or approximately 2% of expected interest income. The decrease has been calculated on the basis of certain simplifying assumptions, including that management takes no responsive actions to the increase in the term structure of interest rates.

### ***Risk Elements***

#### ***Cross-Border Outstandings***

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets which are denominated in a currency other than the functional currency of the office or subsidiary where the extension of credit is booked. To the extent that the material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings.

At December 31, 2003, there were no cross-border outstandings exceeding 1% of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following table analyzes cross-border outstandings as of the end of each of the last three years, stating the name of the country and the aggregate amount of cross-border outstandings in each foreign country where such outstandings exceeded 1% of total assets, by type of borrower.

	<b>Banks</b>	<b>Public Authorities</b>	<b>Private Sector</b>	<b>Total Amount</b>
	<b>(in millions of euro)</b>			
<b>At December 31, 2003</b>				
France .....	3,335	1,927	1,137	6,399
Belgium .....	1,172	800	1,173	3,145
Germany .....	4,413	5,298	757	10,468
Italy .....	1,901	4,763	133	6,797
Luxembourg .....	3,584	—	1,031	4,615
United Kingdom .....	13,213	—	9,111	22,324
United States.....	5,016	365	15,455	20,836
Spain .....	1,505	2,273	462	4,240
<b>At December 31, 2002</b>				
France .....	2,165	1,401	617	4,183
Belgium .....	2,831	978	1,045	4,854
Germany .....	5,756	3,833	700	10,289
Italy .....	752	7,534	73	8,359
Luxembourg .....	6,956	61	1,178	8,195
United Kingdom .....	15,714	67	5,731	21,512
United States.....	5,759	2,648	9,440	17,847
<b>At December 31, 2001</b>				
Belgium .....	2,417	1,267	816	4,500
Germany .....	3,444	4,387	825	8,656
Italy .....	1,297	11,640	195	13,132
United Kingdom .....	17,260	240	6,254	23,754
United States.....	3,470	6,658	12,952	23,080
Japan .....	230	5,653	801	6,684

The following table analyzes cross-border outstandings as of the end of each of 2002 and 2001, stating the name of the country and the aggregate amount of cross-border outstandings in each foreign country where such outstandings amounted to between 0.75% and 1% of total assets, by type of borrower. There were no such cross-border outstandings at December 31, 2003.

	<b>Banks</b>	<b>Public Authorities</b>	<b>Private Sector</b>	<b>Total Amount</b>
	<b>(in millions of euro)</b>			
<b>At December 31, 2002</b>				
Spain .....	1,164	2,190	231	3,585
Greece .....	47	2,714	37	3,228
<b>At December 31, 2001</b>				
France .....	1,745	520	809	3,083
Greece .....	373	2,994	1	2,868

#### *Loan Concentrations*

One of the principal factors influencing the quality of our earnings and loan portfolio is diversification of loans by region, industry and borrower. A concentration exists when loans are made to a multiple number of borrowers engaged in similar activities, all of whom are subject to roughly the same effects on creditworthiness of economic conditions or other developments.

The following table presents the loan concentration of Rabobank Group loans by industry at December 31, 2003.

	At December 31, 2003		
	Balance Sheet Amount Outstanding	Off-balance Sheet Amount Outstanding	Total Amount Outstanding
	(in millions of euro)		
<b>Agriculture:</b>			
Arable farming .....	1,756	23	1,779
Mixed farming .....	2,317	68	2,385
Grains/rice .....	1,094	363	1,457
Cattle/hogs .....	11,243	172	11,415
Poultry .....	871	69	940
Dairy .....	2,755	151	2,906
Fruit/flowers/vegetables .....	6,053	107	6,160
Tobacco .....	47	—	47
Sugar/coffee/cocoa .....	1,344	37	1,381
Other commodities .....	976	99	1,075
Food imports .....	148	25	173
Feed service .....	444	20	464
Agricultural equipment .....	457	33	490
Fertilizers .....	154	9	163
Other agricultural products .....	933	10	943
Agri-export Finance .....	87	—	87
Fishery .....	364	43	407
Other .....	5,558	122	5,680
<b>Total agriculture .....</b>	<b>36,601</b>	<b>1,351</b>	<b>37,952</b>
<b>Trade, Industry &amp; Services:</b>			
Health care .....	4,982	47	5,029
Paper/publishing .....	1,501	72	1,573
Oil/energy/utilities .....	1,368	200	1,568
Chemical industry .....	2,165	143	2,308
Metal/machinery .....	2,588	105	2,693
Electrotechnical .....	605	248	853
Building .....	6,894	175	7,069
Wholesale/retail .....	12,757	571	13,328
Transport .....	3,597	930	4,527
Communications .....	1,460	160	1,620
Insurance .....	1,768	47	1,815
Other financial institutions .....	11,017	651	11,668
Real estate .....	4,660	—	4,660
Hotel/catering .....	2,680	45	2,725
Business support services .....	7,053	119	7,172
Other .....	13,070	222	13,292
<b>Total trade, industry &amp; services .....</b>	<b>78,165</b>	<b>3,735</b>	<b>81,900</b>
<b>Other:</b>			
Non-profit .....	3,136	160	3,296
Private individuals .....	117,523	599	118,122
<b>Total other .....</b>	<b>120,659</b>	<b>759</b>	<b>121,418</b>
<b>Total private sector loans .....</b>	<b>235,425</b>	<b>5,845</b>	<b>241,270</b>

Loans to the agricultural sectors accounted for roughly 16% of the Rabobank Group's total private sector loans at December 31, 2003. As a result of strong growth in loans to the trade, industry and services sectors, the concentration of loans to the agricultural sector has been decreasing slightly. We believe that the Rabobank Group's portfolio of loans to

the agricultural sector is well-diversified because these loans are spread across a number of different subsectors as well as a wide range of companies in the wholesale and retail markets.

#### *Impaired Loans*

The category “impaired loans” includes loans classified as substandard, doubtful or loss, for which a value adjustment to receivables (i.e., a loan loss provision) has been made. Loans are classified as substandard, doubtful or loss when it has been established or it is expected that the counterparties to these loans have or will have difficulties honoring their obligations. Generally, when a loan is classified as either substandard, doubtful or loss, the Rabobank Group will make a value adjustment to receivables. Charges to value adjustments to receivables with respect to impaired loans are made when all or a portion of an impaired loan is written off. For a detailed discussion of the Rabobank Group’s loan provisioning policy, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations –Critical Accounting Policies –Value adjustments to receivables.” The table below provides an analysis of the Rabobank Group’s impaired loans by business at December 31, 2003, 2002 and 2001.

	At June 30,	At December 31,		
	2004	2003	2002	2001
	(in millions of euro)			
Retail Banking:				
Local Rabobanks .....	2,011	1,749	1,536	1,409
Rabohypothekbank .....	80	68	43	39
Total Retail Banking.....	2,091	1,817	1,579	1,448
Wholesale Banking:				
The Netherlands.....	683	850	863	767
Rest of world .....	1,012	1,265	1,352	1,389
Total Wholesale Banking .....	1,695	2,115	2,215	2,156
Asset Management .....	3	1	1	6
Leasing.....	391	380	345	320
Other .....	28	18	0	0
<b>Total Rabobank Group impaired loans .....</b>	<b>4,208</b>	<b>4,332</b>	<b>4,140</b>	<b>3,930</b>



### Summary of Loan Loss Experience

The following table shows the movements in the allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for the past three years.

	2003	2002	2001
	(in millions of euro)		
<b>Balance at January 1:</b>			
Retail Banking .....	1,021	935	858
Wholesale Banking .....	683	722	674
Asset Management .....	1	5	13
Leasing.....	79	89	100
Other .....	1	2	1
<b>Total balance at January 1</b>	<b>1,785</b>	<b>1,753</b>	<b>1,646</b>
<b>Addition<sup>(1)</sup>:</b>			
Retail Banking .....	213	165	150
Wholesale Banking .....	284	266	268
Asset Management .....	—	—	1
Leasing.....	75	68	60
Other .....	3	1	1
<b>Total additions</b> .....	<b>575</b>	<b>500</b>	<b>480</b>
<b>Amount charged to the provisions:</b>			
Retail Banking .....	(171)	(94)	(90)
Wholesale Banking .....	(184)	(289)	(255)
Asset Management .....	—	—	(10)
Leasing.....	(80)	(77)	(75)
Other .....	(7)	—	—
<b>Total amount charged to the provisions</b> .....	<b>(442)</b>	<b>(460)</b>	<b>(430)</b>
<b>Other:</b>			
Retail Banking .....	15	15	17
Wholesale Banking .....	(32)	(16)	35
Asset Management .....	0	(4)	1
Leasing.....	(1)	(1)	4
Other .....	34	(2)	—
<b>Total other</b> .....	<b>16</b>	<b>(8)</b>	<b>57</b>
<b>Balance at December 31:</b>			
Retail Banking .....	1,078	1,021	935
Wholesale Banking .....	751	683	722
Asset Management .....	1	1	5
Leasing.....	73	79	89
Other .....	31	1	2
<b>Total balance at December 31</b> .....	<b>1,934</b>	<b>1,785</b>	<b>1,753</b>

(1) Represents value adjustment to receivables for the period.

### Deposits

The following table presents the year-end amounts, of each deposit category for the years ended December 31, 2003, 2002 and 2001. Interest rates paid on customer deposits by banks and individuals reflect market conditions. Since mid 2001, current accounts no longer earn interest.

	At December 31,		
	2003	2002	2001
	(in millions of euro)		
<b>Deposits originated in the Netherlands:</b>			
Deposits by businesses:			
Time deposits (non-banks) .....	39,086	47,225	54,043
Current accounts .....	33,652	29,863	27,558
Professional securities transactions (repo's securities) .....	3,309	6,031	8,485
Other .....	12,359	8,326	3,780
<b>Total deposits by businesses .....</b>	<b>88,406</b>	<b>91,445</b>	<b>93,866</b>
Deposits by individuals:			
Savings accounts .....	71,559	66,272	63,060
Current accounts .....	10,657	9,949	10,123
<b>Other .....</b>	<b>1,949</b>	<b>3,966</b>	<b>5,125</b>
<b>Total deposits by individuals .....</b>	<b>84,165</b>	<b>80,187</b>	<b>78,308</b>
<b>Total deposits by businesses and individuals .....</b>	<b>172,571</b>	<b>171,632</b>	<b>172,174</b>

### Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. These are included in the Rabobank Group's consolidated balance sheet under the items "Debt securities". An analysis of the balance of short-term borrowings for December 31, 2003, 2002 and 2001 is provided below.

	At December 31,		
	2003	2002	2001
	(in millions of euro)		
Year-end balance .....	34,547	23,853	26,486
Average balance .....	31,642	28,118	25,128
Maximum month-end balance .....	37,406	33,616	29,536

## RISK MANAGEMENT

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

The principal risks we face are market risk, interest rate risk, credit risk, country risk, liquidity risk, operational risk and insurance risk. Rabobank is now in the process of implementing the economic capital framework within the Rabobank Group as a measure of how much capital we should hold on the basis of our risk profile and desired credit rating. Economic capital represents the amount of capital needed to cover for all risks associated with a certain activity. The economic capital framework makes it possible to compare different risk categories with each other because all risks are measured against the same denominator.

### Risk Adjusted Return on Capital (RAROC)

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

The use of the RAROC model to classify the Rabobank Group’s activities also plays a significant part in the allocation of capital to the various group entities and the different risk categories. If the calculated RAROC lags behind the formulated minimum result to be achieved, which is a reflection of the costs of the capital employed, economic value is destroyed. A higher RAROC implies the creation of economic value.

### Market Risk

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

During the year 2003, our daily value-at-risk fluctuated between €1 million and €8 million, with an average of €4 million. In 2002, daily value-at-risk fluctuated between €10 million and €15 million, with an average of €13 million. In 2001, the daily value-at-risk fluctuated between €7 million and €12 million, with an average of €9 million.

On the basis of the value-at-risk analysis, Rabobank Nederland determines its use of capital for market risk positions throughout the Rabobank Group in compliance with the regulations of the Dutch Central Bank.

### Interest Rate Risk

The Rabobank Group is exposed to structural interest rate risk in its balance sheet. Interest rate risk can result from, amongst other things, mismatches in assets and liabilities; for example, mismatches between the periods for which interest rates are fixed on loans and funds entrusted. The Rabobank Group manages interest rate risk through the BRMC using both the “income-at-risk” concept and the “equity-at-risk” concept. Based on the income-at-risk and equity-at-risk analyses, the Executive Board forms an opinion with regard to the acceptability of losses related to projected interest rate scenarios, and decides upon limits with regard to Rabobank Nederland’s interest rate risk profile.

The Rabobank Group's short-term interest rate risk is measured and controlled based on a concept of "income-at-risk". This is the maximum amount of interest income at risk for the coming 12 months, given a certain confidence level, due to severe changes in short- and long-term interest rates. The maximum income-at-risk for the Rabobank Group was approximately 3.5% of net interest income during 2003 (compared to 4% in 2002). The Rabobank Group's long-term interest rate risk is measured and controlled based on a concept of "equity-at-risk", or the sensitivity of the Rabobank Group's market value of equity to changes in interest rates. Based on analyzing certain scenarios, the consequences of changes in interest rates over a longer period of time are calculated and evaluated. The maximum equity-at-risk for the Rabobank Group was approximately 6.4% of the market value of its equity during 2003 (compared to approximately 6% in 2002).

### Credit Risk

The Rabobank Group aims to offer continuity in its services. It therefore pursues a prudent policy. Once granted, loans are carefully managed so there is a continuous monitoring of credit risk. Of Rabobank Group's credit portfolio to the private sector, 50% in 2003 consisted of loans to private individuals which tend to have a very low risk profile in relative terms. The remaining 50% is a highly diversified portfolio of loans to business clients in the Netherlands and abroad.

With respect to the management of the Rabobank Group's exposure to credit risk Rabobank Nederland's Credit Risk Management division plays a key role. Applications for a loan or renewal of existing loans beyond certain limits are subject to a thorough credit analysis by credit officers of this department. Further, it monitors the Rabobank Group's credit portfolio and develops new methods for quantifying credit risks.

Risk profiling is also undertaken at the portfolio level using internal risk classifications for portfolio modelling. Credit ratings are assigned to borrowers by allocating all outstanding loans into various risk categories on a regular basis. The table below shows the impaired loans (i.e., the amount of loans for which a provision has been made) per business unit as a percentage of private sector loans.

	Impaired loans per business unit		
	June 30, 2004	December 31, 2003	December 31, 2002
Retail.....	1.23%	1.12%	1.06%
Wholesale .....	3.61%	4.47%	4.62%
Asset management.....	0.18%	0.08%	0.08%
Leasing.....	3.31%	3.29%	3.31%
Total.....	1.71%	1.84%	1.95%

### Bad and Doubtful Debt

The Rabobank Group's credit portfolio is routinely monitored for doubtful and bad debt, which results in review of the credit quality and consequently, if needed, adjustment of the credit rating and taking a provision for doubtful debt. Within the Rabobank Group, a formal analysis of specifically identified larger loans takes place every quarter and is reported in the form of loan strategy reports, which include evaluation of the risks associated with each loan, the current financial condition of the borrower, the economic environment in which the borrower operates, the value of collateral and the strategy for the coming period to protect the interests of the Rabobank Group.

The table below sets forth the Rabobank Group's value adjustments to receivables (i.e., additions to provisions for loan losses) taken by the Rabobank Group for the five years ended December 31, 2003, 2002, 2001, 2000 and 1999 as well as for the first half of 2004 (annualized), per business unit as a percentage of our private sector lending.

	Value Adjustments to Receivables per business unit					
	First half year 2004	2003	2002	2001	2000	1999
Retail.....	0.15%	0.13%	0.11%	0.11%	0.09%	0.10%
Wholesale .....	0.35%	0.60%	0.56%	0.59%	0.49%	0.50%
Asset management.....	0.00%	0.00%	0.00%	0.02%	0.00%	-0.01%
Leasing.....	0.67%	0.65%	0.65%	0.60%	0.48%	0.57%
Total.....	0.22%	0.24%	0.24%	0.24%	0.20%	0.22%

In determining the amount of the value adjustment to receivables, corporate loans are assessed on a loan by loan basis and the following factors are considered:

- the financial standing of the customer, including a realistic assessment of the likelihood of repayment of the loan within an acceptable period and the extent of our commitments to the customer;
- the realizable value of any collateral (security) for the loan; and
- the costs associated with obtaining repayment and realization of any security.

### Country Risk

Loans to parties abroad expose the Rabobank Group not only to the customary credit risk but also to country risks. Country risk is specifically attributable to events in a specific country or group of countries. We encounter country risk in our lending, trading and investment activities. We manage country risk using a system of internal ratings for each country. Based on these ratings and the determination of our Country Limit Committee as to how much risk to take on, internal limits per country are established. The decisions on the country risk limits are taken at Executive Board level and are based on recommendations of the Country Limit Committee. Provisions for country risk are made if repayment problems might arise as a result of government measures or extreme circumstances in a country. Due account is taken of risk mitigating factors such as collateral outside the country of risk and structure of the transaction.

### Liquidity Risk

Liquidity risk is the risk that a member of our group will not be able to meet its financial liabilities when due. The Rabobank Group closely monitors its liquidity risk to maintain an adequate liquidity buffer such that group entities are able to meet their financial liabilities when due. In the past five years, the Rabobank Group has worked on a substantial diversification of its funding base. By also focusing on central banks, money market funds, pension funds and asset managers, it is less dependent on funds from other commercial banks. On the asset side of the balance sheet, greater priority has been given to assets that can be converted readily into cash. Liquidity risk is an organization-wide matter and managed by Treasury Rabobank Group in cooperation with Rabobank International Global Financial Markets.

### Operational Risk

Operational risk is the risk of direct or indirect losses arising from deficiencies in procedures and systems and from human failures or from external events. We are in the process of implementing a group-wide operational risk policy which was introduced in mid-2003. Decentralized databases are being set up at all entities to record and report operational incidents. In addition, sophisticated instruments are made available to enable robust operational risk management within each Rabobank Group entity. As before, the management of the individual Rabobank Group entities is responsible for developing policy, processes and procedures to manage operational risk in line with group policy.

### Insurance Risk

At Interpolis risk management is concerned mainly with insurance risks, using appropriate techniques. The risks of existing and new products are estimated and changes in them are monitored. This enables the Rabobank Group to ascertain whether future commitments can be met with sufficient certainty and whether calamities can be absorbed financially. Interpolis' risk management policy takes account of possible disaster scenarios.

### Reserves

The following table shows Rabobank Group's reserves and risk-based capital ratios for the five years up to and including December 31, 2003. Rabobank Nederland's Capital Adequacy Ratio (BIS ratio) has consistently exceeded the minimum Dutch Central Bank requirement of 8.0. The Rabobank Group's equity consists almost entirely of Tier 1 capital. At December 31, 2003, Rabobank Group's Tier 1 ratio was 10.8 compared to the minimum requirement of 4.0.

	As of December 31,				
	2003	2002	2001	2000	1999
Reserves (in millions of euro) <sup>(1)</sup> ...	17,270	14,911	13,030	13,108	11,867
BIS ratio.....	10.9	10.5	10.2	10.6	10.5
Tier 1 ratio.....	10.8	10.3	9.9	10.3	10.0

(1) Reserves as previously published, before reclassification of Trust Preferred Securities from Reserves to Subordinated loans.

The Rabobank Group also maintains a fund of €1.7 billion for general banking risks (“**FAR**”) in order to attempt to absorb general banking risks arising as a result of unforeseeable and therefore unquantifiable expenses. Movements in the FAR are accounted for as a separate line item in the profit and loss account of the Rabobank Group and expenses related to amounts released from the FAR are accounted for under the related items in the profit and loss account.

## REGULATION AND SUPERVISION

### General Overview

Rabobank Nederland is a credit institution (*kredietinstelling*) organized under the laws of the Netherlands. The principal Netherlands law applicable to Rabobank Nederland is the 1992 Act on the supervision of the credit system (*Wet toezicht kredietwezen 1992*) (the “**Netherlands Act**”), under which Rabobank Nederland is supervised by the Dutch Central Bank and the Dutch Minister of Finance. Rabobank Nederland and the various Rabobank Group entities are also subject to certain EU directives which have a significant impact on the regulation of the Rabobank Group’s banking, asset management and broker-dealer businesses in the EU and the regulation and control of local central banks and monetary authorities of the various countries in which we do business.

Rabobank Nederland, the Local Rabobanks and the subsidiaries of Rabobank Nederland are in compliance in all material respects with the applicable banking and insurance regulations and capitalization and capital base requirements of each applicable jurisdiction.

### Basel Standards

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

In June 1999, the Basel Committee proposed a review of the Basel guidelines of 1988. Since then, several consultative papers for a new capital accord have been released by the Basel Committee on Banking Supervision, which were discussed by several international working parties. The final proposal (“**Basel II**”) was published in June 2004. The target is to achieve a flexible framework that is more closely in line with internal risk control and that will result in a more sophisticated credit risk weighting. The Rabobank Group has joined in a number of global exercises initiated by the Basel Committee, aimed at establishing the consequences of Basel II. Given its traditionally low (credit) risk profile, the new capital adequacy requirements for the Rabobank Group are significantly lower than the current ones. The Rabobank Group has already started the implementation of the final proposals.

The European Commission has adopted a proposal for the amendment of the EC Directive 2000/12 and the EEC Directive 1993/6 to introduce the new capital requirements framework. According to the co-decision procedure, the European Council and European Parliament will have to approve the proposal before the member states can implement it in their own legislation. The approval of the Council and Parliament is foreseen before the end of 2005 and the implementation by the member states by the end of 2006. In the Netherlands, the proposal will need to be transposed into national regulations by the Dutch Central Bank. Basel II will impact the areas of risk sensitivity, group structures, equity holdings in non-banks and retail exposures.

### European Union Standards

The European Community has adopted a capital adequacy regulation for credit institutions in all its member states based on the Basel guidelines. In 1989, the EC adopted the Council Directive of April 17, 1989 on the “own funds” of credit institutions (the “**Own Funds Directive**”), defining qualifying capital (“**own funds**”), and the Council Directive of December 18, 1989 on a capital base ratio for credit institutions (the “**Capital Base Ratio Directive**” and, together with the Own Funds Directive, the “**EC Directives**”), setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items. The EC Directives required the EU member states to transform the provisions of the Capital Base Ratio Directive and the provisions of the Own Funds Directive into national law directly binding on banks operating in the member states. The EC Directives permit EU member states, when transforming the EC Directives into national law, to establish more stringent requirements, but do not permit more lenient requirements.

The EC Directives are aimed at harmonizing banking regulations and supervision throughout the EU by laying down certain minimum standards in key areas, and requiring member states to give “mutual recognition” to each other’s standards of regulation. The concept of “mutual recognition” has also been extended to create the “passport” concept: the freedom to establish branches in, and to provide cross-border services into, other EU member states once a bank has

been licensed in its “home” state. A Dutch credit institution is not permitted to start operations through a branch in another EU member state until it has received confirmation from the Dutch Central Bank that the information required by the Second Directive on the Coordination of Legislation to the Taking Up and Pursuit of the Business of Credit Institutions of 15 December 1989 (the “**Second EC Banking Coordination Directive**”) has been submitted to the Dutch Central Bank and, following this confirmation, until a period of two months has elapsed or, before the expiry of this period, until it has received confirming information by the Dutch Central Bank. The single market program for banking was completed when the CAD was implemented in the Netherlands with effect from January 1, 1996. In particular, CAD introduced a new requirement for banks to provide capital for market risk.

The EC Directives require a bank, commencing with the end of the 1992 financial year, to have a capital base ratio of own funds to risk-adjusted assets and certain off-balance sheet items of at least 8%. At least one-half of the own funds in the numerator of the ratio must be “original own funds”, or “Tier 1” capital. The rest may be “additional own funds”, or “Tier 2” capital. As of January 1, 1997, Tier 1 capital consists solely of paid-up capital plus share premium accounts, other reserves and the fund for general banking risks less a deduction for goodwill. Tier 2 capital includes revaluation reserves, value adjustments and certain other funds and securities (such as fixed-term cumulative preferential shares and subordinated debt). The aggregate of a bank’s subordinated loans and fixed-term cumulative preferential shares may not exceed 50% of a bank’s consolidated Tier 1 capital.

To compute the denominator of the capital base ratio, the assets of a bank are assigned to five broad categories of relative credit risk (0%, 10%, 20%, 50% and 100%) and the balance sheet value of each asset is multiplied by the percentage weight applicable to its risk category to arrive at the risk-adjusted value. With respect to off-balance sheet items, such as financial guarantees and letters of credit, first, their face value is adjusted according to their risk classification depending on the type of instrument (0%, 10%, 20%, 50% and 100%), then they are assigned, like on-balance sheet assets, to the credit risk categories depending on the type of debtor and multiplied by the applicable percentage weights. With respect to derivatives contracts, first, their fair value is adjusted with a product specific potential future credit exposure (0% to 15% over the notional amounts), then they are assigned, like on-balance sheet assets, to the credit risk categories depending on the type of debtor and multiplied by the applicable percentage weights (the 100% weighting factor being replaced by the 50% weighting factor).

The Dutch Central Bank implemented the EC Directives in 1992. In 2000, the EC Directives, the Second EC Banking Coordination Directive and certain other directives were consolidated in EC Directive 2000/12 and repealed.

As stated above, the European Commission has now adopted a proposal for the amendment of the EC Directive 2000/12 and the EEC Directive 1993/6 to introduce the new capital requirements framework agreed by the Basel Committee on Banking Supervision. The proposal sets out new rules on capital requirements. The proposal reflects the flexible structure and the major components of Basel II, but has been tailored to the specific features of the EU market.

Instead of the current ‘one-size-fits-all’ approach, the proposed new framework would consist of three different approaches allowing financial institutions to choose the approach most suited to them: simple, intermediate and advanced. The simple and intermediate approaches would be available by end 2006 (but banks could still opt to apply the current rules until end 2007) and the most advanced approaches from end 2007. Rabobank intends to make use of the advanced approach.

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

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

EU member states have to provide that the provisions of this directive shall first apply to the supervision of accounts for the financial year beginning on January 1, 2005.



## Netherlands Regulation

### General

In 2001, a major supervisory reform was undertaken in the Netherlands. The sector-oriented supervision (by the Dutch Central Bank on banks, the Pensions and Insurance Supervisory Board on pension funds and insurance institutions and the Netherlands Authority for the Financial Markets on securities institutions) has been replaced by a more functional approach. As of September 2002, supervision has been divided into prudential supervision, carried out by the Dutch Central Bank and the Pensions and Insurance Supervisory Board together, and conduct of business supervision, carried out by the Netherlands Authority for the Financial Markets. Completion of the supervisory reform will culminate in the Financial Markets Supervision Act (*Wet op het financieel toezicht*). The Financial Markets Supervision Act is to replace a large number of currently separate supervision acts for different areas of the financial markets, among which is the Netherlands Act. It is intended that the Financial Markets Supervision Act will consist of essentially four parts: (i) a general part, providing for rules that are relevant for both prudential supervision and conduct of business supervision, (ii) a part providing for rules specific to prudential supervision, (iii) a part providing for rules specific to conduct of business supervision and (iv) a part providing for rules relevant to the infrastructure of the financial markets. A bill for the first part of the Financial Markets Supervision Act has been introduced to Dutch Parliament. The second and third part of the act currently merely exist in the form of consultation documents. The Financial Markets Supervision Act is intended to come into force on 1 July 2005.

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

### The Netherlands Act

#### Scope of the Act

A credit institution is any enterprise whose business it is to receive funds repayable on demand or subject to notice and to grant credits or make investments for its own account. Rabobank Nederland and various Rabobank Group entities, including each of the Local Rabobanks are credit institutions and, because they are engaged in the securities business as well as the commercial banking business, each is considered a "universal bank". These entities may accordingly be restricted from making capital contributions or loans to their respective subsidiaries.

#### Licensing

Under the Netherlands Act, a credit institution established in the Netherlands is required to obtain a license from the Dutch Central Bank before engaging in any banking activities. The requirements to obtain a license, among others, are as follows: (i) the day-to-day policy of the credit institution must be determined by at least two persons; (ii) the credit institution must have a body of at least three members which has tasks similar to those of a board of supervisory directors; and (iii) the credit institution must have a minimum equity (*eigen vermogen*) of €5,000,000. Also, the Dutch Central Bank shall refuse to grant a license if, among other things, it is of the view that (i) the persons who determine the day-to-day policy of the credit institution have insufficient expertise to engage in the business of the credit institution, (ii) the interests of (future) creditors could be materially prejudiced given the intentions or credentials of one or more persons who determine the policy of the credit institution or (iii) through a qualified holding in the credit institution, influence on the policy of such enterprise or institution may be exercised which is contrary to "prudent banking policy" (*gezond bankbeleid*). In addition to certain other grounds, the license may be revoked if a credit institution fails to comply with the requirements for maintaining it.

#### Reporting and Investigation

A credit institution is required to file with the Dutch Central Bank its annual financial statements in a form approved by the Dutch Central Bank, which includes a balance sheet and a profit and loss statement that have been certified by a qualified auditor in the Netherlands or an equally qualified foreign auditor who is licensed in the Netherlands. In addition, a credit institution is required to file with the Dutch Central Bank or a designated agency monthly balance sheets, on a basis established by the Dutch Central Bank, which also has the option to demand more frequent reports (including reports certified by a qualified auditor in the Netherlands or an equally qualified foreign auditor who is licensed in the Netherlands). The credit institutions' reports to the Dutch Central Bank are required to be "truthful and not misleading".

A credit institution must also inform the Dutch Central Bank of any change in number and the identity or the credentials of the persons determining its day-to-day policy. Furthermore, a credit institution must also inform the Dutch Central Bank if it fails to comply, or to comply fully, with the Dutch Central Bank's standards regarding capital base, liquidity or administrative organization.

### *Supervision*

The Dutch Central Bank exercises supervision with respect to the solvency and liquidity of credit institutions, supervision of the administrative organization of credit institutions and structure supervision relating to credit institutions. To this end, the Dutch Central Bank has issued the following general guidelines.

#### *Solvency Supervision*

The guidelines of the Dutch Central Bank on solvency supervision require that a credit institution maintains equity in an amount equal to at least 8% of its risk-bearing operations. These guidelines also impose limitations on the aggregate amount of claims (including extensions of credit) a credit institution may have against one debtor or a group of related debtors.

#### *Liquidity Supervision*

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

#### *Structure Supervision*

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

In addition, any person is permitted to hold, acquire or increase a qualified holding in a credit institution, or to exercise any voting power in connection with such holding, only after such declaration of no-objection has been obtained. The Netherlands Act provides for certain (prior) notification requirements applying to credit institutions and persons increasing or reducing their holdings in credit institutions.

#### *Administrative Supervision*

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

#### *Emergencies*

The Netherlands Act contains an “emergency regulation” which can be declared in respect of a credit institution by a Dutch court at the request of the Dutch Central Bank if such credit institution is in a position which requires special measures for the protection of its creditors. As of the date of the emergency, only the court appointed administrators have the authority to exercise the powers of the representatives of the credit institution. Furthermore, the emergency regulation provides for special measures for the protection of the interests of the creditors of the credit institution. A credit institution can also be declared in a state of bankruptcy by the court.

Rabobank Nederland and the Local Rabobanks file consolidated monthly and annual reports that provide a true and fair view of their respective financial position and results with the Dutch Central Bank. Our independent auditors audit these reports annually.

## RABOBANK CAPITAL FUNDING TRUST VI

Rabobank Capital Funding Trust VI is a statutory trust formed on October 21, 2004 under the Delaware Statutory Trust Act, as amended (the “**Trust Act**”), pursuant to a trust agreement and the filing of a certificate of trust with the Secretary of State of the State of Delaware; such trust agreement will be amended and restated in its entirety prior to the Issue Date (such trust agreement, as amended and restated, is referred to herein as the “**Trust Agreement**”).

Holding will initially acquire 100% of the Trust Common Securities, which will have an aggregate liquidation preference amount equal to A\$1,000. The Trust will use all the proceeds derived from the issuance of the Trust Securities to purchase the LLC AUD Series 2 Class B Preferred Securities from the LLC. Accordingly, the assets of the Trust will consist solely of the LLC AUD Series 2 Class B Preferred Securities.

The Trust exists exclusively for the purposes of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Securities in the LLC Series 2 AUD Class B Preferred Securities and (iii) engaging in only those other activities necessary or incidental thereto.

Pursuant to the Trust Agreement, there will initially be five trustees (the “**Trustees**”) for the Trust. Three of the Trustees will be individuals who are employees or officers of, or who are affiliated with, Rabobank Nederland (the “**Regular Trustees**”). The fourth Trustee, the property trustee, will be a financial institution that is unaffiliated with Rabobank Nederland (the “**Property Trustee**”). The fifth Trustee will be an entity that maintains its principal place of business in the State of Delaware (the “**Delaware Trustee**”).

The initial Regular Trustees of the Trust will be Guillermo Bilbao, Cor Broekhuysen and Hans den Baas, each of whom is an employee of Rabobank Nederland, employed at the Branch. In total, the Trust has three employees.

Initially, The Bank of New York, a New York banking corporation, will act as Property Trustee and The Bank of New York (Delaware), a Delaware corporation, will act as Delaware Trustee.

The Property Trustee will hold title to the LLC AUD Series 2 Class B Preferred Securities for the benefit of the holders of the Trust Securities. The Property Trustee will have the power to exercise all rights, powers and privileges with respect to the LLC AUD Series 2 Class B Preferred Securities under the LLC Agreement as the holder of the LLC AUD Series 2 Class B Preferred Securities. In addition, the Property Trustee will maintain exclusive control of the property account to hold all payments received in respect of the LLC AUD Series 2 Class B Preferred Securities for the benefit of the holders of the Trust Securities. The Property Trustee will hold the AUD Series 2 Guarantee for the benefit of the holders of the Trust Securities.

In accordance with the terms of the Trust Agreement, prior to the occurrence and continuance of a Trust Enforcement Event (as defined herein), Holding, as the holder of all the Trust Common Securities, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees; *provided* that at least one Trustee shall be the Delaware Trustee, at least one Trustee shall be the Property Trustee and at least one Trustee shall be a Regular Trustee. After a Trust Enforcement Event occurs and so long as it is continuing, holders of the Trust Preferred Securities will have the right to appoint, remove or replace the Property Trustee and the Delaware Trustee in accordance with the terms of the Trust Agreement.

For so long as the Trust Preferred Securities remain outstanding, Rabobank Nederland will covenant (i) that 100% of the Trust Common Securities will be held by Holding or by one or more Controlled Affiliates (as defined below), (ii) to not permit, or take any action to cause, the Trust to issue debt or other securities ranking *pari passu* with or senior to the Trust Securities, (iii) to cause the Trust to remain a statutory trust and not to voluntarily dissolve, wind up or liquidate, except as permitted by the Trust Agreement, (iv) to use its commercially reasonable efforts to ensure that the Trust will not be classified as an investment company for purposes of the 1940 Act and (v) that it will take no action which would be reasonably likely to cause the Trust to be classified as other than a grantor trust for U.S. federal income tax purposes. The holder of the Trust Common Securities may transfer the Trust Common Securities to another Affiliate of Rabobank Nederland which is deemed to be a company controlled by Rabobank Nederland within the meaning of Rule 3a-5 under the 1940 Act (a “**Controlled Affiliate**”); *provided* that prior to such transfer it has received an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that (A) the Trust will continue to be treated as a grantor trust for U.S. federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, (B) such transfer will not cause the Trust to be required to register under the 1940 Act and (C) such transfer will not adversely affect the limited liability of the holders of the Trust Preferred Securities.

The rights of the holders of the Trust Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement and the Trust Act. See “Description of the Trust Securities”.

Under the Services Agreements, the Branch will be obligated, among other things, to provide legal, accounting, tax and other general support services to the Trust and the LLC, to maintain compliance with all applicable U.S. and

Dutch local, state and federal laws, and to provide administrative, recordkeeping and secretarial services for the LLC and the Trust. The fees and expenses of the LLC and the Trust, including any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the LLC or the Trust, and all other obligations of the LLC and the Trust (other than with respect to the Trust Securities or the LLC Securities) will be paid by Holding.

The Trust will not publish financial statements. The location of the principal executive office of the Trust and the business address of the Regular Trustees is c/o Utrecht-America Holdings, Inc., 245 Park Avenue, 36th Floor, New York, New York 10167 and the telephone number of the Trust is +1 (212) 916 7800.

### RABOBANK CAPITAL FUNDING III LLC

Rabobank Capital Funding III LLC is a limited liability company that was formed on October 7, 2004 under the Delaware Limited Liability Company Act, as amended (the “**LLC Act**”), pursuant to an initial limited liability company agreement. The initial limited liability company agreement was amended and restated in its entirety on October 21, 2004 (as so amended and restated, the “**LLC Agreement**”) in order to reflect, among other things, the issuance by the LLC of three classes of limited liability company interests, the LLC Common Securities, the LLC Class A Preferred Securities and the LLC Class B Preferred Securities of which two series consisting of the LLC USD Class B Preferred Securities and the LLC GBP Class B Preferred Securities were issued on October 21, 2004 and of which two series consisting of the LLC AUD Series 2 Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities are expected to be issued concurrently with this offering. Additional terms of the LLC AUD Series 1 Class B Preferred Securities and LLC AUD Series 2 Class B Preferred Securities will be set forth in the certificate of designation in respect of the LLC AUD Series 1 Class B Preferred Securities (the “**AUD Series 1 Certificate of Designation**”) and the certificate of designation in respect of the LLC AUD Series 2 Class B Preferred Securities (the “**AUD Series 2 Certificate of Designation**”, and, together with the AUD Series 1 Certificate of Designation, the “**Certificates of Designation**”).

The Property Trustee will initially hold 100% of the issued and outstanding LLC AUD Series 2 Class B Preferred Securities on behalf of the holders of the Trust Securities. Holding will initially hold 100% of the issued and outstanding LLC Common Securities which will have an initial aggregate liquidation preference amount equal to at least \$50,000,000. RBPS III or one or more other wholly-owned subsidiaries of Rabobank Nederland will always hold 100% of the issued and outstanding LLC Class A Preferred Securities.

The LLC will use the proceeds from the sale of the LLC Securities (the “**Initial Proceeds**”) to purchase the Initial Subordinated Notes from Rabobank Nederland and Eligible Debt Securities comprising cash or book-entry securities, negotiable instruments or other securities of entities which are identified as a permitted investment of a finance subsidiary pursuant to Rule 3a-5 under the 1940 Act at the time they are acquired by the LLC; provided that the holder of the LLC Common Securities shall believe, after consultation with relevant local counsel, that the investment in Eligible Debt Securities will not cause any adverse withholding tax consequences to the LLC, the Trust or the holders of Trust Securities including the imposition of any tax identification requirements with respect to such holders. Upon the maturity or redemption of the Initial Subordinated Notes, the LLC may (and in the case of a redemption upon the occurrence of certain Tax Events must use its best efforts to) reinvest the proceeds therefrom in other Subordinated Notes meeting the reinvestment criteria described under the section entitled “Description of the Initial AUD Series 2 Subordinated Note—Reinvestment Criteria”. It is expected that the aggregate periodic interest payments on the Subordinated Notes held by the LLC will equal or exceed the aggregate periodic dividend payments on each series of LLC Class B Preferred Securities.

The LLC also may reinvest the proceeds of any Subordinated Notes upon the maturity or redemption thereof or any income from such Subordinated Notes in other Subordinated Notes meeting the reinvestment criteria described under the section entitled “Description of the Initial AUD Series 2 Subordinated Note—Reinvestment Criteria”. The LLC may reinvest the proceeds of any Eligible Debt Securities upon the maturity, redemption or other disposition thereof or the income from any Eligible Debt Securities in any Subordinated Notes or Eligible Debt Securities meeting the reinvestment guidelines applicable to such securities as described under the section entitled “Description of the Initial AUD Series 2 Subordinated Note — Reinvestment Criteria”.

The LLC exists exclusively for the purposes of (i) issuing the LLC Common Securities, the LLC Class A Preferred Securities and each series of LLC Class B Preferred Securities, (ii) investing the proceeds thereof in the Initial Subordinated Notes and other Eligible Debt Securities, (iii) reinvesting the proceeds of any Subordinated Notes, upon maturity or redemption thereof, in other Subordinated Notes, and the proceeds from the disposition of any Eligible Debt Securities in other Eligible Debt Securities or Subordinated Notes, so long as any such investment complies with the reinvestment criteria described herein, (iv) enforcing the Contingent Guarantee for the sole benefit of the holders of each series of LLC Class B Preferred Securities and (v) engaging in only those other activities necessary or incidental thereto.

For so long as any series of LLC Class B Preferred Securities remain outstanding, Rabobank Nederland will covenant (i) that 100% of the LLC Common Securities will be held by Holding or one or more other Controlled Affiliates, (ii) that 100% of the LLC Class A Preferred Securities will be held by RBPS III or one or more other wholly-owned direct subsidiaries of Rabobank Nederland, (iii) to cause the LLC to remain a limited liability company and not to voluntarily dissolve, liquidate or wind up, except as permitted by the LLC Agreement and (iv) to use its commercially reasonable efforts to ensure that the LLC will not be (x) an investment company for purposes of the 1940 Act or (y) an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes.

Holding or any Controlled Affiliate may transfer the LLC Common Securities to another Controlled Affiliate and RBPS III or any direct wholly-owned subsidiary of Rabobank Nederland may transfer the LLC Class A Preferred Securities to another direct wholly-owned subsidiary of Rabobank Nederland; *provided* that, in each case, prior to such transfer it has received an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that (A) the LLC will continue to be treated as a partnership for U.S. federal income tax purposes and such transfer will not cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for United States federal income tax purposes, (B) such transfer will not cause the LLC or the Trust to be required to register under the 1940 Act, (C) such transfer will not adversely affect the limited liability of the holders of each series of LLC Class B Preferred Securities and (D) such transfer will not cause a Capital Event.

The rights of the holders of each series of LLC Class B Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the LLC Agreement, the Certificates of Designation and the LLC Act. See “Description of the LLC Securities–LLC AUD Series 2 Class B Preferred Securities”.

The LLC’s business and affairs will be conducted by its Board, which will consist initially of six members. The initial Regular Independent Director will be Donald J. Puglisi, whose principal occupation is professor of finance at the University of Delaware. The other initial members of the Board include Guillermo Bilbao, Cor Broekhuysen, Hans den Baas, Rebecca Morrow and David Dietz, each of whom is an employee of Rabobank Nederland, employed at the Branch. In total, the LLC has four employees.

The LLC Agreement will provide, however, that for so long as any LLC Class B Preferred Securities are outstanding, certain amendments of the LLC Agreement, including any provisions with respect to the Guarantee Independent Director, enforcement of the Contingent Guarantee, the Contingent Distributions and the dividends payable in respect of the LLC Class B Preferred Securities require the unanimous approval of all of the holders of the LLC Class B Preferred Securities affected thereby, voting together as a single class. If, for any dividend period, dividends (whether declared or deemed to have been declared), and any LLC Additional Amounts in respect of such dividends, have not been paid in full on any series of LLC Class B Preferred Securities by the LLC or payments in respect thereof have not been paid in full by Rabobank Nederland under any of the Guarantees, holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of such outstanding series of LLC Class B Preferred Securities will be entitled to appoint two Special Independent Directors. See “Description of the LLC Securities–LLC AUD Series 2 Class B Preferred Securities –Voting Rights” and “Description of the LLC Securities–LLC AUD Series 2 Class B Preferred Securities–Independent Directors Approval”. The holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of such outstanding series of LLC Class B Preferred Securities will also have the right to remove or replace the Regular Independent Director. In addition, upon the occurrence of the non-payment within 10 days following the making of a claim by the property trustee of any series of LLC Class B Preferred Securities or a holder of any such series of LLC Class B Preferred Securities or related trust securities under the relevant guarantee, the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of those series of LLC Class B Preferred Securities with respect to which there has been a non-payment under the respective guarantees (the AUD Series 2 Guarantee, the USD Guarantee, the GBP Guarantee and the AUD Series 1 Guarantee), will have a right to elect the Guarantee Independent Director. See “The AUD Series 2 Guarantee and Contingent Guarantee-General”.

All officers and employees of the LLC may also be officers or employees of Holding, Rabobank Nederland or any other member of the Rabobank Group.

The LLC has entered into, and the Trust will enter into, Services Agreements with the Branch and Holding. See “Rabobank Capital Funding Trust VI”.

The location of the principal executive offices of the LLC and the business address of the Board is c/o Utrecht-America Holdings, Inc., 245 Park Avenue, New York, 36th Floor, New York 10167 and the telephone number of the LLC is +1 (212) 916 7800.

## DESCRIPTION OF THE TRUST SECURITIES

The Trust Securities will be issued pursuant to the terms of the Trust Agreement. The following summary of the material terms and provisions of the Trust Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Trust Agreement and the Trust Act. As long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, copies of the Trust Agreement will also be available at the specified offices of the listing agent for the Trust Preferred Securities in Luxembourg.

### General

The Trust Preferred Securities will be issued in fully registered form without coupons. See “–Form, Book-Entry Procedures, Settlement and Transfer”.

The Trust Agreement authorizes the Regular Trustees of the Trust to issue the Trust Securities, which represent undivided beneficial ownership interests in the assets of the Trust. Title to the LLC AUD Series 2 Class B Preferred Securities will be held by the Property Trustee for the benefit of the holders of the Trust Securities. The Trust Agreement does not permit the Trust to acquire any assets other than the LLC AUD Series 2 Class B Preferred Securities or the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust. The payment of Dividends out of money held by the Trust, and payments out of money held by the Trust upon redemption of the Trust Preferred Securities or liquidation of the Trust, are irrevocably and unconditionally guaranteed by Rabobank Nederland to the extent described under “Description of the AUD Series 2 Guarantee and the Contingent Guarantee”.

### Dividends

For each Dividend Period (as defined herein) ending on or before December 31, 2014, Dividends will accrue at a rate of 6.415% per annum on the liquidation preference amount of A\$1,000 (the “**Liquidation Preference Amount**”) per Trust Preferred Security, payable semiannually in arrears on June 30 and December 31 of each year, commencing December 31, 2004 (each such date, a “**Fixed Rate Dividend Payment Date**”). Dividends payable on each Fixed Rate Dividend Payment Date will be calculated on an RBA Bond basis (one divided by the number of Dividend Payment Dates in a year), and will accrue from and including the immediately preceding Fixed Rate Dividend Payment Date (or the Issue Date, with respect to Dividends payable on December 31, 2004), to but excluding the relevant Fixed Rate Dividend Payment Date (each such period, a “**Fixed Rate Dividend Period**”). Dividends payable on December 31, 2004 will amount to A\$11.04 per Liquidation Preference Amount.

For each Dividend Period commencing on or after December 31, 2014, Dividends will accrue on the Liquidation Preference Amount per Trust Preferred Security, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 2015 (each such date, a “**Floating Rate Dividend Payment Date**” and, together with each Fixed Rate Dividend Payment Date, a “**Dividend Payment Date**”) at a rate per annum equal to BBSW (as defined herein) for such Dividend Period plus 1.67% calculated on the basis of the actual number of days in the Dividend Period in respect of which payment is being made divided by 365 (or, if any portion of that Dividend Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Dividend Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Dividend Period falling in a non-leap year divided by 365), and will accrue from and including the immediately preceding Floating Rate Dividend Payment Date (or the final Fixed Rate Dividend Payment Date falling on December 31, 2014 with respect to Dividends payable on March 31, 2015) to but excluding the relevant Floating Rate Dividend Payment Date (each such period, a “**Floating Rate Dividend Period**” and, together with each Fixed Rate Dividend Period, a “**Dividend Period**”).

If any Dividend Payment Date or Redemption Date (as defined herein) on or before December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, the relevant payment will be payable on the next succeeding day which is both a Business Day and an Australian Business Day, unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day, in each case without adjustment, interest or further payment as a result thereof. If any Dividend Payment Date or Redemption Date after December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, such Dividend Payment Date or Redemption Date will be postponed until the next succeeding day which is both a Business Day and an Australian Business Day unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day.

All percentages resulting from any calculation related to a Floating Rate Dividend Payment Date will be rounded to the nearest one-thousandth of a percentage point, with five ten-thousandths of a percentage point rounded upwards. For example, 9.6545% (or 0.096545) would be rounded to 9.655% (or 0.09655). All Australian dollar amounts used in or resulting from any calculation related to a Floating Rate Dividend Payment Date will be rounded to the nearest cent (with one-half cent or unit being rounded upwards).

**“Australian Business Day”** means a day on which banks are open for business in Sydney and Melbourne.

**“Business Day”** means a day that is a day other than Saturday, Sunday or a day on which banking institutions in New York City are authorized or required by law or order to remain closed.

**“BBSW”** for any Floating Rate Dividend Period will mean the rate per annum (expressed as a percentage) calculated by The Bank of New York (New York branch) or any of its successors (the **“Calculation Agent”**) by taking the rates quoted on the Reuters Screen BBSW Page at approximately 10:10 am, Sydney time, on the first day of that Floating Rate Dividend Period for at least five banks quoting on that page, as being the mean buying and selling rate for a bill (which for the purpose of this definition means a bill of exchange of the type specified for the purpose of quoting on the Reuters Screen BBSW page) having a tenor equal to or closest approximating the Floating Rate Dividend Period, eliminating the highest and lowest mean rates and taking the average of the remaining mean rates.

If in respect of the first day of a Floating Rate Dividend Period, fewer than five banks have quoted rates on the Reuters BBSW Page, the rate for that Floating Rate Dividend Period shall be calculated as above by taking the rates otherwise quoted by five banks on application by the Calculation Agent for such a bill of the same tenor. If in respect of the first day of a Floating Rate Dividend Period, the rate for that Floating Rate Dividend Period cannot be determined in accordance with the foregoing procedures, then the rates shall be the rate as reasonably determined by the Calculation Agent, having regard to comparable indices then available.

Dividends will not be cumulative and Dividend payments which are not declared or deemed declared on the LLC AUD Series 2 Class B Preferred Securities will not accumulate or compound from Dividend Period to Dividend Period. This means that, if Dividends are not declared or deemed declared on the LLC AUD Series 2 Class B Preferred Securities in full on any Dividend Payment Date, holders of the Trust Preferred Securities will not, and will have no right to, receive those Dividends at any time, even if Dividends or other distributions are paid in the future.

Dividends on the Trust Preferred Securities will be paid only to the extent that the Trust has funds legally available therefor. Amounts available to the Trust for Dividend payments to the holders of the Trust Preferred Securities will be limited to payments received by the Trust from the LLC with respect to the LLC AUD Series 2 Class B Preferred Securities or from Rabobank Nederland under the AUD Series 2 Guarantee. Dividends on the LLC AUD Series 2 Class B Preferred Securities will be paid only if, as and when declared (or deemed declared) by the Board. See “Description of the LLC Securities–LLC AUD Series 2 Class B Preferred Securities–Dividends”. In addition, the AUD Series 2 Contingent Distribution, if any, will be distributed to the holders of the LLC AUD Series 2 Class B Preferred Securities to the extent that any such holders are not paid under the AUD Series 2 Guarantee. See “Description of the AUD Series 2 Guarantee and the Contingent Guarantee–General”.

Dividends on the Trust Preferred Securities issued by the Trust will be payable to the holders thereof as they appear on the books and records of the Trust on the relevant record dates, which will be 1 day prior to the relevant Dividend Payment Date or other distribution date (whether or not such date is a Business Day or an Australian Business Day). If any of the Trust Preferred Securities are in definitive form, the record dates for those Trust Preferred Securities shall be 15 days prior to the relevant Dividend Payment Date or other distribution date (whether or not such date is a Business Day or an Australian Business Day). Under the terms of the Trust Agreement, the relevant record dates may, with written notice to the holders of the Trust Preferred Securities, be amended by the Trust. Dividends will be paid through the Property Trustee who will hold amounts received in respect of the LLC AUD Series 2 Class B Preferred Securities in the property account for the benefit of the holders of the Trust Securities subject to any applicable laws and regulations and the provisions of the Trust Agreement.

#### **Payment of Additional Amounts**

All payments made by or on behalf of the Trust in respect of the Trust Securities will be made without withholding or deduction for or on account of any Relevant Tax paid by or on behalf of the Trust, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Trust will pay, as further Dividends, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Trust Securities after such withholding or deduction will equal the amount which would have been received in respect of the Trust Securities in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Trust Securities (or to a third party on the holder’s behalf) with respect to any Trust Securities (i) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner) of such Trust Securities having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such Trust Securities; (ii) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or beneficial owner) of such Trust Securities not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption from the Relevant Tax, if such declaration or claim is required by law in order for the payment to be exempt from withholding or deduction and Rabobank Nederland or its agent has provided the beneficial owner of such Trust Securities or its nominee with at least 60 days’ prior written notice of an opportunity to make such a declaration or claim or the requirement for such



declaration or claim has been disclosed in this offering memorandum or (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Council Directive 2003/48/EC or similar European Union Council Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, or substantially similar to such directive.

### **Trust Enforcement Events**

The occurrence, at any time, of (i) non-payment of Dividends on the Trust Securities for any Dividend Period, (ii) a default by Rabobank Nederland in respect of any of its obligations under the AUD Series 2 Guarantee with respect to the Trust Securities, (iii) the non-payment within 10 days following the making of a claim by the Property Trustee or a holder of the Trust Securities under the AUD Series 2 Guarantee with respect to the Trust Securities or (iv) an LLC Enforcement Event (see “Description of the LLC Securities–LLC Enforcement Events”) with respect to the LLC AUD Series 2 Class B Preferred Securities will constitute an enforcement event under the Trust Agreement with respect to the Trust Securities (a “**Trust Enforcement Event**”); *provided* that, pursuant to the Trust Agreement, the holder of the Trust Common Securities will be deemed to have waived any Trust Enforcement Event with respect to the Trust Common Securities until all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. In the case of a Trust Enforcement Event set forth in clause (i) above, the Trust may cure such Trust Enforcement Event by making Dividend payments on the Trust Securities in full for Dividend Periods covering 12 consecutive months. Until every Trust Enforcement Event with respect to the Trust Preferred Securities has been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Trust Preferred Securities and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Trust Agreement and, in the case of non-payment of dividends on all outstanding series of LLC Class B Preferred Securities for any dividend period, the election of two Special Independent Directors to the Board. See “Description of the LLC Securities–LLC AUD Series 2 Class B Preferred Securities–Voting Rights” and “–Independent Directors Approval”.

Upon the occurrence of a Trust Enforcement Event:

- (a) the Property Trustee, as the holder of the LLC AUD Series 2 Class B Preferred Securities, shall have the right to enforce the terms of the LLC AUD Series 2 Class B Preferred Securities, including:
  - (i) the right to vote for the election of two Special Independent Directors to the Board (to the extent that such Trust Enforcement Event results from non-payment of dividends on all outstanding series of LLC Class B Preferred Securities for any dividend period);
  - (ii) the rights of the holders of the LLC AUD Series 2 Class B Preferred Securities under the AUD Series 2 Guarantee as it relates thereto;
  - (iii) the rights of the holders of the LLC AUD Series 2 Class B Preferred Securities to receive Dividends (only if and to the extent declared or deemed to have been declared) on the LLC AUD Series 2 Class B Preferred Securities;
  - (iv) in the case of a Trust Enforcement Event set forth in clause (iii) above, the right to elect the Guarantee Independent Director; and
  - (v) the right of the holders of the LLC AUD Series 2 Class B Preferred Securities to the AUD Series 2 Contingent Distribution, if any; and
- (b) the Property Trustee shall have the right to enforce the terms of the AUD Series 2 Guarantee with respect to the Trust Securities.

If the Property Trustee fails to enforce its rights under the LLC AUD Series 2 Class B Preferred Securities after a holder of Trust Preferred Securities has made a written request, such holder may directly institute a legal proceeding against the LLC to enforce the Property Trustee’s rights under the LLC AUD Series 2 Class B Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust, the Independent Directors or any other person or entity.

### **Redemption**

The Trust Securities will be redeemed when, if and to the extent that the LLC AUD Series 2 Class B Preferred Securities are redeemed. The LLC AUD Series 2 Class B Preferred Securities may be redeemed, with the prior approval of Rabobank Nederland and, if then required, the Dutch Central Bank, by the LLC at its option (a) in whole or in part, on December 31, 2014 (the “**Optional Redemption Date**”), or any Dividend Payment Date occurring thereafter, or (b) in whole but not in part upon the occurrence of an LLC Special Event, at any time, at a redemption price (the “**Redemption Price**”) equal to (x) in the event of redemption on or after the Optional Redemption Date, A\$1,000 per

LLC AUD Series 2 Class B Preferred Security, and (y) in the event of a redemption prior to the Optional Redemption Date, the greater of A\$100 per A\$100 liquidation preference amount of LLC AUD Series 2 Class B Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount, plus, in either case, any accumulated and unpaid Dividends (whether or not declared or deemed to be declared) for the then current Dividend Period through the date of redemption (the “**Redemption Date**”), plus LLC Additional Amounts thereon, if any. The redemption of one series of LLC Class B Preferred Securities will not trigger a mandatory redemption of any other series of LLC Class B Preferred Securities and each may be redeemed independently, provided the respective conditions for redemption are met.

“**LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount**” means an amount per A\$100 liquidation preference of LLC AUD Series 2 Class B Preferred Securities as calculated by the Calculation Agent by applying the Redemption Base Swap Rate (as calculated on the twentieth day that is both a Business Day and an Australian Business Day prior to the Redemption Date (the “**Calculation Date**”)) to the Reserve Bank of Australia Bond Price Formula.

“**Redemption Base Swap Rate**” means the rate calculated by the Calculation Agent to be the linearly interpolated AFMA mid swap rate rounded to 3 decimal places for a term equal to the period from but excluding the Optional Redemption Date to the Redemption Date of the relevant LLC AUD Series 2 Class B Preferred Securities as published by AFMA on the “SWAPEOD” reference page on the Reuters Monitor System or other electronic media at or about 4:00 p.m. (Sydney time) on the Calculation Date. If no such rate is available, the rate shall be the average of the mid rates quoted to the Calculation Agent at or about 5:00 p.m. (Sydney time) on the Calculation Date by four leading swap dealers that are counterparties of the highest credit status.

“**Reserve Bank of Australia Bond Price Formula**”:

$$PRICE = V^{\frac{f}{d}} \left[ G(X + A_n) + 100V^n \right]$$

Where

PRICE	=	the market value per A\$100 face value.
V	=	$1 / (1 + i)$
i	=	the market yield per period (half-year).
f	=	number of days from settlement to next coupon payment date.
d	=	number of days in the half year to next coupon payment date.
G	=	the (half-yearly) coupon payment per A\$100.
X	=	1 if the bond is cum-interest; or
	=	0 if the bond is ex-interest.
n	=	number of half years between the next coupon payment date and maturity.
$A_n$	=	$(1 - V^n) / i$

All percentages resulting from any calculation related to the Redemption Base Swap Rate and the Reserve Bank of Australia Bond Price Formula will be rounded to the nearest one-thousandth of a percentage point, with five ten-thousandths of a percentage point rounded upwards. For example, 9.6545% (or 0.096545) would be rounded to 9.655% (or 0.09655). All Australian dollar amounts used in or resulting from any calculation related to the Redemption Base Swap Rate or the Reserve Bank of Australia Bond Price Formula will be rounded to the nearest cent (with one-half cent or unit being rounded upwards).

Upon any such redemption of the LLC AUD Series 2 Class B Preferred Securities, the proceeds from such repayment shall simultaneously be applied to redeem a corresponding aggregate liquidation preference amount of Trust Securities at the Redemption Price; *provided* that holders of the Trust Securities shall be given not less than 30 nor more than 60 days’ notice of such redemption. See “Description of the LLC Securities–LLC AUD Series 2 Class B Preferred Securities–General”, “–Redemption and Repurchase of LLC AUD Series 2 Class B Preferred Securities–Optional Redemption” and “–Redemption and Repurchase of LLC AUD Series 2 Class B Preferred Securities–LLC Special Events”. Any LLC AUD Series 2 Class B Preferred Securities or Trust Securities that are redeemed will be cancelled and not reissued following their redemption.

An “**LLC Special Event**” means (i) a Tax Event with respect to the LLC, (ii) an Investment Company Event with respect to the LLC or (iii) a Capital Event.

If, at any time, a Trust Special Event shall occur and be continuing, the Regular Trustees shall, within 90 days following the occurrence of such Trust Special Event, elect to either (i) dissolve the Trust upon not less than 30 nor more than 60 days’ notice to the holders of Trust Securities with the result that, after satisfaction of liabilities to creditors of the Trust, if any, the LLC AUD Series 2 Class B Preferred Securities would be distributed on a *pro rata* basis to the holders of the Trust Securities in liquidation of such holders’ interest in the Trust, *provided, however*, that, if at the time there is available to the Trust the opportunity to eliminate, within such 90-day period, the Trust Special Event by taking some ministerial action, such as filing a form or making an election, or pursuant to some other similar reasonable measures which in the sole judgment of Rabobank Nederland has, or will cause, no adverse effect on the LLC, the Trust, Rabobank Nederland or the holders of the Trust Securities and will involve no material costs, the Trust will pursue such measure in lieu of dissolution or (ii) cause the Trust Preferred Securities to remain outstanding; *provided* that in the case of this clause (ii), Rabobank Nederland shall pay any and all expenses incurred or payable by the Trust attributable to the Trust Special Event.

A “**Trust Special Event**” means (i) a Tax Event solely with respect to the Trust, but not with respect to the LLC or (ii) an Investment Company Event solely with respect to the Trust, but not with respect to the LLC.

A “**Tax Event**” means the receipt by the Trust, the LLC or Rabobank Nederland of an opinion of an independent nationally recognized law firm or other tax adviser in a Relevant Jurisdiction experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of a Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (an “**Administrative Action**”) or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the date of issuance of the Trust Securities and the LLC AUD Series 2 Class B Preferred Securities, there is more than an insubstantial risk that (A) the Trust will be required to pay Additional Amounts with respect to payments on any Trust Security, (B) the LLC will be required to pay LLC Additional Amounts with respect to payments on any LLC AUD Series 2 Class B Preferred Security, (C) the Trust or the LLC, as applicable, is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges, or (D) interest payable to the LLC on the AUD Series 2 Subordinated Notes when paid would not be deductible by Rabobank Nederland for Netherlands corporate income tax purposes or by any other Eligible Issuer for corporate income tax purposes of the jurisdiction of such Eligible Issuer or any Eligible Issuer will be required to pay AUD Series 2 Subordinated Note Additional Amounts with respect to payments on the AUD Series 2 Subordinated Notes and, in either case, after any Eligible Issuer has redeemed the respective AUD Series 2 Subordinated Notes, the LLC is, after using its best efforts, unable to reinvest the proceeds thereof in one or more other AUD Series 2 Subordinated Notes issued by an Eligible Issuer and meeting the reinvestment criteria (see “Description of the Initial AUD Series 2 Subordinated Note–Reinvestment Criteria”).

“**Eligible Issuer**” means Rabobank Nederland or any Affiliate of Rabobank Nederland which is deemed to be a company controlled by Rabobank Nederland within the meaning of Rule 3a-5, as amended, of the 1940 Act.

“**Affiliate**” means, with respect to a specified Person, a Person directly or indirectly controlling, controlled by, or under common control with the specified Person.

“**Person**” means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company, or other legal entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“**Capital Event**” means that Rabobank Nederland is notified in writing by the Dutch Central Bank to the effect that the Trust Preferred Securities, or in the event that the Trust Preferred Securities have been redeemed as a result of the occurrence of a Trust Special Event or there has occurred any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, the LLC AUD Series 2 Class B Preferred Securities, may not be included in the consolidated Tier 1 capital of the Rabobank Group unless such notification is the result of the reinvestment of the proceeds from the AUD Series 2 Subordinated Notes in other AUD Series 2 Subordinated Notes, in which case such event shall not constitute a “Capital Event”.

An “**Investment Company Event**” means that Rabobank Nederland shall have requested and received an opinion of an independent nationally recognized United States law firm experienced in such matters to the effect that there is

more than an insubstantial risk that the Trust or the LLC is or will be considered an “investment company” within the meaning of the 1940 Act, as a result of any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), the adoption or amendment of any law, rule or regulation or any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation) by any United States legislative body, court, governmental agency or regulatory authority.

If the LLC AUD Series 2 Class B Preferred Securities are distributed to the holders of the Trust Securities, Rabobank Nederland will use its commercially reasonable efforts to cause the LLC AUD Series 2 Class B Preferred Securities to be listed on the Luxembourg Stock Exchange or on any other international securities exchange or similar organization as the Trust Preferred Securities are then listed or quoted, if any. There can be no assurance that the LLC AUD Series 2 Class B Preferred Securities will be accepted for listing or quotation on the Luxembourg Stock Exchange or any other international securities exchange or similar organization if so distributed. In the event of any such distribution, the Trust will give notice to holders of the Trust Preferred Securities as to whether the LLC AUD Series 2 Class B Preferred Securities to be issued on such distribution will be listed or quoted on any securities exchange or similar organization. Upon such distribution, the LLC will furnish holders of the LLC AUD Series 2 Class B Preferred Securities, or their nominees, each year with a Schedule K-1 in accordance with the Code, which may result in the ineligibility of the LLC AUD Series 2 Class B Preferred Securities to clear and settle through Euroclear and Clearstream. The LLC AUD Series 2 Class B Preferred Securities presently are not listed on either such exchange or any other securities exchange. See “Investment Considerations—There Could Be Adverse Consequences For You if the Trust is Liquidated”.

Upon dissolution of the Trust, on the date fixed for any distribution of LLC AUD Series 2 Class B Preferred Securities, (i) the Trust Securities will no longer be deemed to be outstanding and (ii) certificates representing the Trust Securities will be deemed to represent the LLC AUD Series 2 Class B Preferred Securities having an aggregate liquidation preference amount equal to the aggregate liquidation preference amount of such Trust Securities until such certificates are presented to the LLC or its agent for exchange.

There can be no assurance as to the market price of the LLC AUD Series 2 Class B Preferred Securities which may be distributed in exchange for Trust Preferred Securities if a dissolution and liquidation of the Trust were to occur or that a market for the LLC AUD Series 2 Class B Preferred Securities would ever develop upon the occurrence of a dissolution and liquidation of the Trust. Accordingly, the LLC AUD Series 2 Class B Preferred Securities which an investor may subsequently receive on dissolution and liquidation of the Trust may trade at a discount to the price of the Trust Preferred Securities for which they were exchanged.

### **Redemption Procedures**

If the Trust gives notice of redemption in respect of Trust Preferred Securities (which notice will be irrevocable), and if the LLC or Rabobank Nederland has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the LLC AUD Series 2 Class B Preferred Securities, then, by 10:00 a.m., London time, on the Redemption Date, the Property Trustee will irrevocably deposit with the paying agent for the Trust Preferred Securities funds sufficient to pay the amount payable on redemption of global certificates and will give such paying agent irrevocable instructions and authority to pay such amount to holders of the Trust Preferred Securities. If notice of redemption shall have been given and funds are deposited as required, then upon the date of such deposit, all rights of holders of such Trust Preferred Securities so called for redemption will cease, except the right of the holders of such Trust Preferred Securities to receive the Redemption Price, but without interest on such Redemption Price. In the event that the Trust Preferred Securities do not remain in global form and all of the outstanding Trust Preferred Securities are to be redeemed, the amount payable upon such redemption will be payable by cheque or wire transfer upon surrender of such definitive Trust Preferred Securities at the specified office of any paying agent.

In the event that fewer than all of the outstanding Trust Preferred Securities are to be redeemed, the Trust Preferred Securities shall be redeemed on a *pro rata* basis and in accordance with the applicable procedures of Euroclear or Clearstream and pursuant to the rules of any securities exchange on which the Trust Preferred Securities are then listed, if any.

### **Purchases of Trust Preferred Securities**

Rabobank Nederland or any of Rabobank Nederland’s Affiliates may at any time and from time to time, with prior approval of the Dutch Central Bank (if then required), purchase outstanding Trust Preferred Securities by tender in the open market or by private agreement. If purchases are made by tender, the tender must be available to all holders of Trust Preferred Securities.

### **Subordination of Trust Common Securities**

Payment of Dividends and other distributions, amounts on redemption or amounts upon liquidation of the Trust shall be made *pro rata* based on the liquidation preference amount of the Trust Securities; *provided, however*, that upon the occurrence and during the continuance of an event of default under the Initial AUD Series 2 Subordinated Note or any AUD Series 2 Subordinated Notes purchased with the proceeds therefrom, or the AUD Series 2 Guarantee, holders of the Trust Preferred Securities will have a preference over the holders of the Trust Common Securities with respect to payments of Dividends and other distributions, amounts upon redemption or amounts upon liquidation of the Trust.

In the case of any Trust Enforcement Event, the holder of Trust Common Securities will be deemed to have waived any such Trust Enforcement Event until every Trust Enforcement Event with respect to the Trust Preferred Securities has been cured, waived or otherwise eliminated. Until all Trust Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the holders of the Trust Preferred Securities and not on behalf of the holder of the Trust Common Securities, and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

### **Liquidation Distribution Upon Dissolution**

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Trust (each a “**Trust Liquidation**”), the holders of the Trust Securities will be entitled to receive out of the assets of the Trust, after satisfaction of liabilities to creditors, if any, the LLC AUD Series 2 Class B Preferred Securities on a *pro rata* basis, except, in the case of the holders of Trust Common Securities, in the limited circumstances described above under “–Subordination of Trust Common Securities”.

Pursuant to the Trust Agreement, the Trust shall dissolve (i) upon the bankruptcy, insolvency or dissolution of Rabobank Nederland or the LLC, (ii) upon the filing of a certificate of cancellation with respect to the LLC or the consent of at least a majority of the outstanding Trust Securities, voting together as a single class, to file a certificate of cancellation with respect to the Trust, (iii) upon the election of the Regular Trustees following the occurrence of a Trust Special Event, (iv) upon the entry of a decree of a judicial dissolution of the LLC or the Trust or (v) upon the redemption of all of the Trust Securities; *provided, however*, that the Trust shall, to the fullest extent permitted by law, not be dissolved until (x) all claims under the AUD Series 2 Guarantee and the Contingent Guarantee shall have been paid in full pursuant to the terms of the AUD Series 2 Guarantee and the Contingent Guarantee, and the AUD Series 2 Contingent Distribution, if any, shall have been made or (y) the LLC AUD Series 2 Class B Preferred Securities shall have been distributed to holders of the Trust Securities in connection with the occurrence of a Trust Special Event.

### **Voting Rights**

Except as described herein, under the Trust Act and under “Description of the AUD Series 2 Guarantee and the Contingent Guarantee–Amendment,” and as otherwise required by law and the Trust Agreement, the holders of the Trust Preferred Securities will have no voting rights.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, the holders of a majority of the outstanding Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the LLC AUD Series 2 Class B Preferred Securities, (i) to exercise the remedies available to it under the LLC Agreement as a holder of the LLC AUD Series 2 Class B Preferred Securities, (ii) to consent to any amendment, modification or termination of the LLC Agreement or the LLC AUD Series 2 Class B Preferred Securities where such consent shall be required; *provided, however*, that, where a consent or action under the LLC Agreement would require the consent or act of the holders of more than a majority of the LLC AUD Series 2 Class B Preferred Securities affected thereby, only the holders of the percentage of the aggregate number of the Trust Securities outstanding which is at least equal to the percentage of the LLC AUD Series 2 Class B Preferred Securities required under the LLC Agreement may direct the Property Trustee to give such consent or take such action on behalf of the Trust and (iii) to direct the Independent Directors with respect to matters (including enforcement of the Initial AUD Series 2 Subordinated Note or any AUD Series 2 Subordinated Notes purchased with the proceeds therefrom) for which the Independent Directors act on behalf of the Property Trustee, as holder of the LLC AUD Series 2 Class B Preferred Securities. See “Description of the LLC Securities–LLC AUD Series 2 Class B Preferred Securities–Voting Rights”. Except with respect to directing the time, method and place of conducting a proceeding for a remedy as described above, the Property Trustee shall not take any of the actions described in clauses (i), (ii) or (iii) above unless the Property Trustee has obtained an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for U.S. federal income tax purposes and that after such action each holder of Trust Securities will continue to be treated as owning an undivided beneficial ownership interest in the LLC AUD Series 2 Class B Preferred Securities.

Any required approval or direction of holders of Trust Preferred Securities may be given at a separate meeting of holders of Trust Preferred Securities convened for such purpose, at a meeting of all of the holders of Trust Securities or pursuant to a written consent. The Regular Trustees will cause a notice of any meeting at which holders of Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be published. See “–Notices”. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute LLC AUD Series 2 Class B Preferred Securities to such holders in accordance with the Trust Agreement.

Notwithstanding that holders of Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are beneficially owned at such time by Rabobank Nederland or any entity directly or indirectly controlled by, or under direct or indirect common control with, Rabobank Nederland, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Trust Preferred Securities were not outstanding, except for the Trust Preferred Securities purchased or acquired by Rabobank Nederland or its Affiliates in connection with transactions effected by or for the account of customers of Rabobank Nederland or any of its Affiliates or in connection with the distribution or trading of or market making in connection with such Trust Preferred Securities; *provided, however*, that persons (other than Affiliates of Rabobank Nederland) to whom Rabobank Nederland or any of its Affiliates have pledged Trust Preferred Securities may vote or consent with respect to such pledged Trust Preferred Securities pursuant to the terms of such pledge.

Holders of Trust Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by Holding, as the holder of all of the Trust Common Securities.

#### **Merger, Consolidation, Conversion or Amalgamation of the Trust**

The Trust may not consolidate, amalgamate, convert or merge with or into, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any corporation or other entity, except as described below. The Trust may, at the request of the holder of the Trust Common Securities and with the consent of a majority of the Regular Trustees and without the consent of the holders of the Trust Preferred Securities, the Property Trustee or the Delaware Trustee, consolidate, amalgamate, convert or merge with or into, or be replaced by or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to a trust organized as such under the laws of any State of the United States; *provided* that, (i) if the Trust is not the survivor, such successor entity either (x) expressly assumes all of the obligations of the Trust under the Trust Securities or (y) substitutes for the Trust Securities other securities having substantially the same terms as the Trust Securities (the “**Successor Securities**”), so long as the Successor Securities rank the same as the Trust Securities rank with respect to distributions, assets and payments upon liquidation, redemption and otherwise, (ii) the LLC expressly acknowledges a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the LLC AUD Series 2 Class B Preferred Securities, (iii) the Trust Preferred Securities or any Successor Securities, if so listed, are listed, or any Successor Securities will be listed upon notification of issuance, on any international securities exchange or similar organization on which the Trust Preferred Securities are then listed or quoted, (iv) such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease does not cause the Trust Preferred Securities (including any Successor Securities) to be downgraded by any internationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the Trust, (vii) Rabobank Nederland guarantees the obligations of such successor entity under any Successor Securities to the same extent as provided by the AUD Series 2 Guarantee with respect to the Trust Preferred Securities and (viii) prior to such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease, Rabobank Nederland has received an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that: (A) such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease will not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of such holders’ interest in the new entity), (B) following such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act, (C) following such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease, the Trust (and such successor trust) will be classified as a grantor trust for U.S. federal income tax purposes and (D) following such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease, the LLC (and such successor entity) will not be classified as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% of the Trust Preferred Securities outstanding, consolidate,

amalgamate, convert, or merge with or into, convey, transfer or lease its properties as an entirety or substantially as an entirety or be replaced by any other entity or permit any other entity to consolidate, amalgamate, convert or merge with or into, or replace it, if such consolidation, amalgamation, conversion, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity not to be classified as a grantor trust for U.S. federal income tax purposes.

### **Modification of the Trust Agreement**

The Trust Agreement may be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee); *provided* that if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would materially and adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding up or termination of the Trust other than pursuant to the terms of the Trust Agreement, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of at least a majority of the holders of any outstanding Trust Securities affected thereby; *provided further* that if any proposed amendment provides for, or the Regular Trustees proposes (x) a change in the amount or timing of any Dividend on the Trust Securities or otherwise adversely affects the amount of any Dividend required to be made in respect of the Trust Securities as of a specified date or (y) a restriction in the right of a holder of Trust Securities to institute suit for the enforcement of any payment on the Trust Securities, then such amendment or proposal shall not be effective except with the approval of 100% of the holders of the outstanding Trust Securities; *provided further* that if any amendment or proposal referred to in clause (i) above would adversely affect only the Trust Preferred Securities or the Trust Common Securities, then only holders of the affected security will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a majority of holders of such security.

The Trust Agreement may be amended without the consent of the holders of the Trust Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in the Trust Agreement that may be defective or inconsistent with any other provision of the Trust Agreement, (iii) add to the covenants, restrictions or obligations of Rabobank Nederland or the Trust, (iv) conform to any change in the 1940 Act or the rules or regulations thereunder and (v) modify, eliminate and add to any provision of the Trust Agreement to such extent as may be necessary or desirable; *provided* that no such amendment shall have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Trust Agreement if such amendment or modification would (i) cause the Trust to fail to be classified as a grantor trust for U.S. federal income tax purposes, (ii) cause the LLC to be classified as an association or publicly traded partnership taxable as a corporation for such purposes, (iii) reduce or otherwise adversely affect the powers of the Property Trustee, (iv) cause the Trust or the LLC to be required to register under the 1940 Act, (v) permit the AUD Series 2 Contingent Distribution to be made to anyone other than the holders of the Trust Securities to the extent that any claims of such holders under the AUD Series 2 Guarantee have not been paid in full pursuant to the terms of the AUD Series 2 Guarantee and the Contingent Guarantee or (vi) cause the Trust Preferred Securities to fail to qualify as consolidated Tier 1 capital for the Rabobank Group.

### **Form, Book-Entry Procedures, Settlement and Transfer**

*Settlement.* Initial settlement and secondary market trading in the Trust Preferred Securities may be settled only through Euroclear and Clearstream during the time that the Trust Preferred Securities are represented by the temporary Global Certificates. When the Trust Preferred Securities are represented by the permanent Global Certificates, secondary market trading in the Trust Preferred Securities may be settled through the settlement system operated by Austraclear Limited ("**Austraclear**"), Euroclear and Clearstream (together, the "**Settlement Systems**").

The information in this section concerning the Settlement Systems has been obtained from sources that Rabobank and the Trust believe to be reliable, but neither Rabobank, the Trust, or any of the initial purchasers takes any responsibility for the accuracy of the information. Investors wishing to use the facilities of any of the Settlement Systems are advised to confirm the rules, regulations and procedures of the relevant Settlement System. Neither Rabobank, the Trust, or any of the initial purchasers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of book-entry interests in the Trust Preferred Securities held through any clearing system or for maintaining, supervising or reviewing any records relating to those book-entry interests.

*Initial Settlement.* Investors electing to hold their Trust Preferred Securities through Euroclear or Clearstream accounts will follow the settlement procedures for conventional eurobonds in registered form. Trust Preferred Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the settlement date against payment for value on the settlement date.

When the Trust Preferred Securities are represented by the temporary Global Certificates, investors who do not have Euroclear or Clearstream accounts will have to settle and hold their Trust Preferred Securities through a custodian who has a Euroclear or Clearstream account. If such investors wish to subsequently hold their Trust Preferred Securities through Euroclear or Clearstream, they should ensure that their custodian has an account with Austraclear. You should contact the initial purchasers if you wish to hold Trust Preferred Securities in this manner.

When the Trust Preferred Securities are represented by the permanent Global Certificates, investors who held their Trust Preferred Securities through a custodian who has a Euroclear or Clearstream account may hold their Trust Preferred Securities through Austraclear by requesting their custodian to transfer the Trust Preferred Securities to that custodian's account with Austraclear free of payment, with Austraclear to then credit the securities custody account of the investor.

*Secondary Market Trading Between Austraclear Participants.* Secondary market sales of Trust Preferred Securities between Austraclear account holders will occur in the ordinary way in accordance with the Austraclear regulations and operating manual and will be settled using the procedures applicable to Australian corporate debt obligations in same-day funds.

*Secondary Market Trading Between Euroclear and/or Clearstream Participants.* Secondary market sales of Trust Preferred Securities between Euroclear participants and/or Clearstream participants will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional eurobonds in same-day funds.

*Secondary Market Trading Between Euroclear or Clearstream Seller and Austraclear System Purchaser.* When book-entry interests in the Trust Preferred Securities are to be transferred from an account of a Euroclear participant or Clearstream participant to the account of an Austraclear account holder, the seller will have to appoint a custodian who has an account with both Euroclear/Clearstream and Austraclear to hold their Trust Preferred Securities in Austraclear. This will then facilitate settlement between the custodian and the purchaser through Austraclear with that settlement being effected between Austraclear account holders in the ordinary way in accordance with the Austraclear regulations and operating manual. Trust Preferred Securities will be credited to the securities custody accounts of the purchaser on Austraclear on the settlement date against payment for value on the settlement date.

*Secondary Market Trading Between Austraclear System Seller and Euroclear or Clearstream Purchaser.* When book-entry interests in the Trust Preferred Securities are to be transferred from an account of an Austraclear participant to the account of a Euroclear or Clearstream account holder, the seller will have to appoint a custodian who has an account with both Austraclear and Euroclear/Clearstream to hold their Trust Preferred Securities in Euroclear or Clearstream. This will then facilitate settlement between the custodian and the purchaser through Euroclear or Clearstream with that settlement being effected between Euroclear or Clearstream account holders in the ordinary way in accordance with the normal rules and operating procedures of Euroclear and Clearstream. Trust Preferred Securities will be credited to the securities custody accounts of the purchaser on Euroclear or Clearstream on the settlement date against payment for value on the settlement date.

The Trust Preferred Securities will be issued in fully registered form, without coupons.

*Global Certificate; Book-entry Form.* Except as provided below, Trust Preferred Securities sold to “qualified institutional buyers,” as defined in Rule 144A (“**QIBs**”), otherwise than in reliance on Regulation S, will be evidenced by one or more global certificates in registered form representing Trust Preferred Securities (collectively, the “**Restricted Global Certificates**”), which will be deposited on or about the Issue Date with, and registered in the name of a nominee for, The Bank of New York, London branch, as common depositary (the “**Common Depositary**”) for the accounts of Euroclear and Clearstream. Trust Preferred Securities sold to persons who acquired such Trust Preferred Securities in compliance with Regulation S under the Securities Act (“**non-U.S. Persons**”) will initially be evidenced by one or more temporary global certificates (collectively, the “**Regulation S Global Certificates**” and, together with the Restricted Global Certificates, the “**Global Certificates**” or each individually, a “**Global Certificate**”), which will be in registered form, registered in the name of a nominee for, and deposited on or about the Issue Date with, a Common Depositary for the accounts of Euroclear and Clearstream. Beneficial interests in such Global Certificates will be shown on, and transfers thereof will be effected through, records maintained by Euroclear and Clearstream and their respective participants. The Global Certificates (and any Trust Preferred Securities issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the Trust Agreement and will bear the legend regarding such restrictions set forth under “Notice to Investors”. Interests in the temporary Regulation S Global Certificates may be exchanged, not earlier than 40 days after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities, for interests in the permanent Regulation S Global Certificates upon certification of non-U.S. beneficial ownership. No payment will be made in respect of an interest in the temporary Regulation S Global Certificates unless and until the beneficial owner of such interest has provided the required certification and such interest has been exchanged for an interest in the permanent Regulation S Global Certificates. See “–Payments; Certifications by Holders of the Temporary Regulation S Global Certificate”.



Prior to the expiration of the 40<sup>th</sup> day after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities (such periods, the “**Distribution Compliance Period**”), a beneficial interest in the Regulation S Global Certificates may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificates only upon receipt by the Common Depositary of a written certification from the transferor to the effect that such transfer is being made (i) to a person whom the transferor reasonably believes is purchasing for its own account or accounts as to which it exercises sole investment discretion and that such person and each such account is a QIB in a transaction meeting the requirements of Rule 144A and (ii) in accordance with all applicable securities laws of any state of the United States or any other jurisdiction. After the expiration of the Distribution Compliance Period, such certification requirements will no longer apply to such transfers.

Beneficial interests in the Restricted Global Certificates may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificates, whether during or after the Distribution Compliance Period, only upon receipt by the Common Depositary of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream. Any beneficial interest in one of the Global Certificates that is transferred to a person who takes delivery in the form of an interest in another Global Certificate will, upon transfer, cease to be an interest in such Global Certificate and, accordingly, thereafter will be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Certificate for as long as it remains such an interest.

Investors, including QIBs and non-U.S. persons, may hold their interests or may beneficially own interests in Global Certificates through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems, including certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with Euroclear and Clearstream, either directly or indirectly. The Global Certificates will be deposited with the Common Depositary.

Except as provided below, owners of a beneficial interest in a Global Certificate will not be entitled to have Trust Preferred Securities registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form, and will not be considered holders thereof.

Subject to compliance with the transfer restrictions applicable to the Global Certificates described herein and in the Trust Agreement, cross-market transfers between holders of interests in the Restricted Global Certificates and direct or indirect account holders at a Euroclear or Clearstream participant (each, a “**Member Organization**”) holding interests in the Regulation S Global Certificates will be effected in accordance with the normal rules and operating procedures of Euroclear or Clearstream, as applicable. Such cross-market transactions will require, among other things, delivery of instructions by such Member Organization to Euroclear or Clearstream, as the case may be, in accordance with the rules and procedures and within deadlines (Brussels time) established by Euroclear or Clearstream, as the case may be. If the transaction complies with all relevant requirements, Euroclear or Clearstream, as the case may be, will then deliver instructions to its depositary to take action to effect final settlement on its behalf.

The information in this section concerning Euroclear or Clearstream has been obtained from sources that Rabobank Nederland and the Trust believe to be reliable, but Rabobank Nederland and the Trust take no responsibility for the accuracy thereof.

So long as Euroclear, Clearstream or the nominee of the Common Depositary is the registered holder of a Global Certificate, Euroclear, Clearstream or any such nominee, as the case may be, will be considered the sole owner or holder of the Trust Preferred Securities represented by such Global Certificate for all purposes under the Trust Agreement and the Trust Preferred Securities. Payments in respect of Global Certificates will be made to Euroclear, Clearstream or any such nominee, as the case may be, as the registered holder hereof. None of Rabobank Nederland, the LLC, the Trust, any agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for (i) any aspect of Euroclear’s, Clearstream’s or any Member Organization’s records relating to or payments made on account of beneficial ownership interests in the Global Certificates, or for maintaining, supervising or reviewing any of Euroclear’s, Clearstream’s or any Member Organization’s records relating to the beneficial ownership interests in the Global Certificates or (ii) any other matter relating to the actions and practices of Euroclear, Clearstream or any Member Organization.

Distributions with respect to book-entry interests in the Trust Preferred Securities held through Euroclear and Clearstream will be credited, to the extent received by Euroclear or Clearstream from the Trust Preferred Securities paying agent, to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system’s rules and procedures.

Each of the persons shown in the records of Euroclear or Clearstream, as the holder of a Trust Preferred Security represented by a Global Certificate, must look solely to Euroclear or Clearstream for his share of each payment made by the Trust to the holder of such Global Certificate and in relation to all other rights arising under the Global Certificate,

subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream. It is expected that, upon receipt of any payment in respect of Trust Preferred Securities represented by a Global Certificate, the Common Depositary will immediately credit the relevant participant's or accountholders' accounts in Euroclear or Clearstream with payment in amounts proportionate to their respective beneficial interest in the principal amount of the relevant Global Certificate as shown on the records of Euroclear or Clearstream or its nominee. It is also expected that payments by direct participants in Euroclear or Clearstream to owners of beneficial interests in any Global Certificate held through such direct participants will be governed by standing instructions and customary practices. Except as previously described, such persons shall have no claim directly against Rabobank Nederland, the LLC or the Trust in respect of any payments due on the Trust Preferred Securities for so long as the Trust Preferred Securities are represented by such Global Certificate, and the Trust's obligations will be discharged by payment to the registered holder, as the case may be, of such Global Certificate in respect of each amount so paid. None of the Trust, the Property Trustee, the Common Depositary or the custodian (or any registrar, paying agent or conversion agent under the Trust Agreement), the LLC, Rabobank Nederland or any of their respective agents will have any responsibility or liability for the performance by Euroclear or Clearstream or Member Organizations of their respective obligations under the rules and procedures governing their operations, including any aspect of the records relating to or payments made on account of ownership interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Subject to the rules and procedures of Euroclear and Clearstream, purchases of Trust Preferred Securities must be made by or through direct participants, which will receive credit for such Trust Preferred Securities on the respective clearing system's records. The ownership interest of each actual purchaser of each such Trust Preferred Security (the **"Beneficial Owner"**) will in turn be recorded on the direct and indirect participant's records. Beneficial Owners will not receive written confirmation from Euroclear or Clearstream of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Trust Preferred Securities held within Euroclear or Clearstream will be effected by entries made on the books of participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Trust Preferred Securities unless, and until, interests in any Trust Preferred Securities held within Euroclear or Clearstream are exchanged for definitive certificates.

Neither Euroclear nor Clearstream have any knowledge of the actual Beneficial Owners of the Trust Preferred Securities and their records will reflect only the identity of the direct participants to whose accounts such Trust Preferred Securities are credited, which may or may not be the Beneficial Owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices or other communications by Euroclear or Clearstream to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Secondary market sales of book-entry interests in the Trust Preferred Securities held through Euroclear or Clearstream to purchasers of book-entry interests in the Trust Preferred Securities held through Euroclear or Clearstream will be conducted in accordance with the normal rules and procedures of Euroclear and Clearstream.

#### **Exchange of Book-Entry Securities for Certificated Securities**

A Global Certificate is exchangeable for Trust Preferred Securities in registered certificated form if (i) either Euroclear or Clearstream, (A) notify the Trust that it is unwilling or unable to continue as depositary (a **"Depositary"**) for such Global Certificate and the Trust and the LLC thereupon fail to appoint a successor Depositary or (B) has ceased to be a clearing agency registered under the Exchange Act, or (ii) a Trust Enforcement Event occurs. In all cases, certificated Trust Preferred Securities delivered in exchange for any Global Certificates or beneficial interests therein will be registered in the names and issued in any approved denominations, requested by or on behalf of the Depositary (in accordance with its customary procedures) and will bear the restrictive legends referred to in "Notice to Investors".

*Payments; Certifications by Holders of the Temporary Regulation S Global Certificate.* A certificate must be provided by or on behalf of a beneficial interest in the temporary Regulation S Global Certificates to Euroclear or Clearstream, as the case may be, certifying that the Beneficial Owner of the interest in Trust Preferred Securities represented thereby is not a U.S. Person, and Euroclear or Clearstream, as the case may be, must provide to the Common Depositary a certificate prior to, but in no case earlier than the expiration of the Distribution Compliance Period, (i) the payment of Dividends or amounts on redemption or any other payment with respect to such holder's beneficial interest in the temporary Regulation S Global Certificates and (ii) any exchange of such beneficial interest for a beneficial interest in the permanent Regulation S Global Certificates.

*Transfer and Exchange of Certificated Securities.* For so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, in the case of a transfer or exchange of Trust Preferred Securities in registered certificated form, a holder thereof may effect such transfer or exchange by presenting

and surrendering such Trust Preferred Securities at, and obtaining new Trust Preferred Securities from, the office of the Luxembourg transfer agent. In the case of a transfer of only a part of the Trust Preferred Securities, new Trust Preferred Securities in respect of the balance will be delivered at the office of the Luxembourg transfer agent. In the case of any lost, stolen, mutilated or destroyed Trust Preferred Securities, a holder thereof may obtain new Trust Preferred Securities from the Luxembourg transfer agent.

*Restrictions on Transfer; Legends.* The Trust Preferred Securities will be subject to certain transfer restrictions as described below under “Notice to Investors” and certificates evidencing the Trust Preferred Securities will bear a legend to such effect. The Trust Preferred Securities will be issued initially only in blocks having a liquidation preference amount of not less than (a) in Australia and the United States, A\$500,000, and (b) elsewhere, A\$100,000 or such greater amount as may be required by applicable law, and, in each case, in integral multiples of A\$1,000. Any transferee who has not received Trust Preferred Securities in accordance with the provisions described under “Notice to Investors” shall be deemed not to be the holder of such Trust Preferred Securities for any purpose, including but not limited to the receipt of payments on such Trust Preferred Securities, and such transferee shall be deemed to have no interest whatsoever in such Trust Preferred Securities.

### **Payments; Certifications by Holders of the Temporary Regulation S Global Certificate**

On or after the expiration of the Distribution Compliance Period, a certificate may be provided by or on behalf of a holder of a beneficial interest in a temporary Regulation S Global Certificate to the registrar (or the paying agent if other than the registrar), certifying that the Beneficial Owner of the interest in such temporary Regulation S Global Certificate is not a U.S. Person. Unless such certificate is provided, (i) the holder of such beneficial interest will not receive any payments of Dividends, redemption price or any other payment with respect to such holder’s beneficial interest in the temporary Regulation S Global Certificate, (ii) such beneficial interest may not be exchanged for a beneficial interest in a permanent Regulation S Global Certificate, and (iii) settlement of trades with respect to such beneficial interest will be suspended. In the event that any holder of a beneficial interest in such temporary Regulation S Global Certificate fails to provide such certification, exchanges of interests in the temporary Regulation S Global Certificate for interests in the permanent Regulation S Global Certificate may be temporarily suspended.

### **Registrar, Transfer Agent, and Paying Agent**

The Bank of New York will initially act as registrar, transfer agent, Calculation Agent and paying agent for the Trust Preferred Securities. In addition, as long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, Rabobank Nederland and the Trust will maintain a paying agent and transfer agent in Luxembourg which will make payments on the Trust Preferred Securities, and effect transfers thereof, in the circumstances set forth in this offering memorandum. The Bank of New York (Luxembourg) S.A. will initially act as transfer agent and paying agent in Luxembourg. Registration of transfers of the Trust Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Trust or Rabobank Nederland may require) in respect of any tax or other government charges that may be imposed in relation to it.

The Trust will not be required to register or cause to be registered the transfer of the Trust Preferred Securities after such Trust Preferred Securities have been called for redemption. Definitive securities will not be issued except in the limited circumstances described under “–Exchange of Book-Entry Securities for Certificated Securities”.

### **Information Concerning the Property Trustee**

Prior to the occurrence of a default with respect to the Trust Securities, the Property Trustee undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after such default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of Trust Preferred Securities, unless offered reasonable indemnity satisfactory to the Property Trustee by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of Trust Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their rights, direct the Property Trustee to take any action following a Trust Enforcement Event.

### **Notices**

All notices of communications to the holders of the Trust Preferred Securities will be given by delivery of the relevant notice to Euroclear, Clearstream and any other relevant securities clearing system for communication by each of them to entitled participants. In addition, as long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, all notices regarding the Trust Preferred Securities shall be published in English in one leading newspaper with circulation in Luxembourg. It is expected that publication of notices will normally be made in the *Luxemburger Wort* in Luxembourg.

**Governing Law**

The Trust Agreement and the Trust Preferred Securities will be governed by, and construed in accordance with, the laws of the State of Delaware.

**Miscellaneous**

The Regular Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be required to register under the 1940 Act or characterized as other than a grantor trust for U.S. federal income tax purposes. In this connection, the Regular Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust or the Trust Agreement, that the Regular Trustees determine in their discretion to be necessary or desirable for such purposes as long as such action does not adversely affect the interests of the holders of the Trust Preferred Securities.

## DESCRIPTION OF THE LLC SECURITIES

The following summary sets forth the material terms and provisions of the limited liability company interests of the LLC, including the LLC AUD Series 2 Class B Preferred Securities. This summary is qualified in its entirety by reference to the terms and provisions of the LLC Agreement and the AUD Series 2 Certificate of Designation. As long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, copies of the LLC Agreement will be available at the specified offices of the listing agent for the Trust Preferred Securities in Luxembourg.

The LLC has issued the LLC Common Securities, the LLC Class A Preferred Securities and two series of LLC Class B Preferred Securities consisting of the LLC USD Class B Preferred Securities and the LLC GBP Class B Preferred Securities and the LLC is expected to issue two additional series of LLC Class B Preferred Securities consisting of the LLC AUD Series 2 Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities. All of the LLC Common Securities are initially owned directly by Holding. All of the LLC Class A Preferred Securities will always be owned by RBPS III or one or more other direct wholly-owned subsidiaries of Rabobank Nederland. All of the LLC AUD Series 2 Class B Preferred Securities will be initially owned by the Trust. See “Description of the Trust Securities”.

### LLC Common Securities

#### *General*

All of the issued and outstanding LLC Common Securities are currently, and upon consummation of the offering will be, held by Holding. For so long as any series of LLC Class B Preferred Securities remain outstanding, 100% of the LLC Common Securities will be held by Holding or one or more other Controlled Affiliates.

Subject (i) to the rights of the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of the outstanding series of LLC Class B Preferred Securities to appoint two Special Independent Directors to the Board of the LLC upon a non-payment of dividends on any of such outstanding series of LLC Class B Preferred Securities for any dividend period, (ii) to the rights of the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of those outstanding series of LLC Class B Preferred Securities with respect to which there has been a non-payment under the relevant guarantee (the AUD Series 2 Guarantee, the USD Guarantee, the GBP Guarantee and the AUD Series 1 Guarantee) to appoint a Guarantee Independent Director to the Board of the LLC upon the non-payment within 10 days following the making of a claim by the property trustee of any such series or a holder of any such series of LLC Class B Preferred Securities or related trust securities under the relevant guarantee, and (iii) to the right of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of the outstanding series of LLC Class B Preferred Securities to remove and replace the Regular Independent Director, all voting rights are vested in the LLC Common Securities. Each LLC Common Security is entitled to one vote per security.

#### *Dividends*

On any Dividend Payment Date, the Board may declare and make a dividend payment to the holder of the LLC Common Securities after taking into account the following guidelines:

- (i) Dividends may be declared or paid on the LLC Common Securities only if all required dividends on each series of LLC Class B Preferred Securities, if any, in respect of the relevant dividend period have been declared or deemed to have been declared and paid (the “**Common Dividend Requirement**”).
- (ii) On any Dividend Payment Date as of which the Common Dividend Requirement has not been met, if the failure to declare and make any dividend payment on the LLC Common Securities would cause the Subordinated Notes then held by the LLC to comprise less than 85% of the book value of all the assets of the LLC, the Board shall declare and make a dividend payment to the holder of the LLC Common Securities only to the extent necessary to ensure that the book value of the Subordinated Notes comprises no less than 85% of the book value of all of the assets of the LLC.
- (iii) Notwithstanding clause (i) above, the Board may distribute to the holder of the LLC Common Securities, as a dividend payment, the income of the LLC, in an amount equal to no greater than 40% of the net income of the LLC that is attributable to the LLC’s assets other than payments of interest on the Subordinated Notes for the Interest Period (as defined herein) in which the related Dividend Payment Date falls (the “**Tax Amount**”) to the extent that such Tax Amount has not already been distributed to such holder for such Interest Period.

#### *Liquidation*

In the event of the dissolution, liquidation, termination or winding up of the LLC, whether voluntary or involuntary, after the payment of all debts and liabilities, payment of the Contingent Distributions, if any, and after

there have been paid or set aside for the holders of the LLC Class A Preferred Securities the full preferential amounts to which such holders are entitled, the holders of LLC Common Securities will be entitled to receive all the assets of the LLC as their liquidation distribution.

### **LLC Class A Preferred Securities**

The LLC Class A Preferred Securities are non-voting. The LLC may declare a dividend on the LLC Class A Preferred Securities at any time but only after payment of all declared or deemed declared dividends with respect to each series of LLC Class B Preferred Securities. If dividends on each series of LLC Class B Preferred Securities have not otherwise been declared or deemed declared for any Dividend Period, the LLC may declare a dividend on the LLC Class A Preferred Securities, to the extent that the LLC has funds legally available for payment, in an amount not to exceed the aggregate amount of dividends on each series of LLC Class B Preferred Securities that have not otherwise been declared or deemed declared for such Dividend Period. Consequently, it is expected that payment of dividends on the LLC Class A Preferred Securities would only occur when, if and to the extent that dividends on each series of the LLC Class B Preferred Securities have not been declared or deemed to be declared (see “–LLC AUD Series 2 Class B Preferred Securities–Dividends”). The LLC does not currently expect to pay dividends and other distributions on the LLC Class A Preferred Securities. The payment of dividends on the LLC Class A Preferred Securities is not a condition to the payment of dividends on any series of LLC Class B Preferred Securities.

Upon dissolution, liquidation, termination or winding-up of the LLC, the LLC Class A Preferred Securities will rank senior to each series of LLC Class B Preferred Securities and the LLC Common Securities, and, after satisfaction of liabilities to creditors and payment of the Contingent Distributions, if any, the holders of the LLC Class A Preferred Securities will be entitled to receive as their liquidation distribution an amount equal to the aggregate liquidation preference amount for outstanding LLC Class B Preferred Securities, plus (a) the aggregate amount of all accrued and unpaid dividends thereon (without regard to whether such dividends are declared or deemed declared and without regard to any payment of the Contingent Distributions), if any, to the date of liquidation, to the extent that such dividends have not been paid on the LLC Class A Preferred Securities, and (b) the capital contribution made in connection with the purchase of the LLC Class A Preferred Securities; *provided* that in liquidation of the LLC, the Guarantee Independent Director of the LLC shall enforce the Contingent Guarantee solely for the benefit of the holders of the LLC Class B Preferred Securities and, solely with respect to the Contingent Distributions, the LLC Class B Preferred Securities will rank senior to the LLC Class A Preferred Securities and the LLC Common Securities. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the LLC shall not be dissolved until all claims under the Guarantees and the Contingent Guarantee shall have been paid in full pursuant to the terms of the Guarantees and the Contingent Guarantee, and the Contingent Distributions, if any, shall have been made.

### **LLC AUD Series 2 Class B Preferred Securities**

#### ***General***

The LLC AUD Series 2 Class B Preferred Securities will be represented by a global security in fully registered form without coupons which will be held by the Property Trustee on behalf of the holders of the Trust Securities.

The LLC AUD Series 2 Class B Preferred Securities, the LLC USD Class B Preferred Securities, the LLC GBP Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities will rank senior to the LLC Class A Preferred Securities and the LLC Common Securities. The LLC USD Class B Preferred Securities, the LLC GBP Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities will each constitute Parity Bank Shares with the LLC AUD Series 2 Class B Preferred Securities with respect to the payment of dividends. Upon dissolution, liquidation, termination or winding-up, the LLC AUD Series 2 Class B Preferred Securities, the LLC USD Class B Preferred Securities, the LLC GBP Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities will rank junior and subordinate to the LLC Class A Preferred Securities and the LLC Common Securities, except with respect to the LLC AUD Series 2 Class B Preferred Securities’ preference rights to the AUD Series 2 Contingent Distribution, the LLC USD Class B Preferred Securities’ preference rights to the USD Contingent Distribution, the LLC GBP Class B Preferred Securities’ preference rights to the GBP Contingent Distribution and the LLC AUD Series 1 Class B Preferred Securities’ preference rights to the AUD Series 1 Contingent Distribution, and each series of LLC Class B Preferred Securities will rank *pari passu* with one another. The LLC Agreement prohibits the LLC from incurring indebtedness or issuing any debt securities or any class or series of equity securities ranking senior to any series of LLC Class B Preferred Securities as to dividend rights or upon dissolution, liquidation, termination or winding up of the LLC.

When issued, the LLC AUD Series 2 Class B Preferred Securities will be validly issued, fully paid and non-assessable. The holders of the LLC AUD Series 2 Class B Preferred Securities will have no pre-emptive rights with respect to any other securities of the LLC. The LLC AUD Series 2 Class B Preferred Securities will not be convertible into any other securities of the LLC and will not be subject to any sinking fund or other obligations of the LLC for their repurchase or retirement.

## ***Dividends***

Holders of the LLC AUD Series 2 Class B Preferred Securities shall be entitled to receive, when, as and if declared or deemed declared by the Board, out of funds legally available for the payment of Dividends, noncumulative Dividends for each Dividend Period ending on or before December 31, 2014, which will accrue at a rate of 6.415% per annum on the liquidation preference amount of A\$1,000 (the “**Liquidation Preference Amount**”) per LLC AUD Series 2 Class B Preferred Security, payable semiannually in arrears on June 30 and December 31 of each year, commencing December 31, 2004. Dividends payable on each Fixed Rate Dividend Payment Date will be calculated on an RBA Bond Basis (one divided by the number of Dividend Payment Dates in a year), and will accrue from and including the immediately preceding Fixed Rate Dividend Payment Date (or the Issue Date, with respect to Dividends payable on December 31, 2004), to but excluding the relevant Fixed Rate Dividend Payment Date. Dividends payable on December 31, 2004 will amount to A\$11.04 for each Liquidation Preference Amount.

For each Dividend Period commencing on or after December 31, 2014, Dividends will accrue on the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security, payable quarterly in arrears on each Floating Rate Dividend Payment Date commencing March 31, 2015 at a rate per annum equal to BBSW for such Dividend Period plus 1.67%, calculated on the basis of the actual number of days in the Dividend Period in respect of which payment is being made divided by 365 (or, if any portion of that Dividend Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Dividend Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Dividend Period falling in a non-leap year divided by 365), and will accrue from and including the immediately preceding Floating Rate Dividend Payment Date (or the final Fixed Rate Dividend Payment Date falling on December 31, 2014 with respect to Dividends payable on March 31, 2015) to but excluding the relevant Floating Rate Dividend Payment Date.

If any Dividend Payment Date or Redemption Date (as defined herein) on or before December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, the relevant payment will be payable on the next succeeding day which is both a Business Day and an Australian Business Day, unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day, in each case without adjustment, interest or further payment as a result thereof. If any Dividend Payment Date or Redemption Date after December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, such Dividend Payment Date or Redemption Date will be postponed until the next succeeding day which is both a Business Day and an Australian Business Day unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day.

All percentages resulting from any calculation related to a Floating Rate Dividend Payment Date will be rounded to the nearest one-thousandth of a percentage point, with five ten-thousandths of a percentage point rounded upwards. For example 9.6545% (or 0.096545) would be rounded to 9.655% (or 0.09655). All Australian dollar amounts used in or resulting from any calculation related to a Floating Rate Dividend Payment Date will be rounded to the nearest cent (with one-half cent or unit being rounded upwards).

Dividends will not be cumulative and Dividends which are not declared or deemed declared will not accumulate from Dividend Period to Dividend Period.

The LLC will be required to pay Dividends (such Dividends, unless payment thereof is prohibited as set forth below, are referred to as “**Required Dividends**”) on the LLC AUD Series 2 Class B Preferred Securities as set forth hereafter:

(i) *In full*

(a) The payment of full Dividends will be required:

- (1) for Dividend Periods covering 12 consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment with respect to (x) any Bank Instrument which effectively ranks junior to a Parity Bank Share, (y) any Local Rabobank Instrument which effectively ranks junior to a Parity Local Rabobank Share or (z) any Junior Group Member Instrument that, in the case of (x), (y) or (z), pays dividends or other distributions annually, if any (other than any declarations or payments with respect to such share capital or other instrument held by any member of the Rabobank Group and any payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided for in the articles of association of such Local Rabobank);

- (2) for Dividend Periods covering six consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment with respect to (1) any Bank Instrument or Local Rabobank Instrument which effectively ranks junior to a Parity Share or (2) any Junior Group Member Instrument that, in the case of (1) or (2), pays dividends semiannually, if any (other than any declarations or payments with respect to such share capital or other instrument held by any member of the Rabobank Group and any payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank); or
- (b) In the case of redemption, repurchase or other acquisition the payment of full Dividends will be required for Dividend Periods covering 12 consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group, exchanges or converts, redeems, repurchases or otherwise acquires (x) a Parity Share, (y) any Bank Instrument or Local Rabobank Instrument which effectively ranks junior to such Parity Share or (z) any Junior Group Member Instrument, for any consideration, or any moneys paid to or made available for a sinking fund, or for redemption of any such securities (other than (i) any redemption, repurchase or other acquisition of such share capital or other instrument held by any member of the Rabobank Group and other than any payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank, (ii) as a result of a reclassification of the share capital of Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group or the exchange or conversion of one class or series of such share capital for another class or series of such share capital or (iii) the purchase of fractional interests in the share capital of Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged); and
- (ii) *Fractional or in full*
- The payment of Dividends will be required on the Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment (other than any declaration or payment with respect to such share capital or other instrument held by any member of the Rabobank Group and any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank) with respect to (1) any Bank Instrument or Local Rabobank Instrument which effectively ranks junior to a Parity Share or (2) any Junior Group Member Instrument that, in the case of (1) or (2), pays dividends on a basis other than annually or semiannually, if any, at an amount equal to the stated Dividends of the LLC AUD Series 2 Class B Preferred Securities for the related Dividend Period, multiplied by a fraction, the numerator of which is the number of days in the dividend, distribution or payment period applicable to the payment on such Bank Instrument, Local Rabobank Instrument or Junior Group Member Instrument and the denominator of which is the number of days in the related Dividend Period; provided, however, that if the dividend, distribution or payment on any Bank Instrument, Local Rabobank Instrument or Junior Group Member Instrument that triggers the requirement to pay Dividends on any LLC AUD Series 2 Class B Preferred Securities as provided by this section (ii) is made, but not with respect to a specified dividend, distribution or payment period, full Dividends on the LLC AUD Series 2 Class B Preferred Securities will be deemed to have been declared for the Dividend Period with the related Dividend Payment Date that occurs on or immediately after the date on which the dividend, distribution or payment is declared or made on such Bank Instrument, Local Rabobank Instrument or Junior Group Member Instrument; and
- (iii) *Pro rata with Parity Shares*
- The payment of Dividends will be required:
- (a) for Dividend Periods covering 12 consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment on any Parity Share that pays dividends annually, if any (other than any declarations or payments by any Local Rabobank applied for



purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank);

- (b) for Dividend Periods covering six consecutive months commencing with the Dividend Period with a related Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment on any Parity Share that pays dividends semiannually, if any (other than any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank); and
- (c) on the Dividend Payment Date that occurs on or immediately follows the date on which Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group declares or pays a dividend or distribution or makes any other payment on any Parity Share that pays dividends on a basis other than annually or semiannually, if any (other than any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank);

*provided* that, in the event that Dividends on any LLC AUD Series 2 Class B Preferred Security are declared (or deemed to have been declared) as provided in this section (iii) such Dividends shall be declared (or deemed to have been declared) in the same proportion that the declaration or payment on such Parity Share bears to the stated annual dividends, distributions or payments to be declared and paid on such Parity Share. If the dividend, distribution or payment on any such Parity Share that triggers the requirement to pay Dividends on any LLC AUD Series 2 Class B Preferred Securities as provided by this section (iii) is made, but not with respect to a specified dividend, distribution or payment period, full Dividends on the LLC AUD Series 2 Class B Preferred Securities will be deemed to have been declared for the Dividend Period with the related Dividend Payment Date that occurs on or immediately after the date on which the dividend, distribution or payment is declared or made on such Parity Share.

#### ***No Dividends***

**Notwithstanding any of the foregoing, the Board of the LLC is not permitted to declare or pay Dividends on the LLC AUD Series 2 Class B Preferred Securities to the extent that applicable Netherlands banking regulations as applied by the Dutch Central Bank prohibit Rabobank Nederland, any Local Rabobank or any other member of the Rabobank Group from making dividends, distributions or other payments on the AUD Series 2 Subordinated Notes, the LLC AUD Series 2 Class B Preferred Securities, the Trust Preferred Securities or any Parity Share or any of its other respective instruments which effectively rank *pari passu* with any Parity Share (for example, as a result of Rabobank Group's BIS ratio (total capital) falling below the then applicable minimum requirement). In such case there will be no Required Dividends.**

Unless not permitted by applicable Netherlands banking regulations and/or the Dutch Central Bank, in the event that the LLC fails to pay a Required Dividend pursuant to the terms of the LLC AUD Series 2 Class B Preferred Securities, the AUD Series 2 Guarantee will provide that Rabobank Nederland is obligated to pay or cause the Trust to pay an amount equal to such Required Dividend to the holders of the Trust Securities. See "Description of the AUD Series 2 Guarantee and the Contingent Guarantee".

Unless not permitted by applicable Netherlands banking regulations and/or the Dutch Central Bank, if, for any reason, any Required Dividends are not declared on any Dividend Payment Date, then, under the terms of the LLC Agreement, such Dividends automatically will be deemed declared and authorized to be paid on such Dividend Payment Date in full.

**"Parity Share"** means (i) any Parity Bank Share and (ii) any Parity Local Rabobank Share; provided, however, that "Parity Share" shall not include any Parity Bank Share or Parity Local Rabobank Share which is held by, or on which payments are made to, any member of the Rabobank Group.

**"Parity Bank Share"** means:

- (i) (A) the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland (if and when existing);
- (B) any Bank Instrument which effectively ranks:
  - (1) subordinate and junior to indebtedness of Rabobank Nederland (other than Rabobank Nederland's obligations under (a) the AUD Series 2 Guarantee and the Contingent Guarantee, (b) any guarantee or contractual right effectively ranking *pari passu* with Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent

Guarantee (including, without limitation, (I) the guarantees and contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II and (II) the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V, and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC) and (c) any guarantee or contractual right effectively ranking junior to Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, the Junior Member Certificates Related Agreements));

- (2) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland (if and when existing); and
- (3) senior to any other share capital of Rabobank Nederland not described in clauses (A) or (B)(2) above.

Such Bank Instrument excludes the guarantees and contingent guarantee in relation to (i) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (ii) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II; and

- (C) any guarantee (a **"Parity Bank Guarantee"**) issued by Rabobank Nederland of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 capital for the Rabobank Group and which guarantee effectively ranks:
  - (1) subordinate and junior to indebtedness of Rabobank Nederland (other than Rabobank Nederland's obligations under (a) the AUD Series 2 Guarantee and the Contingent Guarantee, (b) any guarantee or contractual right effectively ranking *pari passu* with Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, (I) the guarantees and contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II and (II) the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC) and (c) any guarantee or contractual right effectively ranking junior to Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, the Junior Member Certificates Related Agreements));
  - (2) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland (if and when existing); and
  - (3) senior to any other share capital of Rabobank Nederland not described in clauses (A) or (C)(2) above.

Such guarantee excludes the guarantees and contingent guarantee relating to (i) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (ii) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II; and

- (ii) any preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which are guaranteed by Rabobank Nederland under a Parity Bank Guarantee or Capital Bank Guarantee (excluding the (i) 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (ii) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II).

The LLC USD Class B Preferred Securities, the LLC GBP Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC, and the related series of Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V, and the USD Guarantee, the GBP Guarantee and the AUD Series 1 Guarantee related to those offerings will each constitute Parity Bank Shares with the LLC AUD Series 2 Class B Preferred Securities, the Trust Preferred Securities, the AUD Series 2 Guarantee and the Contingent Guarantee.

**“Junior Member Certificates Related Agreements”** means the junior subordinated loan agreements between Rabobank Nederland and Rabobank Ledencertificaten N.V. and Rabobank Ledencertificaten II N.V., dated June 30, 2000, October 29, 2001 and November 18, 2002, respectively and the agreements regarding certain obligations of Rabobank Nederland between Rabobank Nederland and Stichting Buffer Rabobank Ledencertificaten and Stichting Buffer Rabobank Ledencertificaten II, dated June 30, 2000, October 29, 2001 and November 18, 2002, respectively, relating to the Member Certificates (*ledencertificaten*) issued by the Stichting AK Rabobank Ledencertificaten and the Stichting AK Rabobank Ledencertificaten II representing depositary receipts of shares issued by Rabobank Ledencertificaten N.V. and Rabobank Ledencertificaten II N.V., respectively.

**“Capital Bank Guarantee”** means any guarantee issued by Rabobank Nederland of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 capital for the Rabobank Group and which guarantee effectively ranks senior to a Parity Bank Guarantee.

**“Parity Local Rabobank Share”** shall mean:

- (i) (A) the most senior ranking preferred equity securities or preferred or preference shares of any Local Rabobank (if and when existing);
- (B) any Local Rabobank Instrument which effectively ranks:
  - (1) subordinate and junior to indebtedness of such Local Rabobank;
  - (2) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of such Local Rabobank (if and when existing); and
  - (3) senior to any other share capital of such Local Rabobank not described in clauses (A) or (B)(2) above (if and when existing); and
- (C) any guarantee (a **“Parity Local Rabobank Guarantee”**) issued by any Local Rabobank of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 capital for the Rabobank Group which guarantee effectively ranks:
  - (1) subordinate and junior to indebtedness of such Local Rabobank;
  - (2) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of such Local Rabobank (if and when existing); and
  - (3) senior to any other share capital of such Local Rabobank not described in clauses (A) or (C)(2) above (if and when existing); and
- (ii) any preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which are guaranteed by any Local Rabobank under a Parity Local Rabobank Guarantee or Capital Local Rabobank Guarantee.

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

All the references to Dividends in this subsection shall be deemed to include LLC Additional Amounts, if any. Except as described in this subsection, holders of any series of LLC Class B Preferred Securities will have no right to participate in the profits of the LLC.

### **Payment of LLC Additional Amounts**

All payments in respect of the LLC AUD Series 2 Class B Preferred Securities made by or on behalf of the LLC will be made without withholding or deduction for or on account of any Relevant Tax paid by or on behalf of the LLC, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the LLC will pay, as further Dividends, such LLC Additional Amounts as may be necessary in order that the net amounts received by the holders of the LLC AUD Series 2 Class B Preferred Securities after such withholding or deduction will equal the amount which would have been received in respect of the LLC AUD Series 2 Class B Preferred Securities in the absence of such withholding or deduction, except that no such LLC Additional Amounts will be payable to a holder of LLC AUD Series 2 Class B Preferred Securities (or to a third party on the holder's behalf) with respect to any LLC AUD Series 2 Class B Preferred Securities (i) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner) of such LLC AUD Series 2 Class B Preferred Securities or a holder of Trust Securities having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such LLC AUD Series 2 Class B Preferred Securities or Trust Securities; (ii) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or beneficial owner) of the LLC AUD Series 2 Class B Preferred Securities or Trust Securities not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption from the Relevant Tax, if such declaration or claim is required by law in order for the payment to be exempt from withholding or deduction and Rabobank Nederland or its agent has provided the beneficial owner of such LLC AUD Series 2 Class B Preferred Securities or Trust Securities or its nominee with at least 60 days' prior written notice of an opportunity to make such a declaration or claim or the requirement for such declaration or claim has been disclosed in this offering memorandum or (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Council Directive 2003/48/EC or similar European Union Council Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, or substantially similar to such directive.

### **Voting Rights**

Except as described below, each series of LLC Class B Preferred Securities will have no voting rights.

If, for any Dividend Period, dividends (whether or not declared or deemed to have been declared) and any LLC Additional Amounts in respect of such dividends have not been paid in full on any series of LLC Class B Preferred Securities by the LLC or by Rabobank Nederland under any of the Guarantees, then the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of such outstanding series of LLC Class B Preferred Securities will be entitled by ordinary resolution passed by such holders present in person or by proxy at a separate general meeting of the holders of the LLC Class B Preferred Securities convened for the purpose, to appoint two Special Independent Directors to the Board, each of whom shall not be an officer, employee, director or Affiliate or a former officer or employee of the LLC, the holder of the LLC Common Securities, Rabobank Nederland or any of their Affiliates (each, a "**Special Independent Director**"). Any Special Independent Director appointed as provided above shall vacate office if dividends have been paid regularly in full on each series of LLC Class B Preferred Securities by the LLC or under the Guarantees by Rabobank Nederland for dividend periods covering 12 consecutive months and all other amounts due under the Guarantees and the Contingent Guarantee have been paid. The holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of such outstanding series of LLC Class B Preferred Securities will also be entitled, by ordinary resolution passed by such holders present in person or by proxy at a separate general meeting of the holders of the LLC Class B Preferred Securities convened for the purpose, to remove and replace the Regular Independent Director. In addition, upon the non-payment within 10 days following the making of a claim by the property trustee of any series of LLC Class B Preferred Securities or a holder of any such series of LLC Class B Preferred Securities or related trust securities under the relevant guarantee, the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of those outstanding series of LLC Class B Preferred Securities with respect to which there has been a non-payment under the respective guarantees (the AUD Series 2 Guarantee, the USD Guarantee, the GBP Guarantee and the AUD Series 1 Guarantee), will be entitled to appoint the Guarantee Independent Director.

No vote of the holders of any series of the LLC Class B Preferred Securities will be required for the LLC to redeem and cancel any series of the LLC Class B Preferred Securities in accordance with the LLC Agreement. See "–Redemption and Repurchase of LLC AUD Series 2 Class B Preferred Securities".

Notwithstanding that the holders of LLC Class B Preferred Securities are entitled to vote or consent under the limited circumstances described above, any LLC Class B Preferred Securities that are beneficially owned at such time by Rabobank Nederland or any entity directly or indirectly controlled by, or under direct or indirect common control with, Rabobank Nederland, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such LLC Class B Preferred Securities were not outstanding, except for the LLC Class B Preferred Securities purchased or acquired by Rabobank Nederland or its Affiliates in connection with transactions effected by or

for the account of customers of Rabobank Nederland or any of its Affiliates or in connection with the distribution or trading of or market-making in connection with such LLC Class B Preferred Securities; *provided, however*, that persons (other than Affiliates of Rabobank Nederland) to whom Rabobank Nederland or any of its Affiliates have pledged LLC Class B Preferred Securities may vote or consent with respect to such pledged LLC Class B Preferred Securities pursuant to the terms of such pledge.

### **LLC Enforcement Events**

If one or more of the following events shall occur and be continuing (each, an “**LLC Enforcement Event**”): (i) non-payment of Dividends on the LLC AUD Series 2 Class B Preferred Securities for any Dividend Period, (ii) a default by Rabobank Nederland in respect of any of its obligations under the AUD Series 2 Guarantee with respect to the LLC AUD Series 2 Class B Preferred Securities, (iii) an event of default with respect to the Initial AUD Series 2 Subordinated Note or any AUD Series 2 Subordinated Note purchased by the LLC with the proceeds therefrom occurs and is continuing, or (iv) the non-payment within 10 days following the making of a claim by the Property Trustee or a holder of the LLC AUD Series 2 Class B Preferred Securities under the AUD Series 2 Guarantee with respect to the LLC AUD Series 2 Class B Preferred Securities, then the Property Trustee, in accordance with the Trust Agreement, for so long as the LLC AUD Series 2 Class B Preferred Securities are held by the Property Trustee, will have the right, or, in the event that the Property Trustee does not hold the LLC AUD Series 2 Class B Preferred Securities, holders of the outstanding LLC AUD Series 2 Class B Preferred Securities will be entitled, by ordinary resolution passed by the holders of a majority in aggregate liquidation preference of such LLC AUD Series 2 Class B Preferred Securities present in person or by proxy at a separate meeting of such holders convened for the purpose, to enforce the terms of the LLC AUD Series 2 Class B Preferred Securities under the LLC Agreement, including:

- (a) the right to direct the Independent Directors to enforce:
  - (1) the LLC’s creditors’ rights and other rights with respect to the Initial AUD Series 2 Subordinated Note or any AUD Series 2 Subordinated Note purchased with the proceeds therefrom;
  - (2) the rights of the holders of the LLC AUD Series 2 Class B Preferred Securities under the AUD Series 2 Guarantee; and
  - (3) the rights of the holders of the LLC AUD Series 2 Class B Preferred Securities to receive Dividends (to the extent declared or deemed declared) on the LLC AUD Series 2 Class B Preferred Securities;
- (b) in the case of an LLC Enforcement Event set forth in clause (iv) above, the right together with each other series of LLC Class B Preferred Securities with respect to which there has been a non-payment under the respective guarantees (the AUD Series 2 Guarantee, the USD Guarantee, the GBP Guarantee and the AUD Series 1 Guarantee) to elect the Guarantee Independent Director; and
- (c) the right of the holders of the LLC AUD Series 2 Class B Preferred Securities to receive the AUD Series 2 Contingent Distribution, if any.

In addition, in the event of an LLC Enforcement Event, the Property Trustee shall have the right to enforce the terms of the AUD Series 2 Guarantee with respect to the LLC AUD Series 2 Class B Preferred Securities.

In the case of an LLC Enforcement Event set forth in clause (i) above, the LLC may cure such LLC Enforcement Event by making Dividend payments in full on the LLC AUD Series 2 Class B Preferred Securities for Dividend Periods covering 12 consecutive months.

If the Independent Directors fail to enforce the LLC’s rights under the Initial AUD Series 2 Subordinated Note or any AUD Series 2 Subordinated Note purchased with the proceeds therefrom or those of the holders of the LLC AUD Series 2 Class B Preferred Securities under the AUD Series 2 Guarantee after a holder of the LLC AUD Series 2 Class B Preferred Securities has made a written request to an Independent Director for such enforcement, such holder may directly institute a legal proceeding against the Eligible Issuers to enforce the rights of such holders under the Initial AUD Series 2 Subordinated Note or any AUD Series 2 Subordinated Note purchased with the proceeds therefrom or against Rabobank Nederland to enforce the rights of such holders under the AUD Series 2 Guarantee without first instituting any legal proceeding against the Independent Directors, the LLC or any other person or entity. In any event, if an LLC Enforcement Event has occurred and is continuing and such event is attributable to an event of default with respect to the Initial AUD Series 2 Subordinated Note or any AUD Series 2 Subordinated Note purchased with the proceeds therefrom, then a holder of LLC AUD Series 2 Class B Preferred Securities may on behalf of the LLC directly institute a proceeding against such Eligible Issuer with respect to such AUD Series 2 Subordinated Note for enforcement of payment. A holder of LLC AUD Series 2 Class B Preferred Securities may also bring a direct action against Rabobank Nederland to enforce such holder’s right under the AUD Series 2 Guarantee with respect to the LLC AUD Series 2 Class B Preferred Securities.

Notwithstanding the foregoing, under no circumstances shall the Independent Directors have authority to cause the Board to declare distributions on the LLC AUD Series 2 Class B Preferred Securities. As a result, although the Independent Directors may be able to enforce the LLC's creditors' right to receive payments in respect of the AUD Series 2 Subordinated Notes and the AUD Series 2 Guarantee, the LLC would be entitled to reinvest such payments in additional AUD Series 2 Subordinated Notes, subject to satisfying certain reinvestment criteria, rather than making distributions on the LLC AUD Series 2 Class B Preferred Securities. Any member of the Board, including the Independent Directors, shall not, by virtue of acting in such capacity, be admitted as a general partner in the LLC or otherwise be deemed to be a general partner in the LLC and shall have no liability for the debts, obligations or liabilities of the LLC.

### **Independent Directors Approval**

The LLC Agreement provides that, for so long as any LLC AUD Series 2 Class B Preferred Securities are outstanding, a majority of the Independent Directors, acting alone and without the vote or consent of the other members of the Board, have the right and obligation on behalf of the LLC to enforce and otherwise act on behalf of the LLC with respect to the AUD Series 2 Subordinated Notes. The LLC Agreement provides that the Independent Directors of the LLC will consider only the interests of the holders of those series of LLC Class B Preferred Securities affected thereby in determining whether any proposed action requiring their approval is in the best interests of the LLC; *provided* that so long as the LLC AUD Series 2 Class B Preferred Securities are held by the Trust, the Independent Directors will be obligated to exercise their powers so as not to alter the material economic features of the LLC AUD Series 2 Class B Preferred Securities.

The duties and rights of the Guarantee Independent Director with respect to the Contingent Guarantee will be limited under the terms of the LLC Agreement to the enforcement of the Contingent Guarantee and causing the Contingent Distributions (including the AUD Series 2 Contingent Distribution) to be made.

In the event that there is only one Independent Director, any action that requires the approval of a majority of Independent Directors must be approved by such Independent Director.

### **Redemption and Repurchase of LLC AUD Series 2 Class B Preferred Securities**

#### ***Optional Redemption***

The LLC AUD Series 2 Class B Preferred Securities will be redeemable, at the option of the LLC, subject to the prior approval of Rabobank Nederland and, if then required, the Dutch Central Bank, in whole or in part, on the Optional Redemption Date or on any Dividend Payment Date occurring thereafter, upon not less than 30 nor more than 60 days' notice to the holders of the LLC AUD Series 2 Class B Preferred Securities (which notice shall be irrevocable), at the Redemption Price.

#### ***LLC Special Events***

If an LLC Special Event occurs, then the LLC AUD Series 2 Class B Preferred Securities will be redeemable at any time, in whole but not in part, at the option of the LLC, subject to the prior approval of Rabobank Nederland and, if then required, the Dutch Central Bank, at the Redemption Price. Any such redemption shall be upon not less than 30 nor more than 60 days' notice to the holders of the LLC AUD Series 2 Class B Preferred Securities. See "Description of the Trust Securities—Redemption".

#### ***Payment of Redemption Price***

In the event that payment of the Redemption Price in respect of any LLC AUD Series 2 Class B Preferred Securities is improperly withheld or refused and not paid either by the LLC or by Rabobank Nederland pursuant to the AUD Series 2 Guarantee with respect to the LLC AUD Series 2 Class B Preferred Securities, Dividends on such LLC AUD Series 2 Class B Preferred Securities, subject to the third and fourth paragraphs under "—Dividends," will continue to accumulate from the date fixed for redemption to the date of actual payment of such Redemption Price.

#### ***Repurchases***

The LLC or Rabobank Nederland or any of Rabobank Nederland's other Affiliates may at any time or from time to time, with prior approval of the Dutch Central Bank (if then required), purchase outstanding LLC AUD Series 2 Class B Preferred Securities by tender in the open market or by private agreement. If purchases are made by tender, the tender must be available to all holders of LLC AUD Series 2 Class B Preferred Securities.

#### ***Rights Upon Liquidation***

In the event of any voluntary or involuntary liquidation, dissolution, termination or winding up of the LLC, holders of the LLC AUD Series 2 Class B Preferred Securities at the time outstanding will, subject to the limitations described herein, be entitled to receive the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security, plus, in each case, (a) declared (or deemed declared) and unpaid Dividends thereon, if any, to the date of

liquidation without any interest and (b) accrued and unpaid Dividends thereon, if any, from the last Dividend Payment Date to the date of liquidation, in respect of each LLC AUD Series 2 Class B Preferred Security out of the assets of the LLC available for distribution to shareholders after satisfaction of liabilities to creditors. Such entitlement will arise following the payment of the Contingent Distributions and liquidation distributions to holders of the LLC Class A Preferred Securities and holders of the LLC Common Securities. In addition, the Guarantee Independent Director shall enforce Rabobank Nederland's obligation to pay the AUD Series 2 Contingent Distribution under the Contingent Guarantee solely for the benefit of the holders of the LLC AUD Series 2 Class B Preferred Securities and, solely with respect to the AUD Series 2 Contingent Distribution, the LLC AUD Series 2 Class B Preferred Securities will rank senior to the LLC Class A Preferred Securities and the LLC Common Securities.

Because, upon liquidation of the LLC, (i) the holders of the LLC Class A Preferred Securities and the holders of the LLC Common Securities have a claim senior to that of the holders of the LLC AUD Series 2 Class B Preferred Securities, except with respect to the AUD Series 2 Contingent Distribution, and (ii) the holders of the LLC Class A Preferred Securities will be entitled to receive as their liquidation distribution, after satisfaction of liabilities to creditors and payment of the Contingent Distributions (including the AUD Series 2 Contingent Distribution) pursuant to the Contingent Guarantee, an amount equal to the aggregate liquidation preference amount for all outstanding series of LLC Class B Preferred Securities, plus (a) the aggregate amount of all accrued and unpaid dividends thereon (without regard to whether such dividends are declared or deemed declared and without regard to any payments under the Contingent Guarantee, if any,) to the date of liquidation, to the extent that such dividends have not been paid on the LLC Class A Preferred Securities, and (b) the capital contribution made in connection with the purchase of the LLC Class A Preferred Securities, and (iii) the holders of the LLC Common Securities will be entitled to receive as their liquidation distribution, after satisfaction of liabilities to creditors, payment of the Contingent Distributions (including the AUD Series 2 Contingent Distribution) pursuant to the Contingent Guarantee and the liquidation distribution to the holders of LLC Class A Preferred Securities, all assets of the LLC, it is anticipated that the LLC AUD Series 2 Class B Preferred Securities holders' claims in liquidation of the LLC, equal to the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security, will be required to be satisfied under the terms of the AUD Series 2 Guarantee or by payment of the AUD Series 2 Contingent Distribution pursuant to the Contingent Guarantee. Upon liquidation of the LLC, each series of LLC Class B Preferred Securities will rank *pari passu* with one another.

The LLC Agreement will provide that, in the event of any voluntary or involuntary liquidation, dissolution, termination or winding up of Rabobank Nederland, the LLC shall be liquidated automatically; *provided, however*, that the LLC shall, to the fullest extent permitted by law, not be dissolved until all claims under the AUD Series 2 Guarantee and the Contingent Guarantee shall have been paid in full pursuant to the terms of the AUD Series 2 Guarantee and the Contingent Guarantee, and the AUD Series 2 Contingent Distribution, if any, shall have been made pursuant to the terms of the LLC Agreement.

### **Merger, Consolidation, Conversion or Amalgamation of the LLC**

The LLC may not consolidate, amalgamate, convert or merge with or into, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any corporation or other body, except as described below or elsewhere herein. The LLC may, without the consent of the holders of any series of LLC Class B Preferred Securities, consolidate, amalgamate, convert or merge with or into, or be replaced by a limited partnership, limited liability company or trust organized as such under the laws of any state of the United States of America, provided that (i) such successor entity either (x) expressly assumes all of the obligations of the LLC under the LLC Class B Preferred Securities or (y) substitutes for each series of LLC Class B Preferred Securities other securities having substantially the same terms as each of the series of LLC Class B Preferred Securities (the "**LLC Successor Securities**") so long as the LLC Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the LLC Class A Preferred Securities or any successor LLC Class A Preferred Securities and to the LLC Common Securities to the same extent that the LLC Class B Preferred Securities rank junior to the LLC Class A Preferred Securities and to the LLC Common Securities, (ii) each Eligible Issuer of the Subordinated Notes then held by the LLC expressly acknowledges such successor entity as the holder of the Subordinated Notes, (iii) the LLC Class B Preferred Securities or any LLC Successor Securities are listed, or any LLC Successor Securities will be listed upon notification of issuance, on any international securities exchange or similar organization on which the LLC Class B Preferred Securities, if so listed, are then listed, (iv) such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease does not cause the Trust Preferred Securities (or, in the event that the Trust is liquidated in connection with a Trust Special Event, the LLC Class B Preferred Securities (including any LLC Successor Securities)) to be downgraded by any internationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities or LLC Class B Preferred Securities (including any LLC Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the LLC, (vii) prior to such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer

or lease, the LLC has received an opinion of an independent nationally recognized law firm in the United States experienced in such matters to the effect that (A) such successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for U.S. federal income tax purposes, (B) such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease would not cause the Trust to be classified as other than a grantor trust for U.S. federal income tax purposes, (C) following such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease, such successor entity will not be required to register under the 1940 Act and (D) such merger, consolidation, amalgamation, conversion, replacement, conveyance, transfer or lease will not adversely affect the limited liability of the holders of the LLC Class B Preferred Securities and (viii) Rabobank Nederland guarantees the obligations of such successor entity under any LLC Successor Securities at least to the extent provided by the Guarantees with respect to the LLC Class B Preferred Securities.

#### **Form and Settlement**

The LLC AUD Series 2 Class B Preferred Securities will be represented by a global security in fully registered form without coupons which will be held by the relevant Property Trustee on behalf of the holders of the Trust Securities. In the event of the involuntary or voluntary dissolution, winding up or liquidation of the Trust, the LLC AUD Series 2 Class B Preferred Securities will be distributed to holders of the Trust Securities. Upon any such involuntary or voluntary dissolution, winding up or liquidation, each of Rabobank Nederland and the LLC have agreed to use its reasonable efforts to cause the LLC AUD Series 2 Class B Preferred Securities to be eligible to clear and settle through Euroclear and Clearstream, or their respective successor clearing agents. If the LLC AUD Series 2 Class B Preferred Securities are so eligible, the LLC AUD Series 2 Class B Preferred Securities will be distributed in global fully registered form without coupons and, if the Trust Preferred Securities are no longer in global form, the LLC AUD Series 2 Class B Preferred Securities will be distributed to such holders in definitive fully registered form without coupons.

#### **Paying Agent**

Holding will act as the initial paying agent for the LLC AUD Series 2 Class B Preferred Securities.

#### **Miscellaneous**

The Board is authorized and directed to conduct the affairs of the LLC in such a way that (i) the LLC will not be deemed to be required to register under the 1940 Act and (ii) the LLC will not be treated as an association or as a “publicly traded partnership” (within the meaning of Section 7704 of the Code) taxable as a corporation for U.S. federal income tax purposes. In this connection, the Board is authorized to take any action, not inconsistent with applicable law or the LLC Agreement, that the Board determines in its discretion to be necessary or desirable for such purposes, so long as such action does not adversely affect the interests of the holders of the LLC Class B Preferred Securities. Any amendment of the LLC Agreement relating to Dividends, the Contingent Guarantee or the AUD Series 2 Contingent Distribution will require the consent of each holder of the LLC AUD Series 2 Class B Preferred Securities.



## DESCRIPTION OF THE AUD SERIES 2 GUARANTEE AND THE CONTINGENT GUARANTEE

Set forth below is a summary of the AUD Series 2 Guarantee that will be executed and delivered by Rabobank Nederland for the benefit of the holders from time to time of the LLC AUD Series 2 Class B Preferred Securities and the Trust Securities and the Contingent Guarantee that has been executed and delivered by Rabobank Nederland for the benefit of the LLC. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the AUD Series 2 Guarantee and the Contingent Guarantee, as applicable. As long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, copies of the AUD Series 2 Guarantee and the Contingent Guarantee will be available at the specified offices of the listing agent for the Trust Preferred Securities in Luxembourg.

### General

Rabobank Nederland irrevocably and unconditionally will agree in the AUD Series 2 Guarantee to pay in full, on a subordinated basis, to the holders of Trust Securities and the holders of LLC AUD Series 2 Class B Preferred Securities the amounts in respect of, without duplication, the Dividends that have been declared (or deemed to have been declared) on the LLC AUD Series 2 Class B Preferred Securities, the Dividends on the Trust Securities to the extent that the Trust has funds legally available therefor, the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security upon liquidation of the LLC, the Liquidation Preference Amount per Trust Security upon liquidation of the Trust, the Redemption Price on redemption of the LLC AUD Series 2 Class B Preferred Securities and Trust Securities, any Additional Amounts and LLC Additional Amounts on any of the foregoing payments (collectively, the “**AUD Series 2 Guarantee Payments**”), to the extent set forth herein, as and when due, regardless of any defense, right of set-off or counterclaim which the LLC or the Trust may have or assert other than the defense of payment. Rabobank Nederland’s obligations under the AUD Series 2 Guarantee are several and independent of the obligations of the LLC with respect to the LLC AUD Series 2 Class B Preferred Securities or the obligations of the Trust with respect to the Trust Securities and Rabobank Nederland shall be liable as principal and sole obligor under the AUD Series 2 Guarantee to make the following AUD Series 2 Guarantee Payments pursuant to the terms thereof (without duplication): (i) any unpaid Dividends on the Trust Securities, to the extent such Dividends are payable or deemed payable thereon; (ii) any unpaid Dividends on the LLC AUD Series 2 Class B Preferred Securities, to the extent declared or deemed declared; (iii) the Redemption Price payable with respect to any Trust Securities called for redemption by the Trust; (iv) the Redemption Price payable with respect to any LLC AUD Series 2 Class B Preferred Securities called for redemption by the LLC; (v) the Liquidation Preference Amount per Trust Security, payable upon liquidation of the Trust; (vi) the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security, payable upon liquidation of the LLC; (vii) any Additional Amounts payable by the Trust; and (viii) any LLC Additional Amounts payable by the LLC, plus, in each case, interest accrued thereon from the date of making the claim under the AUD Series 2 Guarantee, in each case subject to the limitations set forth in the AUD Series 2 Guarantee.

Notwithstanding the restrictions on the declaration of Dividends by the LLC under the LLC Agreement, Rabobank Nederland will be permitted, with the prior approval of the Dutch Central Bank (if then required), to make payments on the LLC AUD Series 2 Class B Preferred Securities under the AUD Series 2 Guarantee at its discretion. However, Rabobank Nederland will not be obligated to make any payment in respect of Dividends under the AUD Series 2 Guarantee to the extent that the Trust Agreement and the LLC Agreement do not authorize such Dividends or such Dividends otherwise have not been declared or deemed to have been declared.

The AUD Series 2 Guarantee of the LLC AUD Series 2 Class B Preferred Securities and the Trust Securities by Rabobank Nederland is intended to provide the holders thereof, as nearly as possible, with rights to Dividends and on liquidation or redemption equivalent to those to which the holders thereof would be entitled, if they held the most senior ranking preferred equity securities or preferred or preference shares issued directly by Rabobank Nederland.

In addition, Rabobank Nederland has entered into the Contingent Guarantee with the LLC. Under the terms of the Contingent Guarantee, Rabobank Nederland shall pay to the LLC the AUD Series 2 Guarantee Payments, to the extent that any such AUD Series 2 Guarantee Payments have been claimed under the AUD Series 2 Guarantee but remain unpaid, plus interest accrued thereon since the date of the claim under the AUD Series 2 Guarantee (the “**AUD Series 2 Contingent Distribution**”). If a claim has been made by the Property Trustee or a holder of the LLC AUD Series 2 Class B Preferred Securities or the Trust Securities under the AUD Series 2 Guarantee and such claim remains unpaid for 180 days or more, then the Guarantee Independent Director pursuant to the terms of the LLC Agreement shall enforce the claim of the LLC under the Contingent Guarantee to the AUD Series 2 Contingent Distribution, without prejudice to the claims of the Property Trustee or the holders of the LLC AUD Series 2 Class B Preferred Securities or the Trust Securities under the AUD Series 2 Guarantee. The Guarantee Independent Director will be elected by the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of those outstanding series of LLC Class B Preferred Securities with respect to which there has been a non-payment under the respective guarantees (the AUD Series 2 Guarantee, the USD Guarantee, the GBP Guarantee and the AUD Series 1 Guarantee) within 10 days following the making of a claim by the property trustee of any such series or a holder of any such series

of LLC Class B Preferred Securities or related trust securities under the relevant guarantee. Pursuant to the LLC Agreement, the LLC will distribute the AUD Series 2 Contingent Distribution to the holders of the LLC AUD Series 2 Class B Preferred Securities *pro rata*, except to the extent that any such holders or any holders of the Trust Securities received any AUD Series 2 Guarantee Payments in respect of any claim made under the AUD Series 2 Guarantee. Pursuant to the Trust Agreement, the Property Trustee will distribute the AUD Series 2 Contingent Distribution to the holders of the Trust Securities *pro rata*, except to the extent that any such holders received any AUD Series 2 Guarantee Payments in respect of any claim made under the AUD Series 2 Guarantee. The duties and rights of the Guarantee Independent Director will be limited under the terms of the LLC Agreement to the enforcement of the Contingent Guarantee and causing the Contingent Distributions (including the AUD Series 2 Contingent Distribution) to be made.

Subject to applicable law, Rabobank Nederland's obligations under each of the AUD Series 2 Guarantee and the Contingent Guarantee constitute unsecured obligations of Rabobank Nederland and will rank (i) subordinate and junior to indebtedness of Rabobank Nederland (other than Rabobank Nederland's obligations under (a) any guarantee or contractual right effectively ranking *pari passu* with Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, (I) the guarantees and the contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, and (II) the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC), and (b) any guarantee or contractual right effectively ranking junior to Rabobank Nederland's obligations under the AUD Series 2 Guarantee and the Contingent Guarantee (including, without limitation, the Junior Member Certificates Related Agreements)), (ii) *pari passu* (a) with each other, (b) with Rabobank Nederland's obligations under the guarantees and the contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, (c) with Rabobank Nederland's obligations under the guarantees in relation to the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the related LLC USD Class B Preferred Securities, LLC GBP Class B Preferred Securities and LLC AUD Series 1 Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC, and (d) effectively, with the most senior ranking preferred equity securities or preferred or preference shares of Rabobank Nederland and (iii) senior to Rabobank Nederland's obligations under the Junior Member Certificates Related Agreements and any other instruments ranking *pari passu* with the Junior Member Certificates Related Agreements (in accordance with and by virtue of the terms of such Junior Member Certificates Related Agreements or of such other instruments ranking *pari passu* therewith, respectively).

All AUD Series 2 Guarantee Payments in respect of the LLC AUD Series 2 Class B Preferred Securities and the Trust Preferred Securities and all payments under the Contingent Guarantee made by or on behalf of Rabobank Nederland will be made without withholding or deduction for or on account of any Relevant Tax paid by or on behalf of Rabobank Nederland, unless the withholding or deduction of such Tax is required by law. In that event, Rabobank Nederland will pay such additional amounts ("**Guarantor Additional Amounts**") as may be necessary in order that the net amount received by the holders after such withholding or deduction will equal the amount which would have been received in respect of the LLC AUD Series 2 Class B Preferred Securities or the Trust Preferred Securities, as the case may be, in the absence of such withholding or deduction, except that no such Guarantor Additional Amounts will be payable to a holder (or a third party on the holder's behalf) with respect to any LLC AUD Series 2 Class B Preferred Securities or Trust Preferred Securities, as the case may be, (i) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner) of such LLC AUD Series 2 Class B Preferred Securities or Trust Preferred Securities, as the case may be, having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such LLC AUD Series 2 Class B Preferred Securities or Trust Preferred Securities, as the case may be; (ii) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or beneficial owner) of such LLC AUD Series 2 Class B Preferred Securities or Trust Preferred Securities, as the case may be, not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption from the Relevant Tax, if such declaration or claim is required by law in order for the payment to be exempt from withholding or deduction and Rabobank Nederland or its agent has provided the beneficial owner of such Trust Preferred Securities or LLC AUD Series 2 Class B Preferred Securities, as the case may be, or its nominee,

with at least 60 days' prior written notice of an opportunity to make such a declaration or claim or the requirement for such declaration or claim has been disclosed in this offering memorandum or (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Council Directive 2003/48/EC or similar European Union Council Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, or substantially similar to such directive.

In the event that payment of the Guarantor Additional Amounts described above cannot be made by reason of any limitation referred to above, such amounts will be payable *pro rata* in proportion to the amounts that would have been payable but for such limitation.

The Property Trustee, on behalf of the holders of the LLC AUD Series 2 Class B Preferred Securities and the Trust Preferred Securities, may enforce the AUD Series 2 Guarantee directly against Rabobank Nederland. If the Property Trustee fails to enforce its rights under the AUD Series 2 Guarantee after a holder of the LLC AUD Series 2 Class B Preferred Securities, or the Trust Preferred Securities, as the case may be, has made a written request, such holder may directly institute a legal proceeding against Rabobank Nederland to enforce the Property Trustee's rights under the AUD Series 2 Guarantee without first initiating any legal proceeding against the Property Trustee, the LLC, the Trust, or any other person or entity. Pursuant to the AUD Series 2 Guarantee and the Contingent Guarantee, Rabobank Nederland will waive any right or remedy to require that any action be brought against the LLC, the Trust or any other person or entity before proceeding against Rabobank Nederland.

### **Certain Covenants of Rabobank Nederland**

#### ***Issuance of Preference Shares and Guarantees***

So long as the Trust Preferred Securities or the LLC AUD Series 2 Class B Preferred Securities are outstanding, Rabobank Nederland agrees that:

- (i) it will not issue any preferred equity securities or preferred or preference shares effectively ranking senior to its obligations under the AUD Series 2 Guarantee and the Contingent Guarantee to any party other than to another member of the Rabobank Group and subject to an undertaking by such member that it will not sell, pledge or otherwise dispose of any such securities or shares other than to another member of the Rabobank Group and subject to a similar undertaking by such member;
- (ii) if it issues any guarantee ranking senior to any Parity Bank Guarantee with respect to dividends or amounts due upon redemption or liquidation, with respect to any preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group (other than any Local Rabobank), which preferred equity securities or preferred or preference shares are reported by Rabobank Nederland to the Dutch Central Bank as consolidated Tier 1 capital for the Rabobank Group and accepted as such by the Dutch Central Bank, it will arrange for the AUD Series 2 Guarantee and the Contingent Guarantee to rank no less than *pari passu* with such guarantee, subject to permission from the Dutch Central Bank (if then required) and receipt of confirmation by the Dutch Central Bank to the effect that the Trust Preferred Securities, or in the event that the Trust Preferred Securities have been redeemed as a result of the occurrence of a Trust Special Event or there has occurred any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, the LLC AUD Series 2 Class B Preferred Securities, will continue to qualify as consolidated Tier 1 capital for the Rabobank Group; *provided, however*, that this covenant shall not apply to any such guarantee with respect to any preferred equity securities or preferred or preference shares issued by any such member of the Rabobank Group in any transaction, the primary purpose of which is not to raise consolidated Tier 1 capital for the Rabobank Group, in which the amount of Tier 1 capital raised by such transaction is not more than 1.5 times the required solvency of the assets (both on and off balance sheet items) of such member;
- (iii) it will not permit (where such permission is required) or take any action to cause a Local Rabobank to issue any preferred equity securities or preferred or preference shares ranking senior to any Parity Local Rabobank Share which preferred equity securities or preferred or preference shares are reported by Rabobank Nederland to the Dutch Central Bank as consolidated Tier 1 capital for the Rabobank Group and accepted as such by the Dutch Central Bank; and
- (iv) it will not permit (where such permission is required) or take any action to cause a Local Rabobank to issue any guarantee ranking senior to any Parity Local Rabobank Guarantee with respect to dividends or amounts due upon redemption or liquidation, with respect to any preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group (other than Rabobank Nederland or any Local Rabobank), which preferred equity securities or preferred or preference shares are reported by Rabobank Nederland to the Dutch Central Bank as consolidated Tier 1 capital for the Rabobank Group and accepted as such by the Dutch Central Bank; *provided, however*, that this covenant shall not apply to any such guarantee

with respect to any preferred equity securities or preferred or preference shares issued by any such member of the Rabobank Group in any transaction, the primary purpose of which is not to raise consolidated Tier 1 capital for the Rabobank Group, in which the amount of Tier 1 capital raised by such transaction is not more than 1.5 times the required solvency of the assets (both on and off balance sheet items) of such member.

#### ***Payment of Dividends***

Rabobank Nederland will agree in the AUD Series 2 Guarantee that if any amount due and payable under the AUD Series 2 Guarantee in respect of any Dividends on the Trust Preferred Securities or LLC AUD Series 2 Class B Preferred Securities in respect of the most recent Dividend Period has not been paid, Rabobank Nederland will pay such amount *pro rata* with any dividend or other payment made by Rabobank Nederland on any Parity Share or under the guarantees and contingent guarantee in relation to the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC and the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II and prior to any dividend or other payment made by Rabobank Nederland on any Bank Instrument or any non-obligatory payment made by Rabobank Nederland with respect to any Local Rabobank Instrument effectively ranking junior to such Parity Share and prior to any non-obligatory payment made by Rabobank Nederland with respect to any Junior Group Member Instrument.

#### ***Maintenance of Ownership and Existence of the LLC and the Trust***

For so long as any Trust Preferred Securities or any LLC AUD Series 2 Class B Preferred Securities remain outstanding, 100% of the LLC Common Securities and the Trust Common Securities will be held by Holding or by one or more other Controlled Affiliates. For so long as any series of LLC Class B Preferred Securities remain outstanding, 100% of the LLC Class A Preferred Securities will be held by RBPS III or one or more wholly-owned subsidiaries of Rabobank Nederland. Rabobank Nederland agrees that, (i) for so long as any of series of the LLC Class B Preferred Securities are outstanding, Rabobank Nederland will not permit, or take any action to cause, the liquidation, dissolution or winding up of the LLC unless such liquidation, dissolution or winding up is permitted by the LLC Agreement, or Rabobank Nederland is itself in liquidation and, if then required, the approval of the Dutch Central Bank for such action has been received and all claims under the Guarantees and the Contingent Guarantee shall have been paid in full and the Contingent Distributions, if any, shall have been made and (ii) for so long as any of the Trust Preferred Securities are outstanding, Rabobank Nederland will not permit, or take any action to cause, the dissolution, liquidation, winding up or termination of the Trust, unless such dissolution, liquidation, winding up or termination is permitted by the Trust Agreement or Rabobank Nederland is itself in liquidation and, if then required, the approval of the Dutch Central Bank for such action has been received.

See also “Rabobank Capital Funding Trust VI” and “Rabobank Capital Funding III LLC” for certain additional covenants to be made by Rabobank Nederland.

#### ***No Assignment***

Rabobank Nederland may not assign its obligations under the AUD Series 2 Guarantee or the Contingent Guarantee, except in the case of merger, consolidation or a sale of substantially all of its assets, where Rabobank Nederland is not the surviving entity.

#### ***Termination***

The AUD Series 2 Guarantee shall terminate and be of no further force and effect from the earlier of (i) the payment of the Redemption Price for all Trust Preferred Securities or purchase and cancellation of all Trust Preferred Securities, (ii) if the Trust Preferred Securities are no longer outstanding but clause (i) is not satisfied, the payment of the Redemption Price for all LLC AUD Series 2 Class B Preferred Securities or purchase and cancellation of all LLC AUD Series 2 Class B Preferred Securities, (iii) full payment of the Liquidation Preference Amount per Trust Preferred Security for all Trust Preferred Securities plus any unpaid Dividends (to the extent payable or deemed payable) and any Additional Amounts thereon or (iv) if the Trust Preferred Securities are no longer outstanding but clause (i) is not satisfied, full payment of the Liquidation Preference Amount per LLC AUD Series 2 Class B Preferred Security for all LLC AUD Series 2 Class B Preferred Securities plus any unpaid Dividends (to the extent declared or deemed declared) and any LLC Additional Amounts thereon; *provided, however*, that the AUD Series 2 Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the LLC AUD Series 2 Class B Preferred Securities, the Trust Preferred Securities or the AUD Series 2 Guarantee must be restored by a holder thereof for any reason whatsoever.

#### ***Amendment***

(A) Except for those changes (i) required under clause (ii) of “—Certain Covenants of Rabobank Nederland—Issuance of Preference Shares and Guarantees” above or (ii) provided for in the last sentence of this paragraph (in

which case no approval will be required) and (B) except for changes to the provisions of the AUD Series 2 Guarantee in respect of the AUD Series 2 Guarantee Payments and the circumstances under which Dividends are deemed to have been declared (in which case approval of each holder of the LLC AUD Series 2 Class B Preferred Securities and the Trust Securities is required), the AUD Series 2 Guarantee may be modified only with the prior approval of the holders of not less than 66<sup>2</sup>/<sub>3</sub>% in liquidation preference amount of the LLC AUD Series 2 Class B Preferred Securities and not less than 66<sup>2</sup>/<sub>3</sub>% in liquidation preference amount of the Trust Securities (excluding any LLC AUD Series 2 Class B Preferred Securities and Trust Securities, as the case may be, held by Rabobank Nederland or any of its Affiliates, other than LLC AUD Series 2 Class B Preferred Securities or Trust Securities purchased or acquired by Rabobank Nederland or its Affiliates in connection with transactions effected by or for the account of customers of Rabobank Nederland or any of its Affiliates in connection with the distribution or trading of or market-making in connection with such securities and except that persons (other than Affiliates of Rabobank Nederland) to whom Rabobank Nederland or any of its subsidiaries have pledged LLC AUD Series 2 Class B Preferred Securities or Trust Securities may vote or convert with respect to such pledged securities pursuant to the terms of such pledge). Except for changes to the provisions of the Contingent Guarantee in respect of the AUD Series 2 Guarantee Payments and the circumstances under which Dividends are deemed to have been declared (in which case approval of each holder of the LLC AUD Series 2 Class B Preferred Securities is required), the Contingent Guarantee may be modified only with the prior approval of the Guarantee Independent Director acting on behalf of the LLC. The AUD Series 2 Guarantee may be amended without the consent of the holders of the Trust Securities or LLC Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in the AUD Series 2 Guarantee that may be defective or inconsistent with any other provision of the AUD Series 2 Guarantee, (iii) add to the covenants, restrictions or obligations of Rabobank Nederland, (iv) conform to any change in the 1940 Act or the rules or regulations thereunder and (v) modify, eliminate and add to any provision of the AUD Series 2 Guarantee to such extent as may be necessary or desirable; provided that no such amendment shall have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities or LLC AUD Series 2 Class B Preferred Securities.

If either the AUD Series 2 Guarantee or the Contingent Guarantee is amended, notice thereof will be provided in the manner indicated under “Description of the Trust Securities –Notices”.

### **Governing Law; Jurisdiction**

The AUD Series 2 Guarantee and the Contingent Guarantee will each be governed by the laws of the Netherlands. The AUD Series 2 Guarantee and the Contingent Guarantee will each require that any claim or proceeding brought by a holder to enforce the obligations of Rabobank Nederland thereunder be brought in a court of competent jurisdiction in the Netherlands. In the event a holder of a Trust Preferred Security or LLC AUD Series 2 Class B Preferred Security, as the case may be, or the Property Trustee, on such holder’s behalf, elects to enforce the AUD Series 2 Guarantee directly against Rabobank Nederland, to the extent such Trust Preferred Security or LLC AUD Series 2 Class B Preferred Security is represented by a Global Certificate, it may be necessary for such holder to obtain a definitive Trust Preferred Security or definitive LLC AUD Series 2 Class B Preferred Security in order to enforce its rights under the AUD Series 2 Guarantee under Dutch law.

## DESCRIPTION OF THE INITIAL AUD SERIES 2 SUBORDINATED NOTE

The following summary sets forth the material terms and provisions of the Initial AUD Series 2 Subordinated Note and is qualified in its entirety by reference to the terms and provisions of the Initial AUD Series 2 Subordinated Note. As long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, copies of the Initial AUD Series 2 Subordinated Note will be available at the specified offices of the listing agent for the Trust Preferred Securities in Luxembourg.

### General

Almost all of the proceeds from the issuance of each series of LLC Class B Preferred Securities have been, or will be, used by the LLC to purchase the related Subordinated Notes issued by Rabobank Nederland. Almost all of the proceeds from the issuance of the LLC AUD Series 2 Class B Preferred Securities will be used by the LLC to purchase an Australian dollar denominated fixed/floating rate subordinated note issued by Rabobank Nederland (the “**Initial AUD Series 2 Subordinated Note**”). Almost all of the proceeds from the issuance of the LLC USD Class B Preferred Securities, the LLC GBP Class B Preferred Securities and the LLC AUD Series 1 Class B Preferred Securities have been, or will be, used by the LLC to purchase a U.S. dollar denominated subordinated note issued by Rabobank Nederland (the “**Initial USD Subordinate Note**”), a pound sterling denominated subordinated note issued by Rabobank Nederland (the “**Initial GBP Subordinated Note**”) and an Australian dollar denominated floating rate subordinated note issued by Rabobank Nederland (the “**Initial AUD Series 1 Subordinated Note**”), respectively. The Initial AUD Series 2 Subordinated Note, together with the Initial USD Subordinated Note, the Initial GBP Subordinated Note and the Initial AUD Series 1 Subordinated Note, shall be referred to in this offering memorandum as the “**Initial Subordinated Notes**”. The purchase of the Initial Subordinated Notes by the LLC will occur contemporaneously with the issuance of the related series of LLC Class B Preferred Securities.

The terms of the Initial USD Subordinated Note, the Initial GBP Subordinated Note and the Initial AUD Series 1 Subordinated Note to those of the Initial AUD Series 2 Subordinated Note, and the LLC’s transfer restrictions and reinvestment criteria with respect thereto, will be substantially identical, except that each will pay varying rates of interest and will have varying redemption features (though each will carry the same mandatory redemption terms upon the liquidation of the LLC and generally will have similar redemption characteristics). It is expected that the aggregate semiannual and quarterly interest payments on the Initial AUD Series 2 Subordinated Note and any AUD Series 2 Subordinated Notes (defined below) purchased with the proceeds therefrom will be equal to or greater than the aggregate semiannual and quarterly Dividend payments on the Trust Preferred Securities and that the aggregate semiannual and quarterly interest payments on the Initial USD Subordinated Note, the aggregate annual and semiannual interest payments on the Initial GBP Subordinated Note and the aggregate quarterly interest payments on the Initial AUD Series 1 Subordinated Note, and any Subordinated Notes purchased with the proceeds therefrom, will be equal to or greater than the aggregate semiannual and quarterly dividend payments on the Noncumulative Guaranteed Trust Preferred Securities issued shortly before this offering by Rabobank Capital Funding Trust III, the aggregate annual and semiannual dividend payments on the Noncumulative Guaranteed Trust Preferred Securities issued shortly before this offering by Rabobank Capital Funding Trust IV and the aggregate quarterly dividend payments on the Noncumulative Guaranteed Trust Preferred Securities expected to be issued concurrently with this offering by Rabobank Capital Funding Trust V, respectively. In the event of a default under the Initial AUD Series 2 Subordinated Note, the Initial USD Subordinated Note, the Initial GBP Subordinated Note or the Initial AUD Series 1 Subordinated Note, as the case may be, or upon the liquidation of the LLC, it is anticipated that the holders of the relevant affected series of LLC Class B Preferred Securities will recover any amounts owing to them pursuant to either the AUD Series 2 Guarantee, the USD Guarantee, the GBP Guarantee or the AUD Series 1 Guarantee, as applicable, or the Contingent Guarantee, and not pursuant to or as a result of the redemption of a Subordinated Note corresponding to a different series.

Any fixed/floating rate subordinated notes issued by Eligible Issuers and denominated in Australian dollars, including the Initial AUD Series 2 Subordinated Note, are referred to in this offering memorandum as the “**AUD Series 2 Subordinated Notes**”. Any subordinated notes issued by Eligible Issuers and denominated in U.S. dollars or pound sterling, including the Initial USD Subordinated Note and the Initial GBP Subordinated Note, and any floating rate subordinated notes issued by Eligible Issuers and denominated in Australian dollars, including the Initial AUD Series 1 Subordinated Note, are referred to in this offering memorandum, together with the AUD Series 2 Subordinated Notes, as the “**Subordinated Notes**”.

The Initial AUD Series 2 Subordinated Note will have a principal amount of A\$250,000,000 and will not be divisible into notes of smaller denominations. The Initial AUD Series 2 Subordinated Note will mature on December 31, 2034. For each Interest Period (as defined below) ending on or before December 31, 2014 cash interest will accrue at a rate of 6.415% per annum on the principal amount of the Initial AUD Series 2 Subordinated Note, payable semiannually in arrears on June 30 and December 31 of each year, commencing December 31, 2004 (each such date, a “**Fixed Rate Interest Payment Date**”). Interest payable on each Fixed Rate Interest Payment Date will be calculated on an RBA Bond Basis (one divided by the number of Dividend Payment Dates in a year), and will accrue from and

including the immediately preceding Fixed Rate Interest Payment Date (or the Issue Date, with respect to interest payable on December 31, 2004), to but excluding the relevant Fixed Rate Interest Payment Date (each such period, a “**Fixed Rate Interest Period**”). Interest payable on December 31, 2004 will amount to A\$11.04 for each A\$1,000 in principal amount.

For each Interest Period (as defined below) commencing on or after December 31, 2014, until maturity or earlier redemption, cash interest will accrue on the principal amount of the Initial AUD Series 2 Subordinated Note, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 2015 (each such date, a “**Floating Rate Interest Payment Date**” and, together with each Fixed Rate Interest Payment Date, an “**Interest Payment Date**” and each such period, a “**Floating Rate Interest Period**” and, together with each Fixed Rate Interest Period, an “**Interest Period**”) at a rate per annum equal to BBSW for such Interest Period, plus 1.67% calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365), and will accrue from and including the immediately preceding Floating Rate Interest Payment Date (or the final Fixed Rate Interest Payment Date falling on December 31, 2014 with respect to interest payable on March 31, 2015) to but excluding the relevant Floating Rate Interest Payment Date.

If any Interest Payment Date or Initial AUD Series 2 Note Redemption Date (as defined herein) on or before December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, the relevant payment will be payable on the next succeeding day which is both a Business Day and an Australian Business Day, unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day, in each case without adjustment, interest or further payment as a result thereof. If any Interest Payment Date or Initial AUD Series 2 Note Redemption Date after December 31, 2014 falls on a day that is not both a Business Day and an Australian Business Day, such Interest Payment Date or Initial AUD Series 2 Note Redemption Date will be postponed until the next succeeding day which is both a Business Day and an Australian Business Day unless that day falls in the next succeeding calendar month in which case the particular payment date will be the immediately preceding day which is both a Business Day and an Australian Business Day.

All percentages resulting from any calculation related to a Floating Rate Interest Payment Date will be rounded to the nearest one-thousandth of a percentage point, with five ten-thousandths of a percentage point rounded upwards. For example, 9.6545% (or 0.096545) would be rounded to 9.655% (or 0.09655). All Australian dollar amounts used in or resulting from any calculation related to a Floating Rate Interest Payment Date will be rounded to the nearest cent (with one-half cent or unit being rounded upwards).

The Initial AUD Series 2 Subordinated Note will not be transferable by the LLC. It is expected that the principal amount of the purchased Initial AUD Series 2 Subordinated Note and any AUD Series 2 Subordinated Notes purchased with the proceeds therefrom upon the maturity or redemption thereof will be such that the aggregate interest income paid on such AUD Series 2 Subordinated Notes on any Interest Payment Date will be sufficient to make the aggregate Dividend payments on the LLC AUD Class B Securities on a corresponding Dividend Payment Date.

The AUD Series 2 Subordinated Notes will be general unsecured debt obligations of the relevant Eligible Issuer and will rank (A) subordinate and junior to all unsubordinated debt obligations of the relevant Eligible Issuer and to all other subordinated debt obligations of the relevant Eligible Issuer, except those obligations that rank (a) *pari passu* with the relevant Eligible Issuer’s obligations under the AUD Series 2 Subordinated Notes (including, without limitation, the obligations of the relevant Eligible Issuer under any subordinated notes issued by the relevant Eligible Issuer in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, and (z) the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the corresponding series of LLC Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC) or (b) subordinate to the relevant Eligible Issuer’s obligations under the AUD Series 2 Subordinated Notes (including, without limitation, with respect to Rabobank Nederland, Rabobank Nederland’s obligations under (i) the Guarantees and the Contingent Guarantee, (ii) any guarantee or contractual right effectively ranking *pari passu* with Rabobank Nederland’s obligations under the Guarantees and the Contingent Guarantee (including without limitation, the guarantees and the contingent guarantee in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, and (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II) and (iii) any guarantee or contractual right

effectively ranking junior to Rabobank Nederland's obligations under the Guarantees and the Contingent Guarantee (including, without limitation, the Junior Member Certificates Related Agreements)) and (B) *pari passu* with the obligations of the relevant Eligible Issuer under any subordinated notes issued by the relevant Eligible Issuer in relation to (x) the 7.00% Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust and the Class B Preferred Securities issued by Rabobank Capital Funding LLC, (y) the Noncumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trust II and the Class B Preferred Securities issued by Rabobank Capital Funding LLC II, and (z) the Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by Rabobank Capital Funding Trust III, Rabobank Capital Funding Trust IV and Rabobank Capital Funding Trust V and the corresponding series of LLC Class B Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering by the LLC.

The payment of interest on the Initial AUD Series 2 Subordinated Note will not be deferrable. The Initial AUD Series 2 Subordinated Note will be redeemable by Rabobank Nederland (with the prior approval of the Dutch Central Bank, if then required, and upon at least 30 days' prior notice), in whole or in part, on December 31, 2014 (the "**Initial AUD Series 2 Note Optional Redemption Date**") and on any Interest Payment Date thereafter at 100% of the principal amount thereof plus interest accrued but unpaid to the date fixed for redemption.

The Initial AUD Series 2 Subordinated Note will also be redeemable by Rabobank Nederland (with the prior approval of the Dutch Central Bank, if then required, and upon at least 30 days' prior notice) at any time prior to December 31, 2014 in whole but not in part (i) on the occurrence of an LLC Special Event, (ii) when the interest payable to the LLC on the Initial AUD Series 2 Subordinated Note when paid would not be deductible by Rabobank Nederland for Netherlands income tax purposes, or (iii) when Rabobank Nederland will be required to pay AUD Series 2 Subordinated Note Additional Amounts with respect to payments on the Initial AUD Series 2 Subordinated Note, at a redemption price equal to the greater of A\$100 per A\$100 principal amount of the Initial AUD Series 2 Subordinated Note and the Initial AUD Series 2 Subordinated Note Make-Whole Amount plus, in either case, interest accrued and unpaid to the date fixed for redemption (the "**Initial AUD Series 2 Note Redemption Date**").

"**Initial AUD Series 2 Subordinated Note Make-Whole Amount**" means an amount per A\$100 principal amount of the Initial AUD Series 2 Subordinated Note as calculated by the Calculation Agent by applying the Note Redemption Base Swap Rate (as calculated on the Calculation Date) to the Reserve Bank of Australia Bond Price Formula.

"**Note Redemption Base Swap Rate**" means the rate calculated by the Calculation Agent to be the linearly interpolated AFMA mid swap rate rounded to 3 decimal places for a term equal to the period from but excluding the Initial AUD Series 2 Note Optional Redemption Date to the Initial AUD Series 2 Note Redemption Date as published by AFMA on the "SWAPEOD" reference page on the Reuters Monitor System or other electronic media at or about 4:00 p.m. (Sydney time) on the Calculation Date. If no such rate is available, the rate shall be the average of the mid rates quoted to the Calculation Agent at or about 5:00 p.m. (Sydney time) on the Calculation Date by four leading swap dealers that are counterparties of the highest credit status.

"**Reserve Bank of Australia Bond Price Formula**":

$$PRICE = V^{\frac{f}{d}} \left[ G(X + A_n) + 100V^n \right]$$

Where

PRICE	=	the market value per A\$100 face value.
V	=	$1 / (1 + i)$
i	=	the market yield per period (half-year).
f	=	number of days from settlement to next coupon payment date.
d	=	number of days in the half year to next coupon payment date.
G	=	the (half-yearly) coupon payment per A\$100.
X	=	1 if the bond is cum-interest; or
	=	0 if the bond is ex-interest.
n	=	number of half years between the next coupon payment date and maturity.
$A_n$	=	$(1 - V) / i$



Upon liquidation of the LLC, the Initial AUD Series 2 Subordinated Note will be mandatorily redeemed (with the prior approval of the Dutch Central Bank, if then required), in whole but not in part, at 100% of the principal amount thereof, plus interest accrued but unpaid to the date fixed for redemption.

The Initial AUD Series 2 Subordinated Note also will contain customary events of default, including events of default for defaults in payments on such securities when due, defaults in the performance by Rabobank Nederland of its other obligations under the Initial AUD Series 2 Subordinated Note and certain bankruptcy, insolvency or reorganization events (subject to customary exceptions and grace periods).

Decisions with respect to enforcement of the AUD Series 2 Subordinated Notes (including the Initial AUD Series 2 Subordinated Note) purchased by the LLC, and actions to be taken by the LLC upon a default by any Eligible Issuer thereunder, will be made by the Independent Directors, acting on behalf of the holders of the LLC AUD Series 2 Class B Preferred Securities.

All payments made by or on behalf of any Eligible Issuer in respect of the AUD Series 2 Subordinated Notes will be made without withholding or deduction for or on account of any Relevant Tax paid by or on behalf of any Eligible Issuer, unless the withholding or deduction of such Relevant Tax is required by law. In that event, such Eligible Issuer will pay, as further interest, such AUD Series 2 Subordinated Note Additional Amounts as may be necessary in order that the net amounts received by the holders of the AUD Series 2 Subordinated Notes after such withholding or deduction will equal the amount which would have been received in respect of the AUD Series 2 Subordinated Notes in the absence of such withholding or deduction, except that no such AUD Series 2 Subordinated Note Additional Amounts will be payable to a holder of AUD Series 2 Subordinated Notes (or to a third party on the holder's behalf) with respect to any AUD Series 2 Subordinated Notes (i) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or the beneficial owner) of such AUD Series 2 Subordinated Notes having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of such AUD Series 2 Subordinated Notes; (ii) to the extent that such Relevant Tax is imposed or levied by virtue of such holder (or beneficial owner) of the AUD Series 2 Subordinated Notes not having made a declaration of non-residence in, or other lack of connection with, the Relevant Jurisdiction or any similar claim for exemption from the Relevant Tax, if such declaration or claim is required by law in order for the payment to be exempt from withholding or deduction and the Eligible Issuer or its agent has provided the beneficial owner of such AUD Series 2 Subordinated Notes or its nominee with at least 60 days' prior written notice of an opportunity to make such a declaration or claim or the requirement for such declaration or claim has been disclosed in this offering memorandum or (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Council Directive 2003/48/EC or similar European Union Council Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, or substantially similar to such directive.

### **Reinvestment Criteria**

Pursuant to the terms of the LLC Agreement, the LLC may (and upon the occurrence of a Tax Event of the kind described in paragraph (D) of the definition of a Tax Event in "Description of the Trust Securities—Redemption" must use its best efforts to) reinvest the proceeds from the Initial AUD Series 2 Subordinated Note upon the maturity or redemption thereof in one or more other AUD Series 2 Subordinated Notes issued by Eligible Issuers. Any such AUD Series 2 Subordinated Notes may be purchased by the LLC only in accordance with the investment guidelines, including that (i) any such reinvestment must be on an arm's-length basis at then-prevailing market terms, (ii) any such reinvestment will not cause the LLC to become subject to the registration requirements of the 1940 Act, (iii) with respect to any such reinvestment, the LLC shall use the same degree of care and skill in making such reinvestment decision as a prudent investor would use under the circumstances in the conduct of his or her own affairs, (iv) each rating agency then rating any Trust Securities or LLC AUD Series 2 Class B Preferred Securities then outstanding, if then rated, will have informed Rabobank Nederland in writing that such substitution will not result in any downgrading of the rating then assigned by such rating agency to the Trust Securities or the LLC AUD Series 2 Class B Preferred Securities, (v) the holder of the LLC Common Securities shall obtain an opinion of a nationally recognized law firm or other nationally recognized tax adviser in the applicable Relevant Jurisdiction, experienced in such matters, to the effect that (A) the reinvestment will not cause a Tax Event based on either (I) present applicable law or (II) any change or prospective change in applicable law to become effective at a later date and which change is known at the time the reinvestment is made, (B) the reinvestment will not cause any adverse withholding tax consequences to the applicable issuer of the AUD Series 2 Subordinated Notes, the LLC, the Trust or the holders of Trust Securities including the imposition of more burdensome tax identification requirements with respect to such holders, and (C) after the reinvestment, the LLC would continue to be treated as a partnership and not as a publicly traded partnership or association taxable as a corporation for U.S. federal income tax purposes, (vi) no default on any debt obligation of the proposed issuer that was previously or is currently owned by the LLC has occurred, (vii) the applicable terms and provisions with respect to the proposed reinvestment have been determined by an independent financial adviser to be at

least as favorable as terms which could be obtained by the LLC in a public offering or private placement under Rule 144A of the Securities Act of a comparable security issued by the relevant issuer and guarantors, if any, (viii) such AUD Series 2 Subordinated Notes may not have a stated term to maturity of longer than thirty years, and (ix) the reinvestment provides that all payments in respect of such reinvestment will be made without withholding or deduction for or on account of any Relevant Tax paid by or on behalf of such Eligible Issuer unless the withholding or deduction of such Relevant Tax is required by law and such Eligible Issuer will pay, as further payments on such reinvestment, such additional amounts as may be necessary in order that the net amounts received by the LLC after any withholding or deduction will be sufficient for the LLC to pay any LLC Additional Amounts paid by or on behalf of the LLC that the LLC is required to pay such that every net payment in respect of the Trust Securities, after withholding or deduction for any Relevant Tax paid by or on behalf of the Trust will not be less than the amount that would have been received by the holders of the Trust Securities in respect of such Trust Securities in the absence of such withholding or deduction. The LLC's investment in Eligible Debt Securities is also subject to the reinvestment criteria described in clause (v)(B) in this section (except an investment in U.S. governmental securities which is not subject to such reinvestment criteria) and the prior approval of the Dutch Central Bank, if then required. For purposes of applying clause (v)(B) in this section, furnishing of a declaration of non-residency similar to Internal Revenue Service Form W-8 should not be considered a more burdensome tax identification requirement.

Upon the redemption or maturity of such successor AUD Series 2 Subordinated Notes and any other AUD Series 2 Subordinated Notes, the LLC may reinvest the proceeds therefrom in other AUD Series 2 Subordinated Notes meeting the reinvestment criteria set forth above.

## TAXATION

### U.S. Taxation

The following are the material U.S. federal income tax consequences to a Non-U.S. holder (as defined below) of the acquisition, ownership and disposition of the Trust Preferred Securities based on advice from Davis Polk & Wardwell, U.S. tax counsel to Rabobank Nederland.

This discussion does not describe all of the U.S. federal income tax consequences that may be relevant in light of your particular circumstances or if you are subject to special rules, such as if you are:

- a bank;
- carrying on a trade or business in the United States; or
- a non-resident alien individual present in the United States for a period or periods aggregating 183 days or more during the calendar or taxable year.

This summary is based on the Code, as amended to the date hereof, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the U.S. federal income tax consequences described herein, possibly on a retroactive basis. This summary also assumes compliance with the Trust Agreement pursuant to which the Trust Preferred Securities will be issued and the LLC Agreement pursuant to which the LLC AUD Series 2 Class B Preferred Securities will be issued.

You are urged to consult your tax adviser with regard to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Further, this discussion does not address the U.S. federal estate tax consequences of the ownership of the Trust Preferred Securities. You are urged to consult your own tax adviser regarding the application of the U.S. federal estate tax in your particular circumstances.

### *Classification of the Trust and the LLC*

For U.S. federal income tax purposes, the Trust will be treated as a grantor trust and the LLC will be treated as a partnership. Accordingly, neither the Trust nor the LLC will be treated as a taxable entity and you will be treated as owning an undivided beneficial interest in your proportionate share of the LLC AUD Series 2 Class B Preferred Securities for such purposes. In purchasing the Trust Preferred Securities, you agree with Rabobank Nederland, RBPS III, Holding, the Trust and the LLC that you will treat yourself as a holder of the Trust Preferred Securities (and an owner of an undivided interest in the LLC AUD Series 2 Class B Preferred Securities) for all U.S. federal income tax purposes and will follow allocations made by the LLC pursuant to the LLC Agreement.

### *Tax Consequences to Certain Non-U.S. Holders*

This discussion applies to you if you are a “**Non-U.S. holder**”, by which we mean a beneficial owner of a Trust Preferred Security (or, where the context so requires, a LLC AUD Series 2 Class B Preferred Security) that is for U.S. federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation; or
- a foreign estate or trust.

The LLC intends to operate so that it will not be engaged in the conduct of a U.S. trade or business for U.S. federal income tax purposes. Moreover, it is expected that the LLC’s income from the AUD Series 2 Subordinated Notes and the initial Eligible Debt Securities will be foreign source income for U.S. federal income tax purposes. Accordingly, you will not be subject to U.S. federal income or withholding tax with respect to your share of the LLC’s income or gain, or with respect to any gain that you realize on the sale or other disposition of the Trust Preferred Securities. However, it is possible that, in the future, the LLC may invest in Eligible Debt Securities the income from which will be U.S. source. If the LLC invests in such securities, you will be subject to U.S. withholding tax with respect to your share of the LLC’s income from such securities unless you certify on Internal Revenue Service Form W-8BEN, under penalties of perjury, that you are not a U.S. person.

### *Information Reporting and Backup Withholding*

Information returns may be filed with the Internal Revenue Service in connection with payments on the Trust Preferred Securities and the proceeds from a sale or other disposition of the Trust Preferred Securities. You may be subject to U.S. backup withholding tax on these payments if you fail to certify to the paying agent that you are not a U.S. person and comply with certain certification procedures, or otherwise establish an exemption from backup

withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund, provided the required information is timely furnished to the Internal Revenue Service.

## **Netherlands Taxation**

*This section summarizes the material Dutch tax consequences with respect to holding and disposal of Trust Preferred Securities. The discussion of certain Dutch taxes below is included for general information only and does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant to a decision to acquire, hold or dispose of the Trust Preferred Securities. Each investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Trust Preferred Securities.*

This summary is based on tax legislation, published case law, treaties, rules, regulations and similar documentation in force as of the date of this offering memorandum, all of which are subject to change, retroactively as well as prospectively.

For purposes of the following discussion, it is assumed that the Trust and the LLC are not resident in the Netherlands for Dutch tax purposes.

### **Withholding Tax**

Payments by the Trust in respect of the Trust Preferred Securities, payments by the LLC on the LLC AUD Series 2 Class B Preferred Securities, payments by Rabobank Nederland on the Initial AUD Series 2 Subordinated Note, and proceeds from the sale exchange, or other disposition, of the Trust Preferred Securities will not be subject to withholding or deduction for, or on account of, any taxes, duties or charges of any nature whatsoever that are or may be imposed, levied, withheld or assessed by the Netherlands tax authorities or any political subdivision thereof or therein.

### **Dutch Taxes on Income and Capital Gains**

#### *Dutch Resident Entities*

Holders of Trust Preferred Securities that are not individuals and that are resident of, or deemed to be a resident of the Netherlands for Dutch tax purposes will generally be subject to Dutch corporate income tax on all income and gains with respect to the Trust Preferred Securities. Unless tax exempt or benefiting from a favorable tax regime, Dutch resident entities are generally subject to corporate income tax at a rate of 29% on the first €22,689 of taxable profits and 34.5% on the excess over this amount.

#### *Entities That Are Not Dutch Resident Entities*

Holders of Trust Preferred Securities that are not individuals and that are neither a resident of, nor deemed to be a resident of, the Netherlands for Dutch tax purposes will not be subject to Dutch taxes on income or capital gains with respect to the Trust Preferred Securities, unless the Trust Preferred Securities are attributable to an enterprise or part thereof owned by the holder, or in which the holder has an interest, and that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands.

#### *Individuals Who Are Not Dutch Residents*

Holders of Trust Preferred Securities who are individuals and are not, are not deemed to be, and have not elected to be treated as, a resident of the Netherlands for Dutch tax purposes will not be subject to Dutch taxes on income or capital gains in respect of the Trust Preferred Securities, unless:

- the Trust Preferred Securities are attributable to an enterprise or part thereof owned by the holder, or in which the holder has an interest, and that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands; or
- such income or gains qualify as ‘results from other activities performed in the Netherlands’ (‘resultaat uit overige werkzaamheden’) as defined in the Personal Income Tax Act 2001. Such definition includes, but is not limited to, the performance of activities with respect to the Trust Preferred Securities that exceed ‘regular, active portfolio management’.

### **Dutch Gift, Estate and Inheritance Taxes**

No gift, estate or inheritance taxes will arise in the Netherlands in respect of the transfer or deemed transfer of a Trust Preferred Security by way of a gift by, or on the death of, a holder of Trust Preferred Securities who is not a resident or deemed to be a resident of the Netherlands, unless:

- such Trust Preferred Securities are or were attributable to an enterprise or part thereof, owned by the donor or the deceased, or in which the donor or the deceased has, at the time of the gift, or had, at the time of his death or within one year prior to his death, an interest and that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands; or

- in the case of a gift of the Trust Preferred Securities by an individual who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such individual dies within 180 days after the date of the gift, while at the time of his death being a resident or deemed to be a resident of the Netherlands.

#### ***Value-Added Tax***

No value-added tax will arise in the Netherlands in respect of payments in consideration of the issue of the Trust Preferred Securities, and/or in respect of payments on the Trust Preferred Securities, and/or in respect of the transfer of the Trust Preferred Securities, other than value-added tax on the fees payable for services which are not expressly exempt from VAT, such as management, administrative, notarial and similar activities, safekeeping of the Trust Preferred Securities and the handling and verifying of documents.

#### ***Other Taxes***

There will be no registration tax, capital tax, transfer tax, customs duty, stamp duty, property transfer tax or any other similar tax or duty due in the Netherlands in respect of or in direct connection with the subscription, issue, placement, allotment or delivery of the Trust Preferred Securities.

#### **EU Directive on Taxation of Savings Income**

On June 3, 2003, the Council of the European Union adopted the Directive 2003/48/EC on the taxation of savings income in the form of interest payments (published in the Official Journal of the European Union, L 157/38 of June 26, 2003). Member states will be required from July 1, 2005 to provide to the tax authorities of another member state details of payments of interest paid to or secured for an individual resident in another member state by a paying agent within the territory of the EU. As distributions by certain non-EU undertakings for collective investment are also considered “interest” for purposes of the directive, Dividend payments made on the Trust Preferred Securities could potentially fall within the scope of the directive to the extent these payments are made by paying agents within the territory of the EU to individuals resident in one of the member states of the EU. For a transitional period only which may begin on July 1, 2005 and end after an agreement on the exchange of information is reached between the EU and certain non-EU states, Belgium, Luxembourg and Austria, instead of being required to exchange information, will be required to withhold tax from such payments unless the investor authorizes the person making the payment to report the payment or presents a certificate from the relevant taxing authority to allow the interest payment to be made gross.

#### **Australian Taxation**

The following is a summary of the material Australian income tax consequences of the acquisition, ownership and disposition of Australian dollar denominated Trust Preferred Securities. This summary applies to you only if you are purchasing Trust Preferred Securities and will hold such Trust Preferred Securities as capital assets.

The summary does not describe all of the Australian income tax consequences of ownership of the Trust Preferred Securities. The personal circumstances of the holder of the Trust Preferred Securities, including the legal nature of the holder and its place of residence for tax purposes, will affect the applicable Australian income tax consequences, and you are urged to obtain your own tax advice with regard to the application of Australian income tax law to your particular situation.

This summary is based on the provisions of the Income Tax Assessment Act 1936 of Australia and the Income Tax Assessment Act 1997 of Australia (together the “**Australian Tax Act**”), and administrative pronouncements and judicial decisions as at the date of this offering memorandum, all of which are subject to change or differing interpretations, possibly on a retroactive basis.

#### ***Holders resident in Australia for Australian income tax purposes***

##### ***Foreign investment fund rules***

The foreign investment fund (“**FIF**”) provisions of the Australian Tax Act apply to Australian tax resident taxpayers who hold an interest in a FIF at the end of a relevant year of income unless an exemption contained in the FIF provisions applies. The Trust will be treated as a FIF for the purposes of the FIF provisions, and the Trust Preferred Securities will be treated as interests in a FIF. Australian resident investors in Trust Preferred Securities should obtain advice on whether any of the exemptions in the FIF rules will be applicable in their particular circumstances.

Unless an exemption contained in the FIF rules applies, Australian resident holders of Trust Preferred Securities who continue to hold those securities at the end of any year of income will be required to include in their assessable income for that year an amount of FIF income calculated in respect of that year. There are three possible methods of calculating FIF income. These are:

- the market value method;

- the deemed rate of return method (which applies only if it is impractical to apply the market value method); and
- the calculation method (which applies only if the holder elects to apply this method).

As the Trust Preferred Securities will be listed on the Luxembourg Stock Exchange it will be practicable to apply the market value method using the prices quoted on that Exchange. Therefore, Australian resident holders of the Trust Preferred Securities would be required to use the market value method of calculating FIF income in respect of those Trust Preferred Securities that they hold unless they elect to use the calculation method.

Under the market value method, the amount of FIF income of a holder in respect of the Trust Preferred Securities for a “notional accounting period” of the Trust would, broadly, be calculated as follows:

- determine the market value of the Trust Preferred Securities held at the end of the period (this would be equal to the price quoted on the Luxembourg Stock Exchange at the end of the period);
- add the amount of any distribution made on the Trust Preferred Securities during the period;
- if the Trust Preferred Securities were held on the last day of the preceding notional accounting period, deduct the market value of the Trust Preferred Securities on that day; and
- if the Trust Preferred Securities were acquired during the notional accounting period, deduct the amount paid to acquire those Trust Preferred Securities.

The amount of FIF income calculated in this manner would then be reduced by an amount equal to any taxable distributions made by the Trust during the notional accounting period. Distributions made by the Trust out of dividends received on the LLC AUD Series 2 Class B Preferred Securities would be assessable income of Australian resident holders of the Trust Preferred Securities. Therefore, generally, under the market value method of calculating FIF income Australian resident holders would be taxed on distributions made by the Trust and on any increase in the value of the Trust Preferred Securities during the notional accounting period of the Trust.

The notional accounting period would be the same as the holder’s year of income for Australian income tax purposes or, if the holder elects, would be the period ending on the day to which the Trust prepares its accounts.

Under the calculation method of determining FIF income, holders of Trust Preferred Securities would need to calculate the profit of the Trust using the relevant assumptions in the FIF rules. Holders would then include in their assessable income a portion of that profit calculated on the basis of the percentage of total trust distributions that they are entitled to. This would be a more complex calculation than the market value method discussed above, and investors considering applying the calculation method should obtain Australian tax advice.

#### *Income of holders of Trust Preferred Securities where FIF rules do not apply*

If an exemption from the application of the FIF rules applies in relation to Trust Preferred Securities held by an Australian resident, the holder would include in its assessable income an amount equal to the distributions received from the Trust during the year of income. In some circumstances, if the amount of the income of the Trust calculated under Australian tax rules is greater than the amount of dividends received by the Trust on the LLC AUD Series 2 Class B Preferred Securities, a portion of that additional amount could also be included in the assessable income of the holder. Holders whose Trust Preferred Securities are exempt from the application of the FIF rules should obtain Australian tax advice on the amount of income they would derive in respect of those securities.

#### *Receipt of LLC AUD Series 2 Class B Preferred Securities*

LLC AUD Series 2 Class B Preferred Securities may under certain circumstances be distributed to you in exchange for your Trust Preferred Securities upon a Trust Liquidation. See “Description of the Trust Securities – Liquidation Distribution Upon Dissolution”. Such a distribution would be treated as a realization event for Australian capital gains tax purposes. Holders of the Trust Preferred Securities would derive a capital gain or incur a capital loss to the extent of the difference between the value of the LLC AUD Series 2 Class B Preferred Securities received and the cost of their Trust Preferred Securities. Holders who had derived income under the FIF rules in respect of the Trust Preferred Securities would in calculating capital gain or loss reduce the amount of consideration received (being the value of the LLC AUD Series 2 Class B Preferred Securities) generally by an amount equal to the amount of FIF income previously derived.

#### *Sale, Exchange or Redemption of the Trust Preferred Securities*

Sale, exchange or redemption of the Trust Preferred Securities would be a realization event for Australian capital gains tax purposes. For holders of Trust Preferred Securities who had derived income under the FIF rules in respect of those Trust Preferred Securities, the amount realised on sale, exchange or redemption would generally be reduced to the extent of that FIF income. The capital gain or capital loss would be the difference between the amount realised in

respect of the sale, exchange or redemption of the Trust Preferred Securities (reduced by the amount of any FIF income previously derived) and the cost of acquiring the Trust Preferred Securities.

***Holders not resident in Australia for Australian income tax purposes***

The FIF rules would not apply to holders of Trust Preferred Securities who are resident outside Australia for Australian income tax purposes.

Distributions of income made by the Trust on the Trust Preferred Securities would only be subject to Australian income tax if the holder held those securities in connection with a business carried on in Australia through a permanent establishment. A permanent establishment is, broadly, a fixed place through which business is carried on.

No Australian tax should be payable in respect of the sale, exchange or redemption of the Trust Preferred Securities unless those securities are held in connection with a business carried on in Australia through a permanent establishment. If the Trust Preferred Securities were held in connection with such a permanent establishment, any gain on sale, exchange or redemption of the securities could be subject to Australian tax.

## CERTAIN ERISA CONSIDERATIONS

### General

The Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and the Code, impose certain restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts and Keogh plans, (c) any entities whose underlying assets include “plan assets” under the Plan Asset Regulation (as defined below) (each a “**Plan**”) and (d) persons and entities who have certain specified relationships to such Plans (“**Parties-in-Interest**” under ERISA and “**Disqualified Persons**” under the Code). Moreover, based on the reasoning of the United States Supreme Court in *John Hancock Life Ins. Co. v. Harris Trust and Sav. Bank*, 114 S. Ct. 517 (1993), an insurance company’s general account may be deemed to include assets of the Plans investing in the general account (e.g., through the purchase of an annuity contract), and the insurance company may be treated as a Party-in-Interest with respect to a Plan by virtue of such investment. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA, and ERISA and the Code prohibit certain transactions between a Plan and Parties-in-Interest or Disqualified Persons with respect to such Plan.

A violation of these “prohibited transaction” rules may result in an excise tax or other liabilities under ERISA or Section 4975 of the Code for such Parties-in-Interest or Disqualified Persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are foreign plans (as described in Section 4(b)(4) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and governmental plans (as defined in Section 3(32) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code, but may be subject to similar laws.

### Plan Asset Regulation

Under regulation 29 C.F.R. § 2510.3-101 (the “**Plan Asset Regulation**”) issued by the United States Department of Labor (the “**DOL**”), the assets of an entity (such as the Trust or the LLC) would be deemed to be “plan assets” of a Plan for purposes of ERISA and Section 4975 of the Code if “plan assets” of a Plan were used to acquire an equity interest in the entity and no exception were applicable under the Plan Asset Regulation. The Plan Asset Regulation defines an “equity interest” as any interest in an entity, other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. It is likely that the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities would be treated as “equity interests” for purposes of the Plan Asset Regulation. In addition, there can be no assurance that any of the exceptions set forth in the Plan Asset Regulation will apply to the purchase of any of the Trust Preferred Securities or the LLC AUD Series 2 Class B Preferred Securities. Accordingly, the assets of both the Trust and the LLC may be treated as assets of a Plan that purchases and holds the Trust Preferred Securities (and, indirectly, the LLC AUD Series 2 Class B Preferred Securities).

Under the terms of the Plan Asset Regulation, if the Trust were deemed to hold “plan assets” by reason of a Plan’s investment in the Trust Preferred Securities, such “plan assets” would include an undivided interest in the assets held by the Trust (the LLC AUD Series 2 Class B Preferred Securities). Moreover, the Trust would be treated as a benefit plan investor to determine whether the assets of the LLC would be treated as “plan assets” for purposes of ERISA and the Code. If the assets of the Trust or the LLC are treated as “plan assets”, the persons with responsibility or otherwise of providing services with respect to the assets of the Trust or the LLC may become Parties-in-Interest or Disqualified Persons with respect to investing Plans and may be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code with respect to transactions involving such assets. Further, if the persons with discretionary responsibilities with respect to the assets of the LLC were affiliated with Rabobank Nederland, any such discretionary actions taken with respect to such assets could be deemed to constitute a prohibited transaction under ERISA or the Code (e.g., the use of such fiduciary authority in connection with a transaction in which such persons have interests that affect the exercise of their best judgment as fiduciaries). In order to reduce the likelihood of such prohibited transactions, each investing Plan, by purchasing one or more Trust Preferred Securities (or an interest therein), will be deemed to have (A) directed the Property Trustee to invest the proceeds from the sale of Trust Preferred Securities to acquire the LLC AUD Series 2 Class B Preferred Securities, and directed the LLC to invest the proceeds from the sale of the LLC AUD Series 2 Class B Preferred Securities in the Initial AUD Series 2 Subordinated Note and Eligible Debt Securities and (B) directed the Property Trustee (which is not affiliated with and is independent of Rabobank Nederland), as holder of the LLC AUD Series 2 Class B Preferred Securities, to (1) exercise the rights of the LLC with respect to, and otherwise enforce the terms of, the LLC AUD Series 2 Class B Preferred Securities under the LLC Agreement, including the right to authorize the Independent Directors (who are not affiliated with and are independent of Rabobank Nederland) to enforce the LLC’s rights with respect to the AUD Series 2 Subordinated Notes and Eligible Debt Securities purchased by it, and, (2) take direct action on behalf of the LLC against Rabobank Nederland to enforce the LLC’s rights under such AUD Series 2 Subordinated Notes and Eligible Debt Securities. In addition, the Independent Directors may not be removed by Rabobank



Nederland, but only by the vote of the holders of a majority in aggregate liquidation preference amount, on a U.S. dollar equivalent basis, of the outstanding series of LLC Class B Preferred Securities.

### **Exemptions from Prohibited Transactions**

Regardless of whether the assets of the Trust or the LLC are deemed to constitute “plan assets,” if Rabobank Nederland is or becomes a Party-in-Interest or Disqualified Person with respect to an investing Plan, such Plan’s acquisition and holding of Trust Preferred Securities (and, indirectly, the LLC AUD Series 2 Class B Preferred Securities, the AUD Series 2 Subordinated Notes and Eligible Debt Securities) could be deemed to constitute or result in a transaction prohibited under Title I of ERISA or Section 4975 of the Code, unless an exemption applies. Such acquisition or holding may, however, be subject to a statutory or administrative exemption such as Prohibited Transaction Class Exemption (“PTCE”) 90-1, which exempts certain transactions involving insurance company pooled separate accounts; PTCE 95-60, which exempts certain transactions involving insurance company general accounts; PTCE 91-38, which exempts certain transactions involving bank collective investment funds; PTCE 84-14, which exempts certain transactions effected on behalf of a Plan by a “qualified professional asset manager;” PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an “in-house asset manager;” or pursuant to any other available exemption. Each purchaser of the Trust Preferred Securities (and, indirectly, the LLC AUD Series 2 Class B Preferred Securities and the AUD Series 2 Subordinated Notes) that is a benefit plan investor will be deemed to have represented and agreed that either (i) it is not purchasing the Trust Preferred Securities (and, indirectly, the LLC AUD Series 2 Class B Preferred Securities and the AUD Series 2 Subordinated Notes) with the assets of any Plan or (ii) one or more exemptions applies such that the use of such assets will not constitute a prohibited transaction under ERISA or the Code.

Any purchaser that is an insurance company using the assets of an insurance company general account should note that, pursuant to Section 401(c) of ERISA relating to the status of the assets of insurance company general accounts under ERISA and Section 4975 of the Code, the DOL has issued final regulations with respect to insurance policies issued on or before December 31, 1998, that are supported by an insurer’s general account, which regulations provide that the assets of an insurance company general account will not be treated as “plan assets” for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code to the extent such assets relate to contracts issued to employee benefit plans on or before December 31, 1998, and the insurer satisfies various conditions. However, the plan asset status of insurance company separate accounts is unaffected by Section 401(c) of ERISA, and separate account assets continue to be treated as the “plan assets” of any such Plan invested in a separate account.

Any Plan fiduciary that proposes to cause a Plan to acquire Trust Preferred Securities (and, indirectly, the LLC AUD Series 2 Class B Preferred Securities, the AUD Series 2 Subordinated Notes and Eligible Debt Securities) should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and whether any exemption would be applicable and determine on its own whether all conditions of such exemption or exemptions have been satisfied such that the acquisition and holding of Trust Preferred Securities (and, indirectly, the LLC AUD Series 2 Class B Preferred Securities, the AUD Series 2 Subordinated Notes and Eligible Debt Securities) by the purchaser Plan are entitled to the full exemptive relief thereunder. Any such Plan fiduciary should also determine whether the purchase of Trust Preferred Securities (and, indirectly, the LLC AUD Series 2 Class B Preferred Securities, the AUD Series 2 Subordinated Notes and Eligible Debt Securities) is permitted under the governing Plan instruments and is appropriate for the Plan in view of the overall investment policy and the composition and diversification of its portfolio. The sale of the Trust Preferred Securities to a Plan shall not be deemed a representation by the Trust, the LLC, Rabobank Nederland, Eligible Issuers or initial purchasers that such an investment meets all relevant legal requirements with respect to Plans generally or any particular Plan.

The foregoing discussion of ERISA and the Code should not be construed as legal advice. Prior to purchasing the Trust Preferred Securities, prospective investors should consult with their legal advisers concerning the potential impact of ERISA, the Code and similar laws on their investment.

## PLAN OF DISTRIBUTION

Merrill Lynch International, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., in its capacity as initial purchaser, and Westpac Banking Corporation, London Branch are acting as representatives for the several initial purchasers named below. Subject to the terms and conditions set forth in the purchase agreement, dated October 27, 2004, among the LLC, the Trust, Merrill Lynch International, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., in its capacity as guarantor and in its capacity as initial purchaser, and Westpac Banking Corporation, London Branch (the “**Purchase Agreement**”), the Trust has agreed to sell to each of the initial purchasers and each of the initial purchasers has severally agreed to purchase the liquidation preference amount of Trust Preferred Securities listed opposite its name below. The initial purchasers will be obligated to take and pay for all the Trust Preferred Securities, if any are taken.

	<b>Liquidation Preference Amount of Trust Preferred Securities</b>
<b>Initial Purchasers</b>	
Merrill Lynch International.....	A\$ 57,500,000
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A (trading as Rabobank International) .....	57,500,000
Westpac Banking Corporation, London Branch .....	57,500,000
Credit Suisse First Boston (Europe) Limited .....	22,500,000
The Toronto-Dominion Bank, London Branch.....	22,500,000
UBS Limited .....	22,500,000
Commonwealth Bank of Australia, London Branch.....	5,000,000
National Australia Bank Limited, London Branch .....	5,000,000
Total.....	<u>A\$ 250,000,000</u>

The Purchase Agreement provides that the obligations of the initial purchasers to pay for and accept delivery of the Trust Preferred Securities are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

This offering is not conditional on the closing of the offering by Rabobank Capital Funding Trust V of its Noncumulative Guaranteed Trust Preferred Securities.

The Trust Preferred Securities have not been and will not be registered under the Securities Act and may not be offered or sold except in certain transactions exempt from the registration requirements of the Securities Act and in accordance with all applicable securities laws of the states of the United States. The initial purchasers propose to offer the Trust Preferred Securities for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A under the Securities Act. Each initial purchaser has agreed that it will not offer or sell the Trust Preferred Securities except (i) to persons it reasonably believes to be QIBs in reliance on Rule 144A, or (ii) pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S. Trust Preferred Securities sold pursuant to Regulation S may not be offered or resold in the United States or to U.S. persons (as defined in Regulation S), except pursuant to an exemption from the registration requirements of the Securities Act or pursuant to a registration statement declared effective under the Securities Act. Each purchaser of the Trust Preferred Securities offered hereby in making its purchase will be deemed to have made certain acknowledgements, representations and agreements as set forth under “Notice to Investors”. The Trust Preferred Securities will initially be offered at the price indicated on the cover page hereof. After the initial offering of the Trust Preferred Securities, the offering price and other selling terms of the Trust Preferred Securities may from time to time be varied by the initial purchasers.

In view of the fact that the proceeds from the sale of the Trust Preferred Securities will ultimately be invested in the Initial AUD Series 2 Subordinated Note, Rabobank Nederland has agreed to pay the initial purchasers’ aggregate commissions of A\$2,500,000 in connection with the offering.

The Purchase Agreement provides that the Trust, the LLC and Rabobank Nederland have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the initial purchasers may be required to make in respect thereof.

In connection with the offering, Westpac Banking Corporation or any person acting for it may engage in transactions that stabilize, maintain or otherwise affect the price of the Trust Preferred Securities. These transactions may include over-allotment and stabilizing transactions and purchases to cover short positions created by Westpac Banking Corporation or any person acting for it, and the imposition of a penalty bid, in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the

market price of the Trust Preferred Securities; and short positions created by Westpac Banking Corporation or any person acting for it involve the sale by Westpac Banking Corporation or any person acting for it of a greater number of the Trust Preferred Securities than they are required to purchase from the Trust in the offering. Westpac Banking Corporation or any person acting for it also may impose a penalty bid, whereby selling concessions allowed to broker-dealers in respect of the Trust Preferred Securities sold in the offering may be reclaimed by Westpac Banking Corporation or any person acting for it if such Trust Preferred Securities are repurchased by Westpac Banking Corporation or any person acting for it in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Trust Preferred Securities, which may be higher than the price that might otherwise prevail in an independent market. These activities, if commenced, may be discontinued at any time.

No action has been taken in any jurisdiction (including the United States) by the Trust, the LLC, Rabobank Nederland or the initial purchasers that would permit a public offering of the Trust Preferred Securities. Accordingly, the Trust Preferred Securities may not be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisements in connection with the offer and sale of the Trust Preferred Securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this offering memorandum. This offering memorandum is not an offer to purchase or a solicitation of an offer to sell any of the Trust Preferred Securities in any jurisdiction in which such an offer or solicitation is unlawful.

There is no existing market for the Trust Preferred Securities. Application will be made to list the Trust Preferred Securities on the Luxembourg Stock Exchange. There can be no assurance as to the liquidity of any market that may develop for the Trust Preferred Securities, the ability of holders of the Trust Preferred Securities to sell their Trust Preferred Securities, or the price at which holders would be able to sell their Trust Preferred Securities. The Trust has been advised by the initial purchasers that following the completion of the offering, the initial purchasers currently intend to make a market in the Trust Preferred Securities. However, the initial purchasers are not obligated to make a market in the Trust Preferred Securities and any market making activities with respect to the Trust Preferred Securities may be discontinued at any time without notice.

For a description of the restrictions on the transfer of the Trust Preferred Securities, see “Notice to Investors”.

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

Merrill Lynch International, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Westpac Banking Corporation, London Branch, Credit Suisse First Boston (Europe) Limited, The Toronto-Dominion Bank, London Branch, UBS Limited, Commonwealth Bank of Australia, London Branch and National Australia Bank Limited, London Branch, and certain of their affiliates are also acting as initial purchasers in the offerings of related series of Noncumulative Guaranteed Trust Preferred Securities issued shortly before, or expected to be issued concurrently with, this offering.

## **United Kingdom**

Each initial purchaser has severally represented and agreed that:

- (i) it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date, will not offer or sell any Trust Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of any Trust Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Trust; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom.

## **The Netherlands**

The Trust Preferred Securities may not be offered, transferred, delivered or sold, whether directly or indirectly, to any individual or legal entity in the Netherlands as part of the initial distribution or at any time thereafter, other than to

individuals or legal entities who, or which trade or invest in securities in the conduct of their profession or trade (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, other institutional investors and commercial enterprises which as an ancillary activity regularly invest in securities).

### **Belgium**

The offering of Trust Preferred Securities has not been approved by the Belgian Banking and Finance Commission as of the date of this offering memorandum. Any Trust Preferred Securities issued under this offering memorandum do not constitute a public offering in Belgium. The Belgian Banking and Finance Commission has not reviewed or approved this document or commented on its accuracy or adequacy or recommended or endorsed the purchase of the Trust Preferred Securities. This offering memorandum may not be distributed to the public in Belgium and the Trust Preferred Securities may not be publicly offered for sale or sold in Belgium and no steps may be taken which would constitute or result in a public offering of the Trust Preferred Securities in Belgium, nor may the Trust Preferred Securities be offered for sale or sold in Belgium to any person qualifying as a consumer within the meaning of Article 1, 7 of the Belgian law of July 14, 1991 on consumer protection and trade practices unless such sale is made in compliance with such law and its implementing legislation. Any offer to sell the Trust Preferred Securities in Belgium will be permitted exclusively to either (i) persons who each subscribe for a minimum of €250,000 in principal amount of the Trust Preferred Securities, or (ii) qualifying institutional investors, acting for their own account and listed in Article 3,2 of the Royal Decree of July 7, 1999 on the public character of financial transactions.

### **Luxembourg**

The Trust Preferred Securities will not be publicly offered or sold in Luxembourg except for Trust Preferred Securities for which the requirements of Luxembourg law concerning public offerings of securities have been met.

### **France**

The Trust Preferred Securities have not been offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Republic of France and this offering memorandum or any other offering material relating to the Trust Preferred Securities has not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in the Republic of France, and such offers, sales and distributions have been and shall be made in the Republic of France only to qualified investors (*investisseurs qualifiés*) acting for their own accord all as defined in articles L411-1 and L411-2 of the *Code Monétaire et Financier* and *décret* no. 98-880 dated October 1, 1998.

Investors in the Republic of France may only participate in the issue of Trust Preferred Securities for their own account in accordance with the conditions set out in *décret* no. 98-880 dated October 1, 1998. Trust Preferred Securities may only be issued, directly or indirectly, to the public in the Republic of France in accordance with articles L411-1 and L411-2 of the *Code Monétaire et Financier*.

### **Germany**

The Trust Preferred Securities have not been and will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Selling Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of December 13, 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities and no selling prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Selling Prospectus Act (*Wertpapier Verkaufsprospektgesetz*) has been or will be registered or published within the Federal Republic of Germany. Consequently, only German institutional investors within the meaning of Sec. 2 No. 1 of the German Securities Selling Prospectus Act (*Wertpapier Verkaufsprospektgesetz*) of December 13, 1990, as amended, may buy the Trust Preferred Securities.

### **Ireland**

The Trust Preferred Securities will not knowingly be offered for sale to an Irish resident, or to persons whose usual place of abode is Ireland, and no offering material in connection with such Trust Preferred Securities will knowingly be distributed or caused to be distributed in Ireland. However, the foregoing shall not prohibit the initial purchasers (i) from selling, or offering to sell, to an Irish resident or ordinarily resident person, Trust Preferred Securities where that person is either the Irish National Treasury Management Agency or a “relevant deposit taker” within the meaning of Section 256 of the Irish Taxes Consolidation Act, 1997, and is acquiring the Trust Preferred Securities beneficially for its own account, or (ii) from selling or offering to sell, Trust Preferred Securities to an Irish resident company where that company is carrying on “relevant trading operations” (within the meaning of Section 446 of the Irish Taxes Consolidation Act 1997) and makes a valid declaration pursuant to Section 265 of the Irish Taxes Consolidation Act 1997.

## **Japan**

The Trust Preferred Securities have not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”) and will not be offered or sold, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Hong Kong**

The Trust Preferred Securities have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (i) to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent) or (ii) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and none of the initial purchasers has issued or had in its possession for the purposes of issue and each of the initial purchasers will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Trust Preferred Securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Trust Preferred Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Future Ordinance (Cap. 571) and any rules made thereunder.

## **Korea**

The Trust Preferred Securities have not been and will not be offered, delivered or sold directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in the Republic of Korea or for the account or benefit of any resident of the Republic of Korea or to any resident of the Republic of Korea, except as otherwise permitted under applicable Korean laws and regulations. Each initial purchaser has to ensure that any securities dealer to which it sells Trust Preferred Securities confirms that it is purchasing such Trust Preferred Securities as principal, and that it will not offer any Trust Preferred Securities, directly or indirectly, in the Republic of Korea or to any resident of the Republic of Korea, except as permitted by applicable Korean laws and regulations.

## **Singapore**

The offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Trust Preferred Securities may not be circulated or distributed, nor may Trust Preferred Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

## **Taiwan**

The Trust Preferred Securities have not been and will not be registered under the Securities and Exchange Law of Taiwan. The Trust Preferred Securities have not been offered or sold, and will not be offered or sold, directly or indirectly, in or to or for the benefit of residents of Taiwan or to any persons for reoffering or resale, directly or indirectly, in Taiwan or to or for the benefit of any resident of Taiwan except pursuant to an exemption from the registration requirements of the Securities and Exchange Law available thereunder and in compliance with the other relevant laws and regulations of Taiwan.

## **Australia**

Each initial purchaser has severally represented and agreed that each of it and its affiliates will not offer for sale or sell any Trust Preferred Securities in Australia unless (i) the offeree is required to pay at least A\$500,000 for the Trust Preferred Securities (or the equivalent in another currency, in either case, disregarding moneys lent by the offeror or its associates (as defined in the Corporations Act)) or the offer or sale is made to a wholesale client (as defined in the Corporations Act), and (ii) such action complies with all applicable laws and regulations.

## NOTICE TO INVESTORS

*Because of the following transfer restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any Trust Preferred Securities.*

Trust Preferred Securities represented by Global Certificates will be initially issued and may be initially transferred only in blocks having an aggregate liquidation preference amount of not less than (a) in Australia and the United States, A\$500,000, and (b) elsewhere, A\$100,000 or such greater amount as may be required by applicable law, and, in each case, integral increments of A\$1,000 in excess thereof.

Each purchaser of the Trust Preferred Securities (including the registered holders and beneficial owners of the Trust Preferred Securities as they exist from time to time, in each case as of the time of purchase), by their acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Trust, the LLC, Rabobank Nederland and the initial purchasers (as defined herein) as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

- (1) The purchaser understands and acknowledges that the Trust Preferred Securities have not been registered under the Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A and Regulation S, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in a transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.
- (2) The purchaser is not an “affiliate” (as defined in Rule 144 under the Securities Act) of Rabobank Nederland, the LLC or the Trust or any of their respective Affiliates and is not acting on behalf of such a person, and (A) it is a “qualified institutional buyer” as defined in Rule 144A, is aware that any sale of the Trust Preferred Securities to it will be made in reliance on Rule 144A and is acquiring such Trust Preferred Securities for its own account or the account of another QIB over which it exercises sole investment discretion; or (B) is not a U.S. Person, is located outside the United States, is not acquiring Trust Preferred Securities for the account or benefit of a U.S. Person, and otherwise is purchasing Trust Preferred Securities pursuant to Regulation S.
- (3) The purchaser acknowledges that none of the Trust, the LLC, Rabobank Nederland or the initial purchasers nor any Person representing any of them has made any representation to it with respect to the Trust, the LLC, Rabobank Nederland, the initial purchasers or the offering or sale of any Trust Preferred Securities, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Trust Preferred Securities. It acknowledges that no representation or warranty is made by the initial purchasers as to the accuracy or completeness of such materials. It has had access to such financial and other information concerning the Trust, the LLC, Rabobank Nederland and the Trust Preferred Securities as it has deemed necessary in connection with its decision to purchase any of the Trust Preferred Securities, including an opportunity to ask questions of and request information from the Trust, the LLC, the Branch and the initial purchasers.
- (4) If the purchaser is a U.S. person the purchaser is purchasing the Trust Preferred Securities for its own account or for one or more investor accounts for which it is acting as a fiduciary or agent, as provided above, in each case for investment, and not with a view to, or otherwise for offer or sale in connection with, any distribution in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Trust Preferred Securities pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act. The purchaser agrees on its own behalf and on behalf of any investor account for which it is purchasing Trust Preferred Securities, and each subsequent holder of Trust Preferred Securities by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Trust Preferred Securities prior to the date that is two years after the later of the original issuance date thereof and the last date on which Rabobank Nederland, the Trust or any “affiliate” of either of the foregoing was the owner of such Trust Preferred Securities (the “**Resale Restriction Termination Date**”) only (a) to Rabobank Nederland or the Trust, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) as long as the Trust Preferred Securities are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales to non U.S. persons that occur, outside the United States within the meaning of Regulation S under the Securities Act, or (f) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws; it being understood

that Rabobank Nederland, the LLC and the Trust reserve the right prior to any offer, sale or other transfer prior to the Resale Restriction Termination Date pursuant to clause (d) or (e) above to require the delivery of an opinion of counsel, certifications and other information satisfactory to Rabobank Nederland, the LLC and the Trust.

- (5) The purchaser acknowledges that it is deemed to have represented and warranted that on each day it holds the Trust Preferred Securities (or LLC AUD Series 2 Class B Preferred Securities, the AUD Series 2 Subordinated Notes or the Eligible Debt Securities) either (a) it is not a Plan; or (b) it is a Plan and (1) the purchase, holding, disposition and redemption of any Trust Preferred Securities (or LLC AUD Series 2 Class B Preferred Securities, the AUD Series 2 Subordinated Notes or the Eligible Debt Securities) will not constitute or result in a non-exempt prohibited transaction by reason of the application of PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), or PTCE 84-14 (for certain transactions determined by independent qualified professional assets managers), and (2) acknowledges that by acquiring the Trust Preferred Securities (or LLC AUD Series 2 Class B Preferred Securities), it (i) has directed the Property Trustee to invest the proceeds from the sale of Trust Preferred Securities to purchase the LLC AUD Series 2 Class B Preferred Securities issued by the LLC, and has directed the LLC to invest the proceeds from the sale of LLC AUD Series 2 Class B Preferred Securities to purchase AUD Series 2 Subordinated Notes and Eligible Debt Securities, and (ii) has directed the Property Trustee, as holder of the LLC AUD Series 2 Class B Preferred Securities, to, (a) exercise the rights of the LLC with respect to, and otherwise enforce the terms of, the LLC AUD Series 2 Class B Preferred Securities under the LLC Agreement, including the right to authorize the Independent Directors (who are not affiliated with and are independent of Rabobank Nederland) to enforce the LLC's rights with respect to the AUD Series 2 Subordinated Notes and Eligible Debt Securities purchased by it, and, (b) take direct action on behalf of the LLC against Rabobank Nederland to enforce the LLC's rights under such AUD Series 2 Subordinated Notes and Eligible Debt Securities.
- (6) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, the purchaser agrees that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, no offer or sale of the Trust Preferred Securities shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act except to a QIB and in compliance with the applicable restrictions set forth in paragraph (4) above.
- (7) The purchaser understands and acknowledges that no disclosure document, prospectus or product disclosure statement (within the meaning of the Corporations Act) has been lodged with ASIC and represents and agrees that it will not offer for sale or sell any Trust Preferred Securities in Australia unless (i) the offeree is required to pay at least A\$500,000 for the Trust Preferred Securities (or the equivalent in another currency, in either case, disregarding moneys lent by the offeror or its associates (as defined in the Corporations Act)) or the offer or sale is made to a wholesale client (as defined in the Corporations Act), and (ii) such action complies with all applicable laws and regulations.
- (8) The purchaser acknowledges that the Property Trustee will not be required to accept for registration of transfer any Trust Preferred Securities issued by the Trust acquired by the purchaser, except upon presentation of evidence satisfactory to the Trust and the Property Trustee that the restrictions set forth herein have been complied with.
- (9) The purchaser agrees that it will give to each person to whom it transfers Trust Preferred Securities notice of any restrictions on transfer of such Trust Preferred Securities.
- (10) Each purchaser of an interest in a Restricted Global Certificate acknowledges that the Restricted Global Certificates and each of the Trust Preferred Securities will bear a legend to the following effect:

THE TRUST PREFERRED SECURITIES EVIDENCED HEREBY (THE "SECURITIES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS TRUST PREFERRED SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER HEREOF BY ITS ACCEPTANCE HEREOF REPRESENTS THAT (1) IT IS (A) A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")); OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS TRUST PREFERRED SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") AND (2) IT AGREES, IN ANY CASE, THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(K) UNDER THE SECURITIES ACT OR ANY

SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS TRUST PREFERRED SECURITY) OR THE LAST DAY ON WHICH COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. (THE “GUARANTOR”), RABOBANK CAPITAL FUNDING TRUST VI (THE “TRUST”) OR ANY OF THEIR RESPECTIVE AFFILIATES (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) WAS THE OWNER OF THIS TRUST PREFERRED SECURITY (OR ANY PREDECESSOR OF THIS TRUST PREFERRED SECURITY) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAWS (THE “RESALE RESTRICTION TERMINATION DATE”), OFFER, SELL, OR OTHERWISE TRANSFER THIS TRUST PREFERRED SECURITY EXCEPT (A) TO THE GUARANTOR OR THE TRUST, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) TO A NON-U.S. PERSON IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; AND (3) IT AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS TRUST PREFERRED SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE GUARANTOR, THE LLC AND THE TRUST SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS TRUST PREFERRED SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUST. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION”, “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S.

FURTHER, THE HOLDER HEREOF, BY PURCHASING AND HOLDING THIS TRUST PREFERRED SECURITY, WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT ON EACH DAY THAT IT HOLDS THE TRUST PREFERRED SECURITIES (OR LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES) EITHER (A) IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR A PLAN AS DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (TOGETHER WITH THE ERISA EMPLOYEE BENEFIT PLAN, A “PLAN”); OR (B) IT IS A PLAN AND (1) THE PURCHASE, HOLDING, DISPOSITION AND REDEMPTION OF ANY TRUST PREFERRED SECURITIES (OR LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION BY REASON OF THE APPLICATION OF U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION (“PTCE”) 96-23 (FOR CERTAIN TRANSACTIONS DETERMINED BY IN-HOUSE ASSET MANAGERS), PTCE 95-60 (FOR CERTAIN TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (FOR CERTAIN TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (FOR CERTAIN TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS), OR PTCE 84-14 (FOR CERTAIN TRANSACTIONS DETERMINED BY INDEPENDENT QUALIFIED PROFESSIONAL ASSETS MANAGERS), AND (2) ACKNOWLEDGES THAT BY ACQUIRING THE TRUST PREFERRED SECURITIES (OR LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES), IT (i) HAS DIRECTED THE PROPERTY TRUSTEE TO INVEST THE PROCEEDS FROM THE SALE OF TRUST PREFERRED SECURITIES TO PURCHASE THE LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES ISSUED BY RABOBANK CAPITAL FUNDING III LLC (THE “LLC”), AND HAS DIRECTED THE LLC TO INVEST THE PROCEEDS FROM THE SALE OF THE LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES TO PURCHASE THE AUD SERIES 2 SUBORDINATED NOTES AND ELIGIBLE DEBT SECURITIES, AND (ii) HAS DIRECTED THE PROPERTY TRUSTEE, AS HOLDER OF THE LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES, TO, (a) EXERCISE THE RIGHTS OF THE LLC WITH RESPECT TO, AND OTHERWISE ENFORCE THE TERMS OF, THE LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES UNDER THE LLC AGREEMENT, INCLUDING THE RIGHT TO AUTHORIZE THE INDEPENDENT DIRECTORS (WHO ARE NOT AFFILIATED WITH AND INDEPENDENT OF THE GUARANTOR) TO ENFORCE THE LLC’S RIGHTS WITH RESPECT TO THE AUD SERIES 2 SUBORDINATED NOTES AND ELIGIBLE DEBT SECURITIES PURCHASED BY IT, AND, (b) TAKE DIRECT ACTION ON BEHALF OF



THE LLC AGAINST THE GUARANTOR TO ENFORCE THE LLC'S RIGHTS UNDER SUCH AUD SERIES 2 SUBORDINATED NOTES AND ELIGIBLE DEBT SECURITIES.

THE HOLDER HEREOF, BY PURCHASING AND HOLDING THIS TRUST PREFERRED SECURITY, WILL BE DEEMED TO HAVE AGREED, REPRESENTED AND WARRANTED THAT IF IT IS A PURCHASER IN A SALE THAT OCCURS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S OF THE SECURITIES ACT 1933, IT MAY NOT MAKE ANY OFFER OR SALE OF THIS TRUST PREFERRED SECURITY IN THE COMMONWEALTH OF AUSTRALIA, ITS TERRITORIES OR POSSESSIONS EXCEPT PURSUANT TO AN OFFER OR SALE IN LOTS OF AT LEAST A\$500,000 CONSIDERATION PAYABLE AND OTHERWISE IN COMPLIANCE WITH THE CORPORATIONS ACT 2001 OF AUSTRALIA.

- (11) Each purchaser of an interest in Regulation S Global Certificates acknowledges that the Regulation S Global Certificates will bear a legend to the following effect unless the LLC and Rabobank Nederland determine otherwise in accordance with applicable law and the provisions of the Trust Agreement:

THE TRUST PREFERRED SECURITIES EVIDENCED HEREBY (THE "SECURITIES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS TRUST PREFERRED SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

FURTHER, THE HOLDER HEREOF, BY PURCHASING AND HOLDING THIS TRUST PREFERRED SECURITY, WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT ON EACH DAY THAT IT HOLDS THE TRUST PREFERRED SECURITIES (OR LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES) EITHER (A) IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR A PLAN AS DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (TOGETHER WITH THE ERISA EMPLOYEE BENEFIT PLAN, A "PLAN"); OR (B) IT IS A PLAN AND (1) THE PURCHASE, HOLDING, DISPOSITION AND REDEMPTION OF ANY TRUST PREFERRED SECURITIES (OR LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION BY REASON OF THE APPLICATION OF U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23 (FOR CERTAIN TRANSACTIONS DETERMINED BY IN-HOUSE ASSET MANAGERS), PTCE 95-60 (FOR CERTAIN TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (FOR CERTAIN TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (FOR CERTAIN TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS), OR PTCE 84-14 (FOR CERTAIN TRANSACTIONS DETERMINED BY INDEPENDENT QUALIFIED PROFESSIONAL ASSETS MANAGERS), AND ALL THE TERMS AND CONDITIONS OF THE APPLICABLE PTCE EXEMPTION ARE MET, AND (2) ACKNOWLEDGES THAT BY ACQUIRING THE TRUST PREFERRED SECURITIES (OR LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES), IT (i) HAS DIRECTED THE PROPERTY TRUSTEE TO INVEST THE PROCEEDS FROM THE SALE OF TRUST PREFERRED SECURITIES TO PURCHASE THE LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES ISSUED BY LLC, AND HAS DIRECTED THE LLC TO INVEST THE PROCEEDS FROM THE SALE OF THE LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES TO PURCHASE THE AUD SERIES 2 SUBORDINATED NOTES AND ELIGIBLE DEBT SECURITIES, AND (ii) HAS DIRECTED THE PROPERTY TRUSTEE, AS HOLDER OF THE LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES, TO, (a) EXERCISE THE RIGHTS OF THE LLC WITH RESPECT TO, AND OTHERWISE ENFORCE THE TERMS OF, THE LLC AUD SERIES 2 CLASS B PREFERRED SECURITIES UNDER THE LLC AGREEMENT, INCLUDING THE RIGHT TO AUTHORIZE THE INDEPENDENT DIRECTORS (WHO ARE NOT AFFILIATED WITH AND INDEPENDENT OF THE GUARANTOR) TO ENFORCE THE LLC'S RIGHTS WITH RESPECT TO THE AUD SERIES 2 SUBORDINATED NOTES AND ELIGIBLE DEBT SECURITIES PURCHASED BY IT, AND, (b) TAKE DIRECT ACTION ON BEHALF OF THE LLC AGAINST THE GUARANTOR TO ENFORCE THE LLC'S RIGHTS UNDER SUCH AUD SERIES 2 SUBORDINATED NOTES AND ELIGIBLE DEBT SECURITIES.

THE HOLDER HEREOF, BY PURCHASING AND HOLDING THIS TRUST PREFERRED SECURITY, WILL BE DEEMED TO HAVE AGREED, REPRESENTED AND WARRANTED THAT IF IT IS A PURCHASER IN A SALE THAT OCCURS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF

REGULATION S OF THE SECURITIES ACT 1933, IT MAY NOT MAKE ANY OFFER OR SALE OF THIS TRUST PREFERRED SECURITY IN THE COMMONWEALTH OF AUSTRALIA, ITS TERRITORIES OR POSSESSIONS EXCEPT PURSUANT TO AN OFFER OR SALE IN LOTS OF AT LEAST A\$500,000 CONSIDERATION PAYABLE AND OTHERWISE IN COMPLIANCE WITH THE CORPORATIONS ACT 2001 OF AUSTRALIA.

- (12) The purchaser acknowledges that the Trust, the LLC, Rabobank Nederland, the Property Trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgments, representations and agreements is no longer accurate, it will promptly notify Rabobank Nederland, the Trust, the Property Trustee and the initial purchasers. If it is acquiring any Trust Preferred Securities for one or more accounts of other QIBs, it represents that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account, and that each such account is eligible to purchase the Trust Preferred Securities.

## **LEGAL MATTERS**

The validity of and certain other legal matters relating to the Trust Preferred Securities, the LLC AUD Series 2 Class B Preferred Securities and the Initial AUD Series 2 Subordinated Note will be passed upon (a) for us (i) with respect to certain issues of U.S. Federal and New York law, by Davis Polk & Wardwell, U.S. counsel for Rabobank Nederland, (ii) as to the validity of the AUD Series 2 Guarantee and the Contingent Guarantee and with respect to certain other issues of Dutch law, by De Brauw Blackstone Westbroek N.V., Dutch counsel for Rabobank Nederland, (iii) with respect to certain issues of Delaware law by Morris, Nichols, Arsht & Tunnell, special Delaware counsel to the LLC and the Trust, and (iv) with respect to certain issues of Cayman Islands law, by Maples and Calder, special Cayman Islands counsel to RBPS III and (b) for the initial purchasers, (i) with respect to certain issues of U.S. Federal, New York and Delaware law, by Skadden, Arps, Slate, Meagher & Flom LLP, U.S. counsel for the initial purchasers, and (ii) with respect to certain issues of Australian tax law, Allens Arthur Robinson, Australian counsel for the initial purchasers.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of the Rabobank Group for each of the three years ended December 31, 2003, 2002 and 2001 have been prepared in accordance with Dutch GAAP and have been audited by Ernst & Young Accountants, independent public accountants, as stated in their report appearing herein.

## SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN DUTCH GAAP AND U.S. GAAP

The audited consolidated financial statements of the Rabobank Group included in this offering memorandum are prepared and presented in accordance with Dutch GAAP, which differs in certain significant respects from U.S. GAAP. Certain significant differences between U.S. GAAP and Dutch GAAP relevant to the financial statements are summarized below. Such summary should not be considered exhaustive.

### Goodwill

*Dutch GAAP:* Goodwill represents the excess of the purchase price of investments, subsidiaries and participating interests over the estimated fair value of net assets acquired at acquisition date and may be debited or credited in full to shareholders' equity at the transaction date. As from 2005, Dutch law presumably will require goodwill to be capitalized with a maximum amortization period of, normally, 20 years.

*U.S. GAAP:* Goodwill is capitalized without amortization. Goodwill is periodically tested for impairment, following specifically prescribed procedures.

### Fund for General Banking Risks

*Dutch GAAP:* In addition to specific allowances for loan losses and country risk that may be determined on a dynamic basis, Dutch banks maintain a fund for general banking risks, classified outside shareholders' equity. This fund is net of taxes and covers general banking risks. These risks include risks on account of unforeseeable and therefore unquantifiable expenses, such as frauds and nationalizations, and risks on account of exceptional setbacks associated with lending and other banking activities. The fund level is quantified by management estimate. Movements in the fund are accounted for separately in the income statement. The fund is presented in the balance sheet as part of group equity.

*U.S. GAAP:* Under U.S. GAAP, a fund for general banking risks is not allowed. The amounts classified in the fund under Dutch GAAP would be part of shareholders' equity under U.S. GAAP.

### Bonds and Other Interest-bearing Securities in the Investment Portfolio

*Dutch GAAP:* Bonds and other interest-bearing securities included in the investment portfolio are carried at redemption value. The difference between redemption value and cost is accounted for under prepayments and accrued income or accruals and deferred income and taken to interest income over the term of the securities concerned. Gains and losses on the sale of bonds and other interest-bearing securities are accrued or deferred, as appropriate, and then taken as interest income over the weighted average remaining term to maturity of that investment portfolio. If, as a result, capitalized losses exceed deferred gains, the excess may be taken directly to the income statement and deducted from interest income. However, gains and losses on securities sold on account of a structural reduction of the investment portfolio are taken directly to interest income.

*U.S. GAAP:* Bonds and other interest-bearing securities included in the investment portfolio are classified as "available for sale" if these securities may be sold prior to maturity as part of the asset/liability management or in response to other factors. They are classified as "held to maturity" in other cases. If classified as "available for sale", they are carried at market value. Unrealized gains and losses are reported in a separate component of shareholders' equity.

Realized gains and losses are recognized in the income statement. If securities are classified as "held to maturity", amortized realized gains and losses are recognized directly in the income statement.

### Shares in the Investment Portfolio

*Dutch GAAP:* Shares (and other variable-yield securities) are carried at market value. Unrealized gains and losses are taken to a share revaluation reserve, net of tax. If the revaluation reserve is insufficient to absorb a decline in value, this amount is charged to the income statement. Realized gains are included in the income statement.

*U.S. GAAP:* All shares are classified as "available for sale" and stated at market value. Unrealized valuation differences are reported in a separate component of shareholders' equity, net of taxes. The amount of the writedown is charged to the income statement only when a decline in value is judged to be other than temporary. Realized gains are included in the income statement.

### Derivatives Used for Hedging Purposes

*Dutch GAAP:* Derivatives which are used to manage overall structural interest rate exposure and which are not assigned to specific assets, liabilities or firm commitments are accounted for on an accrual basis.

*U.S. GAAP:* These derivatives are carried at fair value and changes in fair value are included in income as they occur.

**Property in Use**

*Dutch GAAP:* Property is carried at current cost (replacement cost) or appraisal value. Changes in value are taken to the revaluation reserve, net of taxes. Bank premises are depreciated on a straight-line basis over their useful life. Property in use by insurance companies is normally carried at appraisal value and not depreciated.

*U.S. GAAP:* Bank premises and property in use by insurance companies are carried at cost and depreciated on a straight-line basis over their useful life. Property held for investment is generally carried at the lower of cost or net realizable value and depreciated on a straight-line basis over its useful life.

**Provision for Deferred Taxes**

*Dutch GAAP:* In the accounts of banks, provisions for deferred taxes are carried at present value.

*U.S. GAAP:* Provisions for deferred taxes are carried on a nominal basis.

**Pensions, Other Post-employment Benefits and Post-retirement Benefits**

*Dutch GAAP:* Pensions and other post-employment benefits are generally calculated using actuarial computations based on current compensation levels, taking into account the return achieved by the pension funds in excess of the actuarial interest rate. However, it is allowed to include estimates of future economic factors such as pay increases, indexations, and investment returns in the calculation. The expected costs of post-retirement benefits are only provided upon retirement.

As an alternative, Dutch GAAP also allows the application of IAS 19 or, for companies listed in the United States, FAS 87.

*U.S. GAAP:* For pensions, specific actuarial computations are prescribed based on current and future compensation levels taking into account the market value of the assets of the pension funds and current interest rates. Other post-employment benefits are recognized when the employer's services have been rendered, the rights have been vested and the obligation is probable and quantifiable. Post-retirement benefits have to be accrued during the years that an employee renders services.

**Technical Provisions (Insurance)**

*Dutch GAAP and U.S. GAAP:* The calculation of technical provisions rely on actuarial principles which can, to a certain extent, be different between Dutch GAAP and U.S. GAAP.

**Other Provisions**

*Dutch GAAP:* Provisions could be set up under certain conditions for expenses that are expected to be incurred in the future. Provision for life insurance is calculated in accordance with Actuarial Principles of the Insurance Chamber (*Verzekeringskamer*). Furthermore, a provision is normally made for future catastrophes.

*U.S. GAAP:* The criteria for setting up provisions are more stringent under U.S. GAAP and include, among other provisions, a requirement that a liability be incurred at the financial statement date for expenses expected to be incurred in the future. Provision for life insurance is calculated on the basis of specific actuarial principles that differ in some respects from those applied under Dutch GAAP. A provision for future catastrophes is not allowed.

**Consolidation**

*Dutch GAAP:* Companies that are controlled by the parent company are included in consolidation. Control may be established, among other ways, by having more than 50% of the voting rights.

*U.S. GAAP:* Companies are consolidated only where there is a majority of the voting rights.

## GENERAL INFORMATION

### Listing

Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange. A notice relating to the issue of the Trust Preferred Securities (*Notice Légale*), the Trust Agreement, the LLC Agreement and our articles of association will have been filed prior to listing with the Trade and Companies Register in Luxembourg (*Registre de Commerce et des Sociétés à Luxembourg*) where such documents will be available and where copies of such documents will be obtainable upon request.

According to Chapter VI, Article 3, point A/II/2 of the rules and regulations of the Luxembourg Stock Exchange the securities shall be freely transferable and therefore no transaction made on the Luxembourg Stock Exchange shall be cancelled.

### Social Object of Rabobank Nederland

According to article 3 of its articles of association, the object of Rabobank Nederland is to promote the interests of its members, the Local Rabobanks. It shall do so by: (i) promoting the establishment, continued existence and development of cooperative banks, (ii) conducting the business of banking in the widest sense, especially by acting as central bank for its members and as such entering into agreements with its members, (iii) negotiating rights on behalf of its members and, with due observance of the relevant provisions of the articles of association, entering into commitments on their behalf, provided that such commitments have the same implications for all its members, including the entering into collective labor agreements on behalf of its members, (iv) participating in, managing and providing services to other enterprises and institutions, in particular enterprises and institutions operating in the fields of insurance, lending, investments and/or other financial services, (v) supervising the Local Rabobanks in accordance with the provisions of the Act on the Supervision of the Credit System 1992 (*Wet toezicht kredietwezen 1992*), and (vi) doing all such other things as may be regarded as being incidental or conducive to the attainment of the objects specified above.

### Clearing Systems

The Trust Preferred Securities represented by the Restricted Global Certificates have been accepted for clearance by Euroclear and Clearstream. The Common Code is 0204242498 and the International Security Identification Number (ISIN) is XS0204242498 for the Restricted Global Certificates. The Trust Preferred Securities represented by the Regulation S Global Certificates have been accepted for clearance by Euroclear and Clearstream. The Common Code is 020423765 and the ISIN is XS0204237654 for the Regulation S Global Certificates.

### Authorization

The Trustee of the Trust will authorize the issue of the Trust Preferred Securities prior to listing on October 28, 2004. The sole member of the LLC authorized the issue of the LLC Common Securities and the LLC Class A Preferred Securities on October 20, 2004 and the Board of Directors of the LLC will authorize the issue of the LLC AUD Series 2 Class B Preferred Securities prior to listing on October 28, 2004. Our Executive Board authorized the issue of the AUD Series 2 Guarantee and the Contingent Guarantee on October 19, 2004.

### Documents

A copy of the English translation of our constituting documents and copies of the Trust Agreement, the LLC Agreement, the AUD Series 2 Guarantee, the Contingent Guarantee, the Initial AUD Series 2 Subordinated Note and this Offering Memorandum will, so long as any Trust Preferred Securities are outstanding, be available during usual business hours at the specified office of the paying agent in Luxembourg.

For so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, copies of our consolidated and unconsolidated audited annual financial statements and our consolidated unaudited half-year financial statements will be available in the English language, free of charge, at the specified office of the paying agent in Luxembourg. Neither the LLC nor the Trust publish financial statements.

### No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no adverse change in the financial position of the Trust, the LLC, us, or the Rabobank Group since December 31, 2003 or their respective dates of establishment (being October 21, 2004 and October 7, 2004) in the case of the Trust and the LLC, which is material in the context of the issue of the Trust Preferred Securities.

**Litigation**

The Trust or the LLC are not involved in any litigation, arbitration or administrative proceeding relating to claims or amounts which are material in the context of the issues of the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities to which the Trust or the LLC is a party, nor, to the best of the knowledge and belief of the Trust or the LLC, are there any threatened litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issues of the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities which would in either case jeopardize their ability to discharge their respective obligations in respect of the present issues of the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities.

There are no litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issues of the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities to which we or our affiliates are a party, nor, to the best of our knowledge and belief, are there any threatened litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issues of the Trust Preferred Securities and the LLC AUD Series 2 Class B Preferred Securities which would in either case jeopardize our ability to discharge our obligations under the AUD Series 2 Guarantee relating to the LLC AUD Series 2 Class B Preferred Securities and the Trust Securities and under the Contingent Guarantee relating to the LLC.

**Governing Law**

The Trust Agreement, LLC Agreement, the LLC Common Securities, the LLC Class A Preferred Securities, each series of LLC Class B Preferred Securities and the Trust Preferred Securities will be governed by the laws of the State of Delaware, United States of America, without regard to any conflicts of laws principles thereof that would require the application of the laws of a jurisdiction other than the State of Delaware. The Guarantees (including the AUD Series 2 Guarantee) and the Contingent Guarantee will be governed by the laws of the Netherlands, without regard to any conflicts of laws principles thereof that would require the application of the laws of a jurisdiction other than the Netherlands. The Initial Subordinated Notes (including the Initial AUD Series 2 Subordinated Note) will be governed by the laws of the State of New York, United States of America, without regard to any conflicts of law principles thereof that would require the application of the laws of a jurisdiction other than the State of New York.



## GLOSSARY

Defined terms that are used in this offering memorandum are defined in the following glossary.

**“1940 Act”** has the meaning set forth under “Summary—The Offering.”

**“Additional Amounts”** has the meaning set forth under “Summary Terms—Payment of Additional Amounts.”

**“Administrative Action”** has the meaning set forth under “Summary Terms—Tax Event” and “Description of the Trust Securities—Redemption.”

**“Affiliate”** has the meaning set forth under “Summary Terms—Tax Event” and “Description of the Trust Securities—Redemption.”

**“Alex”** has the meaning set forth under “Summary—Business Overview—Asset Management.”

**“ASIC”** has the meaning set forth on page (iii).

**“AUD Series 1 Certificate of Designation”** has the meaning set forth under “Rabobank Capital Funding III LLC.”

**“AUD Series 2 Certificate of Designation”** has the meaning set forth under “Rabobank Capital Funding III LLC.”

**“AUD Series 1 Contingent Distribution”** has the meaning set forth under “Summary Terms—The AUD Series 2 Guarantee and the Contingent Guarantee.”

**“AUD Series 2 Contingent Distribution”** has the meaning set forth under “Summary Terms—The AUD Series 2 Guarantee and the Contingent Guarantee” and “Description of the AUD Series 2 Guarantee and the Contingent Guarantee—General.”

**“AUD Series 1 Guarantee”** has meaning set forth under “Summary- The Offering.”

**“AUD Series 2 Guarantee”** has the meaning set forth under “Summary—The Offering.”

**“AUD Series 2 Guarantee Payments”** has the meaning set forth under “Summary Terms—The AUD Series 2 Guarantee and the Contingent Guarantee” and “Description of the AUD Series 2 Guarantee and the Contingent Guarantee—General.”

**“AUD Series 2 Subordinated Note Additional Amounts”** has the meaning set forth under “Summary Terms—Payment of Additional Amounts” and “Summary Terms— Initial AUD Series 2 Subordinated Note.”

**“Austraclear”** has the meaning set forth under “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement, Settlement and Transfer.”

**“Australian Tax Act”** has the meaning set forth under “Taxation—Australian Taxation.”

**“Australian Business Day”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities— Dividends.”

**“Bank Instrument”** has the meaning set forth under “Summary Terms—Required Dividends on LLC AUD Series 2 Class B Preferred Securities.”

**“Basel II”** has the meaning set forth under “Regulation and Supervision—Basel Standards.”

**“Basel Committee”** has the meaning set forth under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Adequacy.”

**“Basel guidelines”** has the meaning set forth under “Regulation and Supervision—Basel Standards.”

**“BBSW”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities— Dividends.”

**“Beneficial Owner”** has the meaning set forth under “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“BIS ratio”** has the meaning set forth under “Risk Management—Reserves.”

**“Branch”** has the meaning set forth under “Summary—The Offering.”

**“BRMC”** has the meaning set forth under “Risk Management.”

**“Business Day”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities—Dividends.”

**“CAD”** has the meaning set forth under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Adequacy.”

**“Calculation Agent”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities—Dividends.”

**“Calculation Date”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities—Dividends.”

**“Capital Bank Guarantee”** has the meaning set forth under “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—No Dividends” and “Summary Terms—No Dividends.”

**“Capital Base Ratio Directive”** has the meaning set forth under “Regulation and Supervision—European Union Standards.”

**“Capital Event”** has the meaning set forth under “Summary Terms—Capital Event” and “Description of the Trust Securities—Redemption.”

**“Capital Local Rabobank Guarantee”** has the meaning set forth under “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—No Dividends.”

**“CCCRG”** has the meaning set forth under “Risk Management.”

**“Certificates of Designation”** has the meaning set forth under “Rabobank Capital Funding III LLC.”

**“CLA”** has the meaning set forth under “Business—Employees.”

**“Clearstream”** has the meaning set forth under “Summary Terms—Redemption” and “Summary Terms—Form of Trust Preferred Securities.”

**“Code”** has the meaning set forth under “Summary Terms—Redemption” and on page (iii).

**“Common Depositary”** has the meaning set forth under “Description of the Trust Securities—Forms, Book-Entry Procedures and Transfer.”

**“Common Dividend Requirement”** has the meaning set forth under “Description of the LLC Securities—LLC Common Securities—Dividends.”

**“Contingent Distributions”** has the meaning set forth under “Summary Terms—The AUD Series 2 Guarantee and the Contingent Guarantee” and “Description of the AUD Series 2 Guarantee and the Contingent Guarantee—General.”

**“Contingent Guarantee”** has the meaning set forth under “Summary—The Offering.”

**“Controlled Affiliate”** has the meaning set forth under “Rabobank Capital Funding Trust VI.”

**“Corporations Act”** has the meaning set forth on page (iii).

**“De Lage Landen”** has the meaning set forth under “Summary—Business Overview—Leasing.”

**“De Lage Landen Vastgoedfinancieringen”** has the meaning set forth under “Summary—Recent Developments.”

**“Delaware Trustee”** has the meaning set forth under “Rabobank Capital Funding Trust VI.”

**“Depositary”** has the meaning set forth under “Description of the Trust Securities—Exchange of Book-Entry Securities for Certificated Securities.”

**“Disqualified Persons”** has the meaning set forth under “Certain ERISA Considerations—General.”

**“Distribution Compliance Period”** has the meaning set forth under “Summary Terms—Form of Trust Preferred Securities” and “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“Dividend Payment Date”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities—Dividends.”

**“Dividend Period”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities—Dividends.”

**“Dividends”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities.”

“**DOL**” has the meaning set forth under “Certain ERISA Considerations–Plan Asset Regulation.”

“**double gearing**” has the meaning set forth under “Regulation and Supervision–European Union Standards.”

“**Dutch Central Bank**” has the meaning set forth under “Summary Terms—No Dividends.”

“**EC Directives**” has the meaning set forth under “Regulation and Supervision–European Union Standards.”

“**Effectenbank Stroeve**” has the meaning set forth under “Summary–Business Overview–Asset Management.”

“**Eligible Debt Securities**” has the meaning set forth under “Summary–The Offering.”

“**Eligible Issuer**” has the meaning set forth under “Summary Terms—Tax Event” and “Description of the Trust Securities–Redemption.”

“**ERISA**” has the meaning set forth under “Summary Terms—Certain ERISA Considerations,” “Certain ERISA Considerations–General” and on page (iii).

“**EU**” has the meaning set forth under “Regulation and Supervision–General Overview” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Changes in Accounting Rules.”

“**Eureko**” has the meaning set forth under “Summary—Recent Developments.”

“**Euroclear**” has the meaning set forth under “Summary Terms–Redemption” and “Summary Terms–Form of Trust Preferred Securities.”

“**excessive leveraging**” has the meaning set forth under “Regulation and Supervision–European Union Standards.”

“**Exchange Act**” has the meaning set forth under “Available Information.”

“**FAR**” has the meaning set forth under “Risk Management–Reserves.”

“**FCSAmerica**” has the meaning set forth under “Summary—Recent Developments.”

“**FGH Bank**” has the meaning set forth under “Summary–Business Overview–Real Estate.”

“**FIF**” has the meaning set forth under “Taxation—Australian Taxation—Holders Resident in Australia for Australian Income Tax Purposes.”

“**Fixed Rate Dividend Payment Date**” has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities–Dividends.”

“**Fixed Rate Dividend Period**” has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities–Dividends.”

“**Fixed Rate Interest Payment Date**” has the meaning set forth under “Description of the Initial AUD Series 2 Subordinated Note–General.”

“**Fixed Rate Interest Period**” has the meaning set forth under “Description of the Initial AUD Series 2 Subordinated Note–General.”

“**Floating Rate Dividend Payment Date**” has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities–Dividends.”

“**Floating Rate Dividend Period**” has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities–Dividends.”

“**Floating Rate Interest Payment Date**” has the meaning set forth under “Description of the Initial AUD Series 2 Subordinated Note–General.”

“**Floating Rate Interest Period**” has the meaning set forth under “Description of the Initial AUD Series 2 Subordinated Note–General.”

“**FSMA**” has the meaning set forth under “Plan of Distribution–United Kingdom.”

“**GBP Contingent Distribution**” has the meaning set forth under “Summary Terms—The AUD Series 2 Guarantee and the Contingent Guarantee” and “Description of the AUD Series 2 Guarantee and the Contingent Guarantee–General.”

“**GBP Contingent Guarantee**” has the meaning set forth under “Summary Terms—The AUD Series 2 Guarantee and the Contingent Guarantee” and “Description of the AUD Series 2 Guarantee and the Contingent Guarantee–General.”

**“GBP Guarantee”** has the meaning set forth under “Summary—The Offering.”

**“Gilde”** has the meaning set forth under “Summary—Group Strategy.”

**“Global Certificate(s)”** has the meaning set forth under “Summary Terms—Form of Trust-Preferred Securities” and “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“gross operating profit”** means operating profit before value adjustments and taxation.

**“Guarantee Independent Director”** has the meaning set forth under “Summary Terms—The AUD Series 2 Guarantee and the Contingent Guarantee.”

**“Guarantees”** has the meaning set forth under “Summary—The Offering.”

**“Guarantor Additional Amounts”** has the meaning set forth under “Summary Terms—Payment of Additional Amounts” and “Description of the Guarantee and the Contingent Guarantee—General.”

**“Holding”** has the meaning set forth under “Summary—The Offering.”

**“Independent Directors”** has the meaning set forth under “Summary Terms—Voting Rights.”

**“Independent Investment Banker”** has the meaning set forth under “Summary Terms—LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount.”

**“Indirect Participants”** has the meaning set forth under “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“Initial AUD Series 2 Note Optional Redemption Date”** has the meaning set forth under “Summary Terms—Initial AUD Series 2 Subordinated Note.”

**“Initial AUD Series 2 Note Redemption Date”** has the meaning set forth under “Summary Terms—Initial AUD Series 2 Subordinated Note” and “Description of the Initial AUD Series 2 Subordinated Note—General.”

**“Initial AUD Series 1 Subordinated Note”** has the meaning set forth under “Summary Terms—The LLC,” “Summary Terms—Initial AUD Series 2 Subordinated Note” and “Description of the Initial AUD Series 2 Subordinated Note—General.”

**“Initial AUD Series 2 Subordinated Note”** has the meaning set forth under “Summary—The LLC,” “Summary Terms—Initial AUD Series 2 Subordinated Note,” “Description of the Initial AUD Series 2 Subordinated Note—General” and “Summary- The Offering.”

**“Initial AUD Series 2 Subordinated Note Make-Whole Amount”** has the meaning set forth under “Summary Terms—Initial AUD Series 2 Subordinated Note” and “Description of the Initial AUD Series 2 Subordinated Note—General.”

**“Initial GBP Subordinated Note”** has the meaning set forth under “Summary—The LLC,” “Summary Terms—Initial AUD Series 2 Subordinated Note,” “Description of the Initial AUD Series 2 Subordinated Note—General” and “Summary— The Offering.”

**“Initial Proceeds”** has the meaning set forth under “Rabobank Capital Funding III LLC.”

**“Initial Subordinated Notes”** has the meaning set forth under “Summary—LLC,” “Summary Terms—Initial AUD Series 2 Subordinated Note,” “Description of the Initial AUD Series 2 Subordinated Note—General,” “Summary—The Offering,” and “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—Dividends.”

**“Initial USD Subordinated Note”** has the meaning set forth under “Summary Terms—Initial AUD Series 2 Subordinated Note,” “Description of the Initial AUD Series 2 Subordinated Note,” “Summary- The Offering” “Summary Terms- The LLC.”

**“Interest Payment Date”** has the meaning set forth under “Description of the Initial Subordinated Note—General.”

**“Interest Period”** has the meaning set forth under “Description of the Initial AUD Series 2 Subordinated Note—General.”

**“Interpolis”** has the meaning set forth under “Summary—Business Overview—Insurance.”

**“Investment Company Event”** has the meaning set forth under “Summary Terms—Investment Company Event” and “Description of the Trust Securities—Redemption.”

**“Issue Date”** has the meaning set forth under “Summary Terms—Issue Date.”

**“Junior Group Member Instrument”** has the meaning set forth under “Summary Terms—Required Dividends on LLC AUD Series 2 Class B Preferred Securities.”

**“Junior Member Certificates Related Agreements”** has the meaning set forth under “Summary Terms—No Dividends” and “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—No Dividends.”

**“KBC Bank”** has the meaning set forth under “Summary—Recent Developments.”

**“Liquidation Preference Amount”**, has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and, with respect to the Trust Preferred Securities, has the meaning set forth under “Description of the Trust Securities—Dividends”, and, with respect to the LLC Class B Preferred Securities, has the meaning set forth under “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—Dividends.”

**“LLC”** has the meaning set forth under “Summary—The Offering.”

**“LLC Act”** has the meaning set forth under “Rabobank Capital Funding III LLC.”

**“LLC Additional Amounts”** has the meaning set forth under “Summary Terms—Payment of Additional Amounts.”

**“LLC Agreement”** has the meaning set forth under “Summary Terms—No Dividends” and “Rabobank Capital Funding III LLC.”

**“LLC AUD Series 1 Class B Preferred Securities”** has the meaning set forth under “Summary—The Offering.”

**“LLC AUD Series 2 Class B Preferred Securities”** has the meaning set forth under “Summary—The Offering.”

**“LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount”** has the meaning set forth under “Summary Terms—LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount” and “Description of the Trust Securities—Redemption.”

**“LLC Class A Preferred Securities”** has the meaning set forth under “Summary—The Offering.”

**“LLC Class B Preferred Securities”** has the meaning set forth under “Summary—The Offering.”

**“LLC Common Securities”** has the meaning set forth under “Summary—The Offering.”

**“LLC Enforcement Event”** has the meaning set forth under “Description of the LLC Securities—LLC Enforcement Events.”

**“LLC GBP Class B Preferred Securities”** has the meaning set forth under “Summary—The Offering.”

**“LLC Preferred Securities”** has the meaning set forth under “Summary—The Offering.”

**“LLC Securities”** has the meaning set forth under “Summary—The Offering.”

**“LLC Special Event”** has the meaning set forth under “Summary Terms—LLC Special Event” and “Description of the Trust Securities—Redemption.”

**“LLC Successor Securities”** has the meaning set forth under “Description of the LLC Securities—Merger, Consolidation, Conversion or Amalgamation of the LLC.”

**“LLC USD Class B Preferred Securities”** has the meaning set forth under “Summary—The Offering.”

**“Local Rabobank Instrument”** has the meaning set forth under “Summary Terms—Required Dividends on LLC AUD Series 2 Class B Preferred Securities.”

**“Member Organization”** has the meaning set forth under “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“Netherlands Act”** has the meaning set forth under “Regulation and Supervision—General Overview.”

**“Non-U.S. holder”** has the meaning set forth under “Taxation—U.S. Taxation—Tax Consequences to Certain Non-U.S. Holders.”

**“non-U.S. Persons”** has the meaning set forth under “Summary Terms—Form of Trust Preferred Securities” and “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“Note Redemption Base Swap Rate”** has the meaning set forth under “Description of the Initial AUD Series 2 Subordinated Note—General.”

**“Obvion”** has the meaning set forth under “Business—Business Activities of the Rabobank Group—Retail Banking—Obvion N.V.” and “Summary—Business Overview—Retail Banking.”

**“Optional Redemption Date”** has the meaning set forth under “Summary Terms—Redemption” and “Description of the Trust Securities—Redemption.”

**“own funds”** has the meaning set forth under “Regulation and Supervision—European Union Standards.”

**“Own Funds Directive”** has the meaning set forth under “Regulation and Supervision—European Union Standards.”

**“Parity Bank Guarantee”** has the meaning set forth under “Summary Terms—No Dividends” and “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—No Dividends.”

**“Parity Bank Share”** has the meaning set forth under “Summary Terms—No Dividends” and “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—No Dividends.”

**“Parity Local Rabobank Guarantee”** has the meaning set forth under “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—No Dividends.”

**“Parity Local Rabobank Share”** has the meaning set forth under “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—No Dividends.”

**“Parity Share”** has the meaning set forth under “Summary Terms—No Dividends” and “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—No Dividends.”

**“Participants”** has the meaning set forth under “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“Parties-in-Interest”** has the meaning set forth under “Certain ERISA Considerations—General.”

**“Person”** has the meaning set forth under “Description of the Trust Securities—Redemption.”

**“PFIC”** has the meaning set forth under “Taxation—Tax Consequences to U.S. Holders—Possible Recharacterization.”

**“Plan”** has the meaning set forth under “Certain ERISA Considerations—General.”

**“Plan Asset Regulation”** has the meaning set forth under “Certain ERISA Considerations—Plan Asset Regulation.”

**“Primary Australian Treasury Dealer”** has the meaning set forth in “Summary Terms—LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount” and, with respect to the Trust Securities and LLC Class B Preferred Securities, has the meaning set forth under “Description of the Trust Securities—Redemption”, and, with respect to the Subordinated Notes, has the meaning set forth under “Description of the Initial Subordinated Note—General.”

**“Property Trustee”** has the meaning set forth under “Summary Terms—The AUD Series 2 Guarantee and the Contingent Guarantee” and “Rabobank Capital Funding Trust VI.”

**“PTCE”** has the meaning set forth under “Certain ERISA Considerations—Exemptions from Prohibited Transactions.”

**“Purchase Agreement”** has the meaning set forth under “Plan of Distribution.”

**“QIBs”** has the meaning set forth under “Summary Terms—Form of Trust Preferred Securities” and “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“Rabo Securities”** has the meaning set forth under “Summary—Business Overview—Wholesale Banking.”

**“Rabo Vastgoed”** has the meaning set forth under “Summary—Business Overview—Real Estate.”

**“Rabobank Group”** has the meaning set forth under “Summary Terms—The Rabobank Group.”

**“Rabobank Nederland”** has the meaning set forth under “Summary—The Offering” and “Summary Terms—Rabobank Nederland.”

**“Rabohypothekbank”** has the meaning set forth under “Business—Business Activities of Rabobank Group—Retail Banking.”

**“RBPS III”** has the meaning set forth under “Summary—The Offering.”

**“Redemption Base Swap Rate”** has the meaning set forth under “Summary Terms—LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount.”

**“Redemption Date”** has the meaning set forth under “Summary Terms—Redemption” and “Description of the Trust Securities—Redemption.”

**“Redemption Price”** has the meaning set forth under “Summary Terms—Redemption” and “Description of the Trust Securities—Redemption.”

**“Reference Banks”** has the meaning set forth under “Summary Terms—Form of Trust Preferred Securities” and “Description of the Trust Securities—Dividends” and “Summary Terms—Dividends on Trust Preferred Securities.”

**“Regular Independent Director”** has the meaning set forth under “Summary Terms—Voting Rights.”

**“Regular Trustees”** has the meaning set forth under “Rabobank Capital Funding Trust VI.”

**“Regulation S”** has the meaning set forth under “Summary Terms—Form of Trust Preferred Securities.”

**“Regulation S Global Certificates”** has the meaning set forth under “Summary Terms—Form of Trust Preferred Securities” and “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“Relevant Jurisdiction”** has the meaning set forth under “Summary Terms—Payment of Additional Amounts.”

**“relevant persons”** has the meaning set forth on page (iii).

**“Relevant Screen Page”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities—BBSW” and “Description of the Trust Securities—Dividends.”

**“Relevant Tax”** has the meaning set forth under “Summary Terms—Payment of Additional Amounts.”

**“Required Dividends”** has the meaning set forth under “Summary Terms—Required Dividends on LLC AUD Class B Preferred Securities” and “Description of the LLC Securities—LLC AUD Series 2 Class B Preferred Securities—Dividends.”

**“Resale Restriction Termination Date”** has the meaning set forth under “Notice to Investors.”

**“Reserve Bank of Australia Bond Price Formula”** has the meaning set forth under “Summary Terms—LLC AUD Series 2 Class B Preferred Securities Make-Whole Amount.”

**“Reset Date”** has the meaning set forth under “Summary Terms—Dividends on Trust Preferred Securities” and “Description of the Trust Securities—Dividends.”

**“Restricted Global Certificates”** has the meaning set forth under “Summary Terms—Form of Trust Preferred Securities” and “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“RNCC”** has the meaning set forth under “Summary—Business Overview—Wholesale Banking.”

**“Rule 144A”** has the meaning set forth under “Summary Terms—Form of Trust Preferred Securities.”

**“Sarasin”** has the meaning set forth under “Business—Business Activities of the Rabobank Group—Asset Management and Investment.”

**“Schretlen”** has the meaning set forth under “Summary—Business Overview—Asset Management.”

**“Second EC Banking Coordination Directive”** has the meaning set forth under “Regulation and Supervision—European Union Standards.”

**“Securities Act”** has the meaning set forth under “Available Information.”

**“Securities and Exchange Law”** has the meaning set forth under “Plan of Distribution—Japan.”

**“Services Agreements”** has the meaning set forth under “Summary—The Offering” and “Summary Terms—Services Agreements.”

**“Settlement Systems”** has the meaning set forth under “Description of the Trust Securities—Form, Book-Entry Procedures, Settlement and Transfer.”

**“SFA”** has the meaning set forth under “Plan of Distribution—Singapore.”

**“Special Independent Director”** has the meaning set forth under “Summary Terms—Voting Rights” and “Description of the LLC Securities—Voting Rights.”

**“Subordinated Notes”** has the meaning set forth under “Summary Terms—Initial AUD Series 2 Subordinated Note” and “Description of the Initial AUD Series 2 Subordinated Note—General.”

**“Successor Securities”** has the meaning set forth under “Description of the Trust Securities—Merger, Consolidation, Conversion or Amalgamation of the Trust.”

**“Tax Amount”** has the meaning set forth under “Description of the LLC Securities—LLC Common Securities—Dividends.”

“**Tax Event**” has the meaning set forth under “Summary Terms—Tax Event” and “Description of the Trust Securities—Redemption.”

“**Trust**” has the meaning set forth under “Summary—The Offering.”

“**Trust Act**” has the meaning set forth under “Rabobank Capital Funding Trust VI.”

“**Trust Agreement**” has the meaning set forth under “Summary Terms—Governing Law” and “Rabobank Capital Funding Trust VI.”

“**Trust Common Securities**” has the meaning set forth under “Summary—The Offering.”

“**Trust Enforcement Event**” has the meaning set forth under “Description of the Trust Securities—Trust Enforcement Events.”

“**Trust Liquidation**” has the meaning set forth under “Description of the Trust Securities—Liquidation Distribution Upon Dissolution.”

“**Trust Preferred Securities**” has the meaning set forth under “Summary—The Offering.”

“**Trust Securities**” has the meaning set forth under “Summary—The Offering.”

“**Trust Special Event**” has the meaning set forth under “Summary Terms—Trust Special Event” and “Description of the Trust Securities—Redemption.”

“**Trustees**” has the meaning set forth under “Rabobank Capital Funding Trust VI.”

“**USD Contingent Distribution**” has the meaning set forth under “Summary Terms—The AUD Series 2 Guarantee and the Contingent Guarantee” and “Description of the Guarantee and the Contingent Guarantee—General.”

“**USD Guarantee**” has the meaning set forth under “Summary—The Offering.”



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**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2003**  
**(AFTER PROFIT APPROPRIATION)**

(in EUR millions)	2003	2002
<b>Assets</b>		
Cash <sup>(1)</sup> .....	7,117	3,807
Short-term government paper <sup>(2)</sup> .....	3,211	1,813
Professional securities transactions .....	30,199	40,053
Other banks .....	11,720	7,176
Banks <sup>(3)</sup> .....	41,919	47,229
Public sector lending .....	2,161	797
Private sector lending .....	235,425	212,323
Professional securities transactions .....	13,211	12,132
Lending <sup>(4)</sup> .....	250,797	225,252
Interest-bearing securities <sup>(5)</sup> .....	71,141	71,320
Shares <sup>(6)</sup> .....	10,093	9,414
Participating interests <sup>(7)</sup> .....	201	184
Property and equipment <sup>(8)</sup> .....	3,964	3,870
Other assets <sup>(9)</sup> .....	4,984	4,519
Prepayments and accrued income <sup>(10)</sup> .....	9,878	7,312
<b>Total assets</b> .....	403,305	374,720
<b>Liabilities</b>		
Professional securities transactions .....	20,180	21,808
Other banks .....	62,676	64,078
Banks <sup>(11)</sup> .....	82,856	85,886
Savings .....	71,559	66,272
Professional securities transactions .....	3,309	6,031
Other funds entrusted .....	97,703	99,329
Funds entrusted <sup>(12)</sup> .....	172,571	171,632
Debt securities <sup>(13)</sup> .....	80,695	61,739
Other liabilities <sup>(14)</sup> .....	11,907	7,699
Accruals and deferred income <sup>(15)</sup> .....	12,513	8,218
Provisions <sup>(16)</sup> .....	19,177	18,338
	379,719	353,512
Fund for general banking risks <sup>(17)</sup> .....	1,679	1,679
Subordinated loans <sup>(18)</sup> .....	174	111
	1,853	1,790
Member Capital .....	3,853	3,851
Revaluation reserves .....	222	246
Other reserves .....	11,158	10,164
	2,037	650
Trust Preferred Securities .....		
Reserves <sup>(19)</sup> .....	17,270	14,911
Third-party interests <sup>(20)</sup> .....	4,463	4,507
Group equity .....	23,586	21,208
<b>Total liabilities</b> .....	403,305	374,720
Contingent liabilities <sup>(21)</sup> .....	6,435	7,655
Irrevocable facilities <sup>(22)</sup> .....	26,117	27,151

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2003

(in EUR millions)	2003	2002
<b>Income</b>		
<i>Interest income</i> <sup>(23)</sup> .....	17,794	18,265
<i>Interest expense</i> <sup>(24)</sup> .....	11,784	12,874
Interest .....	6,010	5,391
Income from securities and participating interests <sup>(25)</sup> .....	519	529
<i>Commission income</i> <sup>(26)</sup> .....	2,146	2,049
<i>Commission expense</i> <sup>(27)</sup> .....	294	254
Commission .....	1,852	1,795
Results on financial transactions <sup>(28)</sup> .....	170	285
Other income <sup>(29)</sup> .....	687	564
<b>Total income</b> .....	9,238	8,564
<b>Expenses</b>		
<i>Staff costs</i> <sup>(30)</sup> .....	3,770	3,682
<i>Other administrative expenses</i> <sup>(31)</sup> .....	2,101	1,789
Staff costs and other administrative expenses ...	5,871	5,471
Depreciation <sup>(32)</sup> .....	372	368
Operating expenses .....	6,243	5,839
Value adjustments to receivables <sup>(33)</sup> .....	575	500
Value adjustments to financial fixed assets <sup>(34)</sup> ..	18	252
<b>Total expenses</b> .....	6,836	6,591
Operating profit before taxation .....	2,402	1,973
Taxation on operating profit <sup>(35)</sup> .....	733	514
Operating profit/Group profit after taxation .....	1,669	1,459
Third-party interests <sup>(36)</sup> .....	266	209
<b>Net profit</b> .....	1,403	1,250

## CASH FLOW STATEMENT

(in EUR millions)	2003	2002
<b>Cash flow from operating activities</b>		
Operating profit/Group profit after taxation .....	1,669	1,459
Adjustments for:		
– depreciation .....	372	368
– value adjustments to receivables.....	575	500
– value adjustments to financial fixed assets..	18	252
– movements in technical reserves relating to the insurance business .....	1,119	939
– movements in other provisions .....	(280)	(937)
– movements in accrued and deferred items ..	1,729	4,734
	3,533	5,856
Cash flow from business operations .....	5,202	7,315
Movements in short-term government paper .....	(1,398)	3,498
Movements in securities trading portfolio.....	2,665	3,340
Movements in securitised loans .....	(50)	(154)
Movements in banks .....	633	(675)
Movements in lending.....	(26,120)	(17,138)
Movements in funds entrusted.....	939	(542)
Other movements from operating activities .....	4,464	(469)
	(18,867)	(12,140)
<b>Net cash flow from operating activities .....</b>	<b>(13,665)</b>	<b>(4,825)</b>
<b>Cash flow from investing activities</b>		
Investments and purchases		
– investment portfolio .....	(24,222)	(22,495)
– participating interests .....	(45)	(126)
– tangible fixed assets .....	(686)	(802)
	(24,953)	(23,423)
Disposals, redemptions and sales		
– investment portfolio .....	19,900	23,801
– participating interests .....	15	136
– tangible fixed assets .....	227	333
	20,142	24,270
<b>Net cash flow from investing activities .....</b>	<b>(4,811)</b>	<b>847</b>
<b>Cash flow from financing activities</b>		
Movements in Member Capital and Trust		
Preferred Securities .....	1,389	1,575
Movements in subordinated loans .....	63	59
Movements in debt securities .....	18,956	3,225
Payment on Member Capital and Trust Preferred Securities .....	(269)	(206)
<b>Net cash flow from financing activities.....</b>	<b>20,139</b>	<b>4,653</b>
<b>Net cash flow/Movement in cash and cash equivalents .....</b>	<b>1,663</b>	<b>675</b>

The cash flow statement provides a summary of the net movements in operating, investing and financing activities.

Cash and cash equivalents consist of legal tender and balances available on demand with central banks.

## NOTES

### **Basis of consolidation**

The consolidated financial statements of Rabobank Group include the financial information of Rabobank Nederland and the local member banks, as well as the financial information of other group companies. The assets, liabilities and results of these companies are consolidated in full. Third-party interests are disclosed separately. Joint ventures are included in the consolidated financial statements in proportion to the Bank's share. Account balances between the banking activities and the insurance activities are eliminated insofar as they arise from financing activities.

The consolidated financial statements form part of the financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA ("Rabobank Nederland") and are referred to as the financial statements of Rabobank Group.

The difference between the equity and results as presented in the financial statements of Rabobank Group and in the financial statements of Rabobank Nederland can be attributed to the equity and results of the local member banks affiliated to Rabobank Nederland, Rabohypothekbank NV and Onderlinge Waarborgmaatschappij Rabobanken BA.

The financial statements have been drawn up in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Unless otherwise stated, all amounts disclosed in these notes are in millions of euros.

### **Changes in classification and accounting policies with effect from 2003**

In accordance with the Guidelines for Annual Reporting in the Netherlands, as from the 2003 financial statements changes in the carrying values of property not in use by the Bank are taken to the profit and loss account. In addition, a revaluation reserve is formed and charged to the other reserves. Up to and including the 2002 financial statements, changes in value were only taken to the profit and loss account in the case of downward value adjustments and if the revaluation reserve was insufficient to absorb the adjustment. This change in accounting policy has no effect on equity. The effect on results is considered negligible.

Other prior-year figures have been reclassified where necessary for comparative purposes. These reclassifications have no effect on results or equity.

### **Recognition of financial instruments in the balance sheet**

A financial asset or a financial liability is recognised in the balance sheet as from the moment that the Group is entitled to the benefits or is committed to the obligations arising from the contractual provisions of the financial instrument. From the moment that these conditions are no longer met, a financial instrument is no longer recognised in the balance sheet. Financial assets and liabilities are netted off in the balance sheet if the Group is allowed to do so on the basis of legal or contractual provisions and has the intention to offset these assets and liabilities or to settle them simultaneously.

### **Accounting policies**

#### ***General***

These financial statements have been prepared under the historical cost convention. Departures, if any, from historical cost rules are mentioned separately. All assets are carried net of such diminutions in value as deemed necessary. The addition to the item value adjustments to receivables is determined on a dynamic basis. The accounting policies applied by Interpolis NV are in accordance with the reporting requirements for insurance companies.

Premiums and discounts are included under prepayments and accrued income or under accruals and deferred income as appropriate, and are amortised over the term to maturity of the items concerned.

#### ***Derivatives***

Derivative contracts relating to trading activities are included at their market value in the balance sheet, under prepayments and accrued income or under accruals and deferred income as appropriate. Changes in these market values are accounted for in the profit and loss account. The market value of derivative contracts relating to trading

activities is determined taking into account the costs of eliminating market risk, the expected credit risk, liquidity adjustments and adjustments resulting from market developments.

Interest rate contracts relating to trading activities are stated at market value, based on the spot rate ruling at the balance sheet date. Gains and losses on these contracts are accounted for under results on financial transactions. Other interest rate contracts are valued in line with the underlying assets and liabilities. Gains and losses are accounted for under interest in proportion to the expired term.

Foreign exchange contracts relating to borrowing and lending transactions are carried at the spot price rate ruling at the balance sheet date. Gains and losses resulting from these transactions are accounted for under interest in proportion to the term to maturity. Other foreign exchange contracts are carried at the market price for the remaining term at the balance sheet date. Realised and unrealised exchange differences are taken to results on financial transactions. Other contracts are carried at market value.

### ***Foreign currency***

Participating interests denominated in foreign currencies are translated at the spot rate of exchange ruling at the balance sheet date. Resulting exchange differences that have not been hedged are taken to reserves. Other assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the balance sheet date. Resulting exchange differences are taken to results on financial transactions.

Assets, liabilities and results of the insurance business denominated in foreign currencies are translated at the spot rate of exchange ruling at the balance sheet date. Resulting exchange differences on assets and liabilities are taken direct to reserves insofar as they are for the Group's own account and risk.

### ***Leasing***

Amounts receivable on leases of property and equipment are included in the balance sheet under lending and banks. Net income from lease contracts is taken to the profit and loss account under interest income.

### **Short-term government paper, interest-bearing securities and shares**

#### ***Investment portfolio***

The investment portfolio consists of securities forming part of fixed assets and held as investments in accordance with Rabobank policy. Bonds and other interest-bearing securities are carried at redemption value. The difference between redemption value and cost is accounted for under prepayments and accrued income or accruals and deferred income as appropriate and taken to the profit and loss account under interest income evenly over the term of the securities concerned.

Bonds and other interest-bearing securities for which all or most of the interest income is received at the time of redemption are carried at cost rather than at redemption value. The value of these items is increased by a proportional part of the difference between cost and redemption value for the remaining term to maturity, calculated on the basis of compound interest. This increase is accounted for as interest income.

Gains and losses on the sale of bonds and other interest-bearing securities are taken to reserves, taking into account deferred taxation, and recognised as interest income over the remaining term to maturity of those securities. Gains and losses on securities sold on account of a structural reduction of the investment portfolio are taken direct to interest income.

Transfers of bonds and other interest-bearing securities from the investment portfolio to the trading portfolio, and vice versa, are made at market value. Resulting gains and losses are accounted for in the same manner as gains and losses on sales of either investment portfolio or trading portfolio securities, as appropriate.

Shares and other non-fixed income securities listed on a stock exchange are carried at year-end market value; those not listed are carried at estimated realisable value. Resulting unrealised differences in value are taken to a revaluation reserve, taking into account deferred taxation. Unrealised differences in the value of hedging contracts are treated in the same manner. Realised price differences are taken to the profit and loss account under income from securities and participating interests. Unrealised losses that cannot be charged to the revaluation reserve are taken to the profit and loss account under value adjustments to financial fixed assets.

In respect of investments made by the insurance business in land and buildings, shares and convertible bonds, a structural total return is recognised in the profit and loss account. The total return consists of the direct return realised (net rental income and Dividends) and an indirect return. The total return is calculated by multiplying the average return realised on the investments in the past 30 years by the average value of the investments in the past



seven years. The indirect return is calculated as the difference between the total return and the direct return. The indirect return is released from the revaluation reserve. Releases from the revaluation reserve are made insofar as the reserve has a positive balance.

The accounting policy for investments in separate investment funds (insurance business) is the same as the policy described above, except for unrealised differences in value on investments in shares and other variable-yield securities, which are accounted for in the provision for price differences third parties.

Realised price gains and losses are taken direct to the profit and loss account.

Other investments for the account and risk of policyholders are carried at market value, increased with accrued interest where appropriate. Realised and unrealised differences in value are taken to the profit and loss account.

### ***Trading portfolio***

The trading portfolio is carried at market value or estimated realisable value at the balance sheet date. Valuation differences relating to the trading portfolio are accounted for under results on financial transactions. Repurchased own bonds and other interest-bearing securities for resale are carried at the lower of cost and market value. The market value is determined taking into account the costs of eliminating market risk, the expected credit risk, liquidity adjustments and adjustments resulting from market developments.

### ***Certificates of deposit and commercial paper***

Certificates of deposit and commercial paper qualifying as loans and advances are carried at face value. If they do not qualify as such, they are valued in the same way as bonds and other interest-bearing securities.

### ***Temporary other investments***

Temporary other investments are carried at market value determined individually for each investment. The resulting positive differences in value in relation to cost are taken to the revaluation reserve. Decreases in the revaluation reserve due to disposals are released to the profit and loss account. Downward value adjustments and reversals of them are taken to the profit and loss account under value adjustments to financial fixed assets, insofar as no reserve has been formed for them.

### ***Participating interests***

Participating interests over whose commercial and financial policy Rabobank exercises significant influence are carried at net asset value based on the latest financial information available. Rabobank's share in the results of participating interests is taken to the profit and loss account under income from securities and participating interests.

Other participating interests are carried at fair value. The resulting positive differences in value in relation to cost are taken to the revaluation reserve for participating interests. Decreases in the revaluation reserve due to disposals are released to the profit and loss account. Downward value adjustments, as well as reversals of them, are accounted for under value adjustments to financial fixed assets, insofar as no reserve has been formed for them. Dividends received from other participating interests are taken to the profit and loss account under income from securities and participating interests.

Results of foreign offices denominated in foreign currencies are translated at the average rates for the financial year. Resulting translation differences are taken to the revaluation reserve.

Goodwill, being the difference between the cost and net asset value of participating interests, is charged direct to other reserves in the year of acquisition. Negative goodwill on the acquisition of participating interests is taken direct to the revaluation reserve. The revaluation reserve is transferred evenly to other reserves in proportion to the gains realised on the participating interests concerned.

### ***Property and equipment***

#### ***Property in use by the Bank***

Bank buildings are carried at current cost, derived from their replacement value based on continuity and functionality. This replacement value is arrived at by means of regular appraisals, so that each building is appraised at least once every ten years. The current cost of buildings not appraised in the year under review is adjusted based on building industry index.

Changes in value resulting from this accounting policy are taken to the revaluation reserve, taking into account deferred taxation. Downward value adjustments that cannot be absorbed by the revaluation reserve are charged to the profit and loss account.

The current cost is depreciated on a straight-line basis over an expected useful economic life of at most 40 years.

Bank buildings under construction are carried at cost. No depreciation is charged while work is in progress.

Buildings due to be sold are stated at their appraised realisable value. Lump-sum ground rent of land held on a long lease is capitalised and written off over a period not exceeding 40 years.

#### ***Property not in use by the Bank***

Buildings not in use by the Bank are carried at current cost, i.e. at their net realisable value. Changes in value resulting from this accounting policy are taken to the profit and loss account, taking into account deferred taxation, and a revaluation reserve is formed at the same time. Property acquired under foreclosure is carried at the lower of cost and net realisable value. Construction projects in progress are carried at the lower of cost and net realisable value, net of payments received on account.

#### ***Property relating to the insurance business***

All land and buildings are carried at current cost, i.e. the estimated private sale value, taking into account the expected return on investment and the nature and location of the property. Changes in value resulting from this accounting policy are taken to the revaluation reserve, taking into account deferred taxation. Appraisals of land and buildings in own use take place at regular intervals so that each item of property is appraised at least once every five years. Buildings under construction are carried at the direct construction costs incurred up to the balance sheet date, plus the contractual obligations entered into and net of any expected decrease in value upon delivery. Land and buildings are not depreciated.

#### ***Equipment***

Equipment is carried at cost and depreciated evenly over the estimated useful lives of the items concerned.

### **Debt securities**

#### ***Borrowings***

Borrowings for which all or most of the interest charges are paid at the time of redemption are carried at their principal, plus a proportional part of the difference between the principal and redemption value for the remaining term to maturity, calculated on the basis of compound interest. The increase is accounted for in the profit and loss account under interest expense.

### **Provisions**

#### ***Provision for pensions***

The provision for pension obligations under defined benefit pension schemes is determined according to a method that determines the discounted value of the pension obligations on the basis of the number of years of active service at the balance sheet date, the estimated salary at the expected date of retirement, indexation and the market rate of interest on high-quality bonds already being traded. The conditional indexation is assumed to be financed by the surplus interest on the investments. To spread the pension charges evenly over the years, the expected return on the investments is incorporated in the calculations. Differences between the expected and actual return on the investments, as well as any actuarial and other differences and adjustments, are not taken to the profit and loss account, unless the cumulative total of these differences and adjustments exceeds 10% of the larger of the obligations under the pension scheme and the fair value of the corresponding investments. The portion that exceeds this limit is taken to the profit and loss account over the average future working lives of the scheme members. The estimates of future factors are based on long-term studies carried out by Rabobank Group. These estimates are by definition uncertain and are therefore tested regularly and adjusted as necessary.

#### ***Provision for deferred taxation***

The provision is formed for deferred tax liabilities resulting from temporary differences between the values for tax purposes and for financial reporting purposes and is stated at its discounted value. In the insurance business, the provision is stated at non-discounted value and is calculated taking into account the reserves recognised for tax purposes. Deferred tax assets are recognised only insofar as they are likely to crystallise.

## ***Technical reserves relating to the insurance business***

### ***Unearned premium reserve***

The unearned premium reserve relates to non-life insurance only and represents the unearned portion of premiums written. The reserve includes the ageing provisions for disability and sickness benefits policies.

### ***Provision for life insurance***

Life insurance liabilities are calculated in accordance with the net method on the basis of recent mortality tables and a discount rate of predominantly 4%. For life insurance policies concluded after 1 August 1999, a discount rate of 3% is used. The discount rate used for underwriting liabilities relating to savings mortgages is equal to the interest rate on the mortgage loans linked to the insurances. The provision is stated net of capitalised interest rate rebates and net of capitalised new-business commission incurred on life insurance policies with renewal premiums paid at regular intervals. Capitalised interest rate rebates on policies for which Interpolis bears the full investment risk are amortised to the profit and loss account evenly over a period of ten years. For policies for which Interpolis bears virtually no investment risk, amortisation is over the full term of the policy. This provision includes profit guarantees calculated according to actuarial principles.

### ***Outstanding claims reserve***

The outstanding claims reserve is formed for outstanding claims, including claims incurred but not yet reported in previous financial years.

The reserve is either determined on an item-by-item basis or estimated on the basis of claims experience, and includes claims handling expenses payable.

The portion of the reserve for disability insurance claims is calculated on the basis of actuarial claims accrual factors, using a discount rate of 4%. For claims reported after 1 January 2001 a discount rate of 3% is used.

### ***Provision for insurance for which policyholders bear the investment risk***

The provision for these liabilities, insofar as the underlying investments are held in separate investment funds, is calculated in the same way as the provision for life insurance.

The provision for other insurances for which policyholders bear the investment risk are calculated in accordance with the carrying value of the underlying investments.

### ***Other technical reserves***

Other technical reserves include a reserve for catastrophe risks in the non-life business. The addition to the reserve is based on the expected cost of external reinsurance cover. Amounts are charged to the reserve if the total loss relating to catastrophe risks on an annual basis exceeds a pre-defined limit. Different limits have been set for the various sectors.

## **Other provisions**

### ***Other provisions, banking activities***

During the term of the Collective Labour Agreement (CLA), employees who meet the CLA requirements can opt for early retirement at or around the age of 60. A provision has been formed for employees who might opt for the Voluntary Early Retirement Scheme. The provision is calculated actuarially, using an average market rate of interest for all employees meeting the criteria and who are likely to make use of the scheme. All other provisions are carried at their non-discounted value.

### ***Other provisions, insurance business***

The provision for price differences third parties relates to unrealised price differences, as at the balance sheet date, on investments in property and shares of separate investment funds. Results realised on the sale of property and shares are taken to the profit and loss account.

## **Fund for general banking risks**

The fund is formed to cover general risks associated with banking activities where this is prudently required. These risks include risks arising on account of unforeseeable and therefore unquantifiable expenses, such as large

misappropriations of funds, nationalisation, et cetera, on the one hand and expenses resulting from large, exceptional setbacks relating to lending, interest rates, currencies, et cetera, on the other. Movements in the fund are accounted for separately in the profit and loss account. Expenses absorbed by amounts released from the fund are accounted for under the related items in the profit and loss account. Movements in the fund are taken into account in determining the tax charge. The fund is presented in the balance sheet net of deferred tax assets.

### **Income and expenses**

Interest, commission and other income are recognised in the financial year to which they relate.

Interest and commission due which are doubtful of collection are not recognised as income. This applies in particular to unpaid interest and commission on loans and advances whose value has been adjusted because of a debtor's expected or actual default.

The same applies to the unpaid portion of interest and commission on those loans and advances whose value has been adjusted on account of country risks.

In determining the costs, allowance is made for accrued and deferred items.

In calculating the tax charge, allowance is made for current tax relief facilities, and their interpretations, including additions to the item value adjustments to receivables and to the fund for general banking risks, which are taken into account in full. Depreciation is charged in accordance with the notes to the item property and equipment.

**NOTES TO THE CONSOLIDATED BALANCE SHEET**  
(in EUR millions)

**1. Cash**

This item consists of legal tender, balances available on demand with foreign central banks in countries where Rabobank Group operates, as well as a balance with the Dutch Central Bank under its minimum reserve policy.

**2. Short-term government paper**

This item relates to government paper with an original term to maturity of up to two years eligible for refinancing with central banks in the country of origin.

At cost: 3,214 (1,808)

At market value: 3,211 (1,809)

**3. Banks**

This item represents loans and advances, other than in the form of interest-bearing securities, to banks.

The total amount includes amounts receivable on lease contracts of 91 (94), assets transferred under sale and repurchase transactions of 14,210 (8,928), and amounts receivable from non-consolidated participating interests of 11 (-).

- (2) is not readily available, as it has been pledged as security.

**4. Lending**

This item consists of loans and advances, other than in the form of interest-bearing securities, to clients other than banks.

	2003	2002
<b>Breakdown of lending:</b>		
– Public sector lending .....	2,161	797
– Private sector lending (corporate clients) .....	119,457	111,382
– Private sector lending (private individuals) .....	117,816	102,665
– Professional securities transactions .....	13,211	12,132
– Provisions for bad debts and country risks .....	(1,848)	(1,724)
Total lending .....	250,797	225,252
	2003	2002
<b>This item includes:</b>		
– Loans and advances to participating interests .....	-	20
– Subordinated loans and advances to participating interests .....	98	121
– Other subordinated loans and advances .....	48	129
– Amounts receivable on lease contracts .....	11,905	11,228
of which operating lease contracts .....	3,420	2,945
– Loans and advances guaranteed by public authorities .....	5,442	7,830
– Mortgages guaranteed by public authorities .....	10,921	9,062
– Other mortgages .....	149,603	130,728
Total home mortgages .....	116,101	99,762
Assets transferred under sale and repurchase transactions .....	3,901	15,373
Amount not readily available (pledged as security) .....	34	-
<b>Breakdown of private sector lending by industry sector:</b>		
– Agricultural sector .....	16%	16%
– Trade, industry and the services sector .....	35%	36%
– Private individuals .....	49%	48%

## Movements in provisions for bad debts and country risks

	2003	2002
Balance at 1 January .....	1,785	1,753
Addition .....	575	500
Amounts charged to the provisions.....	(442)	(460)
Other movements, including currency translation differences.....	16	(8)
Balance at 31 December.....	1,934	1,785

1,848 (1,724) relates to lending, while the remainder of the balance relates to banks, interest-bearing securities and off-balance-sheet items.

### Analysis by business unit

Movements in provisions for bad debts and country risks of the relevant business units.

2003	Retail banking	Wholesale banking	Asset management	Leasing
Balance at 1 January.....	1,021	683	1	79
Addition.....	213	284	-	75
Amounts charged to the provisions .....	(171)	(184)	-	(80)
Other .....	15	(32)	-	(1)
Balance at 31 December .....	1,078	751	1	73
Impaired loans .....	1,817	2,115	1	380

2002	Retail banking	Wholesale banking	Asset management	Leasing
Balance at 1 January.....	935	722	5	89
Addition.....	165	266	—	68
Amounts charged to the provisions .....	(94)	(289)	—	(77)
Other .....	15	(16)	(4)	(1)
Balance at 31 December .....	1,021	683	1	79
Impaired loans .....	1,579	2,215	1	345

### Risk on non-OECD countries

Regions:	In Europe	In Africa	In Latin America	In Asia/ Pacific	Total	As a % of total assets
Economic country risk (excluding derivatives)(1) ....	572	310	3,222	4,493	8,597	2.1
Risk-reducing components:						
Loans and advances granted in local currency .....	3	4	800	966	1,773	
Third-party coverage of country risk .....	224	34	1,282	1,327	2,867	
Deduction for transactions with lower risk .....	178	60	417	209	864	
Net exposure before provisions.....	167	212	723	1,991	3,093	0.8

						<b>As a % of total provisions</b>
Total provisions for economic country risk .....	2	12	89	91	194	10.0

(1) Total assets, plus guarantees issued, securities and undrawn committed credit facilities.

## 5. Interest-bearing securities

This item represents interest-bearing negotiable bonds and other interest-bearing securities, other than short-term government paper.

	<b>2003</b>	<b>2002</b>
<b>Interest-bearing securities of</b>		
– Public authorities .....	35,480	38,644
– Other issuers .....	35,661	32,676
Total interest-bearing securities .....	<u>71,141</u>	<u>71,320</u>
<b>Breakdown of interest-bearing securities</b>		
– Investment portfolio .....	43,913	40,946
– Trading portfolio .....	26,068	29,264
– Securitised loans .....	1,160	1,110
	<u>71,141</u>	<u>71,320</u>
	<b>2003</b>	<b>2002</b>
<b>The portfolio includes:</b>		
– Securities issued by group companies .....	84	115
– Subordinated securities .....	10	—
Listed securities .....	60,236	58,485
Unlisted securities .....	10,905	12,835
Falling due next year .....	11,040	6,878
Given on loan .....	660	242
Amount not readily available (pledged as security) .....	712	1,454
Assets transferred under sale and repurchase transactions .....	6,493	4,219
Investment portfolio at cost .....	42,799	41,802
Trading portfolio at cost .....	26,034	29,351
<b>Movements in the investment portfolio:</b>		
Balance at 1 January .....	40,946	44,955
Purchases .....	22,214	19,740
Sales and redemptions .....	(17,638)	(21,388)
Currency translation differences and other movements .....	(1,609)	(2,361)
Balance at 31 December .....	<u>43,913</u>	<u>40,946</u>

## 6. Shares

This item consists of shares and other variable-yield securities, and temporary other investments.

	2003	2002
<b>Breakdown of shares:</b>		
– Investment portfolio .....	7,532	8,293
– Trading portfolio .....	2,561	1,121
Total .....	10,093	9,414
Of which listed.....	6,277	4,505
Of which unlisted .....	3,816	4,909
Trading portfolio at cost .....	2,552	1,110
Temporary other investments included in total .....	3,405	4,817
<b>Movements in the investment portfolio:</b>		
Balance at 1 January .....	8,293	9,709
Purchases .....	2,008	2,755
Sales .....	(2,262)	(2,413)
Revaluation.....	(65)	(35)
Changes in value and reversals .....	168	(251)
Other movements.....	(610)	(1,472)
Balance at 31 December.....	7,532	8,293
Total revaluations .....	238	36
Total diminutions in value.....	183	657

Other movements include changes in the value of investments for which policyholders bear the investment risk, and currency translation differences.

### Breakdown of investment and trading portfolios

	2003	2002
<b>Investment portfolio</b>		
Dutch government .....	3,794	4,562
Other OECD states .....	22,169	20,433
Mortgage-backed securities.....	5,035	4,947
Other interest-bearing securities .....	13,111	12,817
Total interest-bearing securities and short-term government paper.....	44,109	42,759
Shares.....	7,532	8,293
Total investment portfolio.....	51,641	51,052
<b>Trading portfolio</b>		
Dutch government .....	2,021	2,597
Other OECD states .....	23,389	24,081
Mortgage-backed securities.....	184	—
Other interest-bearing securities .....	3,489	2,586
Total interest-bearing securities and short-term government paper.....	29,083	29,264
Shares.....	2,561	1,121
<b>Total trading portfolio .....</b>	<b>31,644</b>	<b>30,385</b>



## 7. Participating interests

This item represents the interests held in participating interests.

	2003	2002
<b>Participating interests, of which:</b>		
– Credit institutions .....	9	8
– Other .....	192	176
Total participating interests .....	201	184
<b>Movements in participating interests:</b>		
Balance at 1 January .....	184	156
Investments .....	45	126
Disposals .....	(15)	(136)
Profit for the year .....	—	53
Revaluation and other movements .....	(13)	(15)
Balance at 31 December .....	201	184
Total revaluations .....	18	53
Total diminutions in value .....	6	56

## 8. Property and equipment

This item consists of land and buildings, equipment and other tangible fixed assets, as well as tangible fixed assets not in use by the Group, such as fixed assets acquired under foreclosure.

	2003	2002
Land and buildings in own use .....	2,477	2,490
Other land and buildings .....	814	751
Equipment .....	673	629
Total property and equipment .....	3,964	3,870
Capital commitments .....	124	147

### Movements in property and equipment:

	Land and buildings in own use	Other land and buildings	Equipment	Total
Net book value at 1 January .....	2,490	751	629	3,870
Additions .....	223	127	336	686
Disposals .....	(122)	(68)	(37)	(227)
Revaluation .....	18	—	—	18
Depreciation and diminutions in value .....	(121)	4	(249)	(366)
Exchange differences .....	(11)	—	(6)	(17)
Net book value at 31 December .....	2,477	814	673	3,964
Total revaluations .....	342	94	—	436
Total depreciation and diminutions in value .....	1,168	7	1,500	2,675

## 9. Other assets

This item relates to precious metals, certificates representing precious metals, coins and medals made of precious metals (not being legal tender), goods and warehouse receipts, and assets that cannot be classified under any other heading. This item includes amounts receivable, other than prepayments and accrued income, of 3,731 (3,817), comprising a tax receivable of 385 (347) in respect of corporate income tax and a deferred tax asset of 360 (187) with a non-discounted value of 315 (142).

## 10. Prepayments and accrued income

This item relates to prepaid expenses, interest receivable and other receivables not yet billed. It includes options of 1,674 (1,648), including client options of 291 (311). Client options relate to long positions in listed options held by Rabobank Nederland for the account and risk of its clients. These options are not formally separated from the Bank's own assets. The corresponding liabilities are included under other liabilities.

## 11. Banks

This item represents amounts owed to credit institutions, other than debt securities and subordinated loans, of which debts secured by assets amount to 20,180 (21,808) and amounts owed to participating interests amount to 288 (-).

## 12. Funds entrusted

This item consists of funds entrusted by clients other than debt securities. Savings are all deposits and savings accounts of natural persons, non-profit-making associations and foundations, as well as non-transferable savings bonds.

This item includes funds entrusted by participating interests of 28 (-) and funds entrusted secured by assets of 4,412 (6,039).

## 13. Debt securities

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit.

## 14. Other liabilities

This item includes liabilities that cannot be classified under any other heading, such as short positions in securities and liabilities on account of securitised loans.

## 15. Accruals and deferred income

This item relates to payments received in advance, accrued interest and other amounts payable. It also includes obligations representing accrued holiday entitlements and additional leave days.

## 16. Provisions

This item represents provisions formed for the equalisation of costs originating in the year under review or prior years, but to be incurred in future years, evenly over a number of years. It also includes best estimates of obligations and losses existing at the balance sheet date, the extent of which is still uncertain.

	2003	2002
Provision for pensions.....	1,208	1,662
Provision for deferred taxation .....	255	206
Technical reserves relating to the insurance business.....	16,554	15,435
Other provisions .....	1,160	1,035
Total provisions.....	19,177	18,338

### *Provision for deferred taxation*

The non-discounted value of deferred tax liabilities amounts to 255 (206).

**Provision for pensions (defined benefit schemes)**

Weighted average of principal actuarial assumptions used in the valuation of these provisions at 31 December (% per annum):

	2003	2002
Discount rate .....	4.75	4.75
Expected salary accrual rate.....	3.50	3.50
Index of consumer price inflation .....	2.75 <sup>(2)</sup>	2.75

(2) For 2003, indexing of 1% (2.75%) was used in calculating the provision.

	2003	2002
<b>Movements in the provision for pensions can be summarised as follows:</b>		
Defined benefit pension schemes.....		
Balance at 1 January .....	1,644	2,394
Addition charged to the profit and loss account .....	223	174
Release of actuarial results not recognised .....	20	-
Payments to pension funds.....	(718)	(924)
Acquisitions and other movements .....	23	-
Balance at 31 December.....	1,192	1,644
Defined contribution schemes.....		
Balance at 31 December.....	16	18

	2003	2002
<b>The financial position at the end of the financial year can be summarised as follows:</b>		
Total pension obligations .....	6,898	8,078
Total investments.....	(6,715)	(5,351)
Profits/losses not yet recognised (corridor) .....	1,009	(1,083)
Provision for pensions.....	1,192	1,644

The expected return on investments to cover pension obligations was 7.5% in 2003 and 2002. The actual return in 2003 was approximately 9.5% (minus 9%).

**17. Fund for general banking risks**

The fund is formed to cover general risks associated with banking activities where this is prudently required. The fund is stated net of deferred tax assets. There were no movements in the fund in 2003 or 2002.

**18. Subordinated loans**

This item relates to loans, whether or not in the form of debt securities, which, in the event of liquidation, rank for payment after all the Bank's other debts existing at that time. These subordinated loans include loans taken out by Weiss, Peck & Greer LLC, Roparco NV, Effectenbank Stroeve NV, ACC Bank and FGH Bank NV.

The subordinated debt of Weiss, Peck & Greer LLC consists of two loans.

The first loan amounts to USD 3.75 million, falls due in 2006 and bears interest at 7.72%. The second loan amounts to USD 8.75 million, falls due in 2008 and bears interest at 8.81%.

Interest charged to the year under review amounted to USD 1.2 million.

Repayment ahead of schedule is possible subject to certain conditions.

The subordinated debt of Roparco NV is a loan of 26.3 bearing interest at a variable rate, which averaged 5.5% in 2003. The loan is open-ended, subject to a notice period of five years. The subordination can be lifted only after written approval from the Dutch Central Bank.

Interest charged to the year under review amounted to 1.4.

Effectenbank Stroeve NV has a subordinated debt consisting of two loans, namely a 2.3 loan bearing interest at 6.25% that is due to be repaid in 2009 and a 2.3 loan bearing interest at 6% that is due to be repaid in 2008. Interest charged to the year under review amounted to 0.1 and 0.1 respectively.

The subordinated debt of ACC Bank is a loan of 63 bearing interest at a variable rate. The loan matures in 2008. Interest charged to the year under review amounted to 3.4.

The subordinated debt of FGH Bank NV consists of four loans. Two loans of 7.5 and 5 bear interest at a variable rate and fall due in 2011. A loan of 10 bears interest at a rate of 6.25%, with an interest increase after five years to 6.75%, and falls due in 2012. The fourth loan of 45 bears interest at a fixed rate of 6% and falls due in 2012.

## 19. Reserves

	2003	2002
<b>Breakdown of reserves:</b>		
Member Capital .....	3,853	3,851
Revaluation reserves.....	222	246
Other reserves .....	11,158	10,164
Trust Preferred Securities.....	2,037	650
	<u>17,270</u>	<u>14,911</u>

	2003	2002
<b>Movements were as follows:</b>		
Member Capital .....		
Balance at 1 January .....	3,851	2,276
Issue and movement relating to market making .....	2	1,575
Balance at 31 December .....	<u>3,853</u>	<u>3,851</u>

Member Capital relates to the Member Certificates issued in 2000, 2001 and 2002. In 2000, Rabobank Ledencertificaten N.V. (RLC), a group company of Rabobank Nederland, issued 40 million shares. The total proceeds of this issue amounted to 1,000. In 2000, RLC granted Rabobank Nederland a 900 deep-subordinated loan with a term of 31 years.

In 2001, RLC issued an additional 60 million shares. The total proceeds of this issue amounted to 1,575. In 2001, RLC granted Rabobank Nederland a 1,350 deep-subordinated loan with a term of 30 years. In 2002, RLC II issued an additional 17 million shares. The total proceeds of this issue amounted to 1,747. In 2002, RLC II granted Rabobank Nederland a 1,487 deep-subordinated loan with a term of 32 years.

As at year-end 2003, the number of shares held by members and employees was 98,239,416 (97,972,359) with a net asset value of 2,525 (2,520) and 16,421,276 (16,410,074) shares with a net asset value of 1,734 (1,735).

Subject to the prior written permission of the Dutch Central Bank, the loans of RLC may be repaid ahead of schedule on 29 June 2006 and every subsequent 29 June. The loan of RLCII may be repaid ahead of schedule from 29 December 2012 on. Since the proceeds of the issue are available to Rabobank Group on a perpetual and highly subordinated basis (also subordinate to the Trust Preferred Securities) and since in principle no Dividend is paid if the consolidated profit and loss account of Rabobank Group shows a loss for any financial year, the issue proceeds, insofar as they have been lent on to Rabobank Nederland, are recognised as reserves in proportion to the number of shares held by members and employees. As a result, dividend payments are accounted for in the profit appropriation.

	2003	2002
<b>Revaluation reserves</b>		
Balance at 1 January .....	246	417
Revaluation .....	32	(152)
Transferred from/to other reserves .....	16	(13)
Released to profit and loss account .....	(72)	(6)
Balance at 31 December .....	<u>222</u>	<u>246</u>
This item includes the revaluation reserves for property, shares and participating interests .....		
<b>Other reserves</b>		
Balance at 1 January .....	10,164	9,687
Transferred to/ from revaluation reserves .....	(16)	13
Goodwill .....	(213)	(635)
Other movements .....	89	55
Profit appropriation .....	<u>1,134</u>	<u>1,044</u>
Balance at 31 December .....	<u>11,158</u>	<u>10,164</u>

Significant equity interests acquired in 2003:

Boston Partners Asset Managers (second tranche)

FGH Bank NV

Lend Lease Agri-business, Inc (name has been changed to Rabo Agrifinance)

Ag Services of America, Inc (name has been changed to Rabo AgServices)

Moreover the activities of Alex were acquired.

	2003	2002
<b>Trust Preferred Securities</b>		
Balance at 1 January .....	650	650
Issued .....	1,388	—
Revaluation .....	(1)	—
Balance at 31 December .....	2,037	650

In 1999, 26 million non-cumulative Trust Preferred Securities with an expected Dividend of 7% were issued by Rabobank Capital Funding Trust, Delaware, a group company of Rabobank Nederland, raising total proceeds of 650. As from 31 December 2004, Rabobank Capital Funding Trust has the right, after receiving prior written approval from the Dutch Central Bank, to repurchase these Trust Preferred Securities on each dividend payment date.

In 2003, 1.75 million non-cumulative Trust Preferred Securities were issued by Rabobank Capital Funding Trust II, Delaware, a group company of Rabobank Nederland. The expected Dividend is 5.26% until 31 December 2013, after which the expected Dividend is equal to the three-month USD LIBOR plus 1.6275%. The total proceeds from this issue amounted to USD 1,750 million. As from 31 December 2013, these Trust Preferred Securities can be repurchased on each dividend payment date after prior written approval is received from the Dutch Central Bank.

Since the proceeds of both issues are available to Rabobank Group on a perpetual and highly subordinated basis and since in principle no Dividend is paid on either type of Trust Preferred Securities if Rabobank Group's consolidated profit and loss account shows a loss for any financial year, the proceeds of both issues are recognised as reserves. As a result, dividend payments are accounted for in the profit appropriation.

## 20. Third-party interests

This item relates to the share held by third parties in the capital of subsidiaries and other group companies.

	2003	2002
Balance at 1 January .....	4,507	3,654
Currency translation differences .....	(449)	(270)
Other movements .....	405	1,123
Balance at 31 December .....	4,463	4,507

Other movements relate principally to the balance of shares issued and redeemed.

## Solvency

The main capital ratio requirements set by the Dutch Central Bank are derived from the capital adequacy guidelines of the European Union and the Basel Committee on Banking Supervision. These ratios compare the Bank's total capital (Tier I and Tier II) and core capital (Tier I) with total risk-weighted assets and off-balance-sheet items and the market risk of the trading portfolios. The minimum requirements for total capital and core capital as a percentage of risk-weighted assets are 8% and 4% respectively. The following table shows the capital available to the Bank and the minimum capital required by the supervisory authority.

	2003	2002
<b>Breakdown of Tier I and Tier II capital:</b>		
Member Capital .....	3,853	3,851
Other reserves .....	11,158	10,164
Fund for general banking risks .....	1,679	1,679
Trust Preferred Securities .....	2,037	650
Third-party interests treated as qualifying capital .....	933	858
Tier I capital .....	19,660	17,202
Revaluation reserves .....	222	246
Deductions .....	(141)	(131)
Subordinated loans treated as qualifying capital .....	151	97
Tier I and Tier II capital .....	19,892	17,414

	2003		2002	
	Minimum required	Available	Minimum required	Available
Tier I and Tier II capital.....	14,626	19,892	13,268	17,414
Tier I and Tier II ratio .....	8	10.9	8	10.5
Tier I capital .....	7,313	19,660	6,634	17,202
Tier I ratio.....	4	10.8	4	10.3

### Summary of remaining terms to maturity

	Total	Withdrawable:				
		On demand/ undefined	≤3 months	>3 months ≤1 year	> 1 year ≤5 years	> 5 years
	(the 2002 figures are shown between brackets)					
<b>Assets</b>						
Banks .....	41,919	1,218	34,760	3,672	1,783	486
	(47,229)	(1,142)	(38,711)	(3,942)	(2,856)	(578)
Lending.....	250,797	8,656	41,858	12,943	38,381	148,959
	(225,252)	(7,420)	(41,541)	(12,945)	(34,355)	(128,991)
<b>Liabilities</b>						
Banks .....	82,856	7,128	67,440	4,957	1,786	1,545
	(85,886)	(10,000)	(67,670)	(5,020)	(1,735)	(1,461)
Funds entrusted:						
Savings.....	71,559	67,561	1,418	501	1,785	294
	(66,272)	(61,245)	(2,047)	(196)	(1,837)	(947)
Other .....	101,012	46,876	29,661	14,834	6,903	2,738
	(105,360)	(41,714)	(49,761)	(1,764)	(9,158)	(2,963)
Debt securities .....	80,695	—	24,224	15,175	28,793	12,503
	(61,739)	(—)	(18,438)	(9,787)	(24,795)	(8,719)

### Management and agency services

Management and agency services to third parties relate to all the Bank's activities.

The Bank also administers assets, in its own name but for the account and risk of third parties, which are separate from the Bank's own assets.

### Foreign currency

Total assets denominated in foreign currencies amount to 115,830 (113,229).

Total liabilities denominated in foreign currencies amount to 134,648 (143,135).

The balance of these amounts does not reflect the currency position, as most of the risk has been hedged by means of derivatives whose notional value is not disclosed in the balance sheet.

Part of the derivatives in foreign currencies relates to trading positions.

## 21. Contingent liabilities

This item relates to transactions in which the Group stands surety for commitments of third parties.

	2003	2002
Contingent liabilities consist of:		
Bills discounted.....	—	25
Guarantees, etc.....	5,303	6,412
Irrevocable letters of credit.....	943	977
Other contingent liabilities .....	189	241
Total contingent liabilities.....	6,435	7,655

Of which contingent liabilities secured by assets: 11 (353).

## 22. Irrevocable facilities

This item relates to all irrevocable facilities that could lead to lending.



	2003	2002
Unused credit facilities.....	25,876	26,979
Other .....	241	172
Total irrevocable facilities .....	26,117	27,151

### **Securities lending account**

Interest-bearing securities amounting to 2,398 (-) were received on loan.

These amounts are not included in the balance sheet.

### **Derivatives**

Derivatives are financial instruments which assist the Bank in managing its market risk positions, especially its interest rate and currency exposure, without the Bank having to take out balance sheet positions. The underlying values (notional amounts) serve only as computation variables and are therefore not disclosed on the face of the balance sheet. Examples of derivatives are forward exchange contracts, swaps, futures, forward rate agreements and options. The notional amounts given below relate to derivatives offered by Rabobank Group primarily as a service to the large corporate clients of Rabobank Nederland and clients of local member banks, and for the Bank's own asset and liability management. A substantial portion of the derivative contracts is concluded in the context of trading activities. The notional values are divided into short-term, medium-term and long-term.

	Notional Value				Positive replacement value
	Total	< 1 year	1-5 years	> 5 years	
(the 2002 figures are shown between brackets)					
<b>Interest rate contracts</b>					
Over the counter.....					
Swaps.....	1,237,924	779,443	299,095	159,386	17,199
	(1,049,605)	(581,000)	(250,238)	(218,367)	(16,991)
Forwards.....	224,695	177,707	46,979	9	70
	(181,835)	(171,523)	(10,303)	(9)	(126)
Options .....	79,161	5,721	15,606	57,834	860
	(83,220)	(9,171)	(18,583)	(55,466)	(1,029)
Listed (3) .....					
Options .....	3,166	3,166	—	—	—
	(—)	(—)	(—)	(—)	(—)
Futures .....	182,274	141,317	40,747	210	50
	(109,127)	(83,028)	(25,971)	(128)	(50)
<b>Foreign exchange contracts.....</b>					
Over the counter.....					
Swaps (4).....	55,020	13,374	32,261	9,385	2,136
	(51,170)	(12,311)	(29,320)	(9,539)	(1,582)
Forwards.....	176,741	165,236	10,839	666	4,529
	(216,755)	(204,851)	(11,216)	(688)	(4,613)
Options .....	4,396	3,869	522	5	87
	(2,935)	(2,763)	(172)	(—)	(38)
<b>Other contracts(5)</b>					
Over the counter.....	3,992	1,416	2,139	437	119
	(3,597)	(692)	(2,693)	(212)	(128)
Other .....	2,658	2,658	—	—	—
	(1,406)	(577)	(801)	(28)	(4)
<b>Total derivatives .....</b>	<b>1,970,027</b>	<b>1,293,907</b>	<b>448,188</b>	<b>227,932</b>	<b>25,050</b>
	<b>(1,699,650)</b>	<b>(1,065,916)</b>	<b>(349,297)</b>	<b>(284,437)</b>	<b>(24,561)</b>

(3) Listed: for contracts traded on the stock exchange which are subject to daily adjustments of margin commitments, no replacement value is given.

(4) Foreign exchange contracts/swaps: including cross-currency interest rate swaps.

(5) Other contracts: this includes share derivatives and derivatives linked to precious metals and commodities.

When two parties enter into a derivatives contract, this will result in due course in a payment obligation for one party, depending on the direction of movements in the market. This will be accompanied by credit risks for the Bank, which in practice will be only a fraction of the notional amounts of the derivative contracts.

For a better understanding of the volume of the derivatives activities and the related credit risks, the weighted and unweighted credit equivalents are also given in addition to the positive replacement value. The positive replacement value is the mark-to-market valuation of derivative contracts resulting in a claim on the other party that leads to a loss of profit in the event of default.

For a derivatives portfolio, the total credit risk forms a much better basis than the total notional amount of the portfolio for making a comparison with other banking activities. In the event of parties remaining in default, this credit risk is just as important as a claim, whereas the notional amount of the contract in that situation is generally of no importance. The notional amounts of the derivative contracts reflect the extent of Rabobank Group's operations in the markets concerned, but give no indication of the portfolio's exposure to credit or market risks.

The credit risk is measured by increasing the positive replacement value of the derivative contracts by a percentage of the notional amount (unweighted credit equivalent). This percentage depends on the term and the nature of the contracts. In determining the own funds for solvency requirement purposes, the credit equivalents are weighted, the weighting factor depending on who the other party is, e.g. a government body, a bank or other party. The transaction party is usually a bank.

	Credit equivalent 2003		Credit equivalent 2002	
	Unweighted	Weighted	Unweighted	Weighted
Interest rate contracts .....	22,619	5,113	23,983	5,627
Foreign exchange contracts.....	9,379	2,366	10,285	2,408
Other contracts .....	297	94	286	79
Total.....	32,295	7,573	34,554	8,114

No netting agreements or guarantees are taken into account for calculating the credit risk.

If netting agreements are taken into account, the positive replacement value of the derivatives portfolio as a whole would amount to 6,307 (7,150), in which case the unweighted credit equivalent would be 11,225 (12,001) and the weighted credit equivalent 3,082 (3,136).

A breakdown of notional amounts and credit equivalents by type of contract and transaction party is given below. The item trading includes derivative transactions on behalf of clients and for own account. The item balance sheet management relates to derivative transactions concluded to hedge normal banking risks.

	2003			2002		
	Trading	Balance sheet management	Total	Trading	Balance sheet management	Total
Interest rate contracts .....	1,660,566	66,654	1,727,220	1,368,932	54,855	1,423,787
Foreign exchange contracts.....	224,744	11,413	236,157	262,286	8,574	270,860
Other contracts .....	6,515	135	6,650	5,002	1	5,003
	1,891,825	78,202	1,970,027	1,636,220	63,430	1,699,650

	Credit equivalent 2003		Credit equivalent 2002	
	Unweighted	Weighted	Unweighted	Weighted
Government.....	455	—	587	—
Banks .....	27,825	5,565	29,564	5,913
Other .....	4,015	2,008	4,403	2,201
	32,295	7,573	34,554	8,114

## NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in EUR millions)

### 23. Interest income

This item includes all interest income from account balances, loans and advances and interest-bearing securities, as well as income similar in nature to interest, such as loan commission.

Interest income from bonds and other securities issued at fixed rates or rates that vary in accordance with market rates amounted to 2,331 (2,478).

Interest income attributable to the insurance business amounted to 716 (721).

### 24. Interest expense

This item includes all interest expenses on funds entrusted, subordinated and non-subordinated loans and debt securities, as well as charges similar in nature to interest.

Interest expense attributable to the insurance business amounted to 665 (672).

### 25. Income from securities and participating interests

This item includes Dividends and other income from securities and participating interests.

	2003	2002
Income from equity shares and other non-fixed income securities .....	519	386
Profit of participating interests .....	—	143
Total income from securities and participating interests .....	519	529

Of which attributable to the insurance business: 134 (137).

### 26. Commission income

This item relates to commission received for services provided to third parties not similar in nature to interest.

	2003	2002
Breakdown of commission income:		
— Payment transactions .....	425	413
— Insurance broking .....	92	87
— Asset management .....	467	474
— Stockbroking .....	379	319
— Other .....	783	756
Total commission income .....	2,146	2,049

Of which attributable to the insurance business: 280 (280).

### 27. Commission expense

This item relates to commission paid for third party services not similar in nature to interest. Of which relating to stockbroking activities: 82 (50), and asset management: 82 (89).

### 28. Results on financial transactions

This item includes both realised and unrealised price and value differences on securities forming part of the trading portfolio, currency and other income from financial transactions, insofar as this income is not similar in nature to interest.

### 29. Other income

This item relates to income that cannot be classified elsewhere and does not represent extraordinary income, such as technical results on the insurance business, rent from leased property and results on project development. Of which attributable to the insurance business: 393 (262).

### 30. Staff costs

	2003	2002
This item consists of:		
– Wages and salaries .....	2,595	2,530
– Pension charges .....	254	251
– Social security charges .....	289	297
– Other .....	632	604
– Total staff costs.....	3,770	3,682

Of which attributable to the insurance business: 449 (419).

The item pension charges also includes the costs relating to the Voluntary Early Retirement Scheme, including movements in the related provisions.

The average number of employees was 57,576 (58,107).

Of whom:

- abroad: 6,230 (5,539)
- in the insurance business: 5,919 (5,632).

Expressed in fulltime equivalents, the average number of employees was 51,358 (52,020).

### 31. Other administrative expenses

This item includes office supplies, IT expenses, postage, advertising, rent and maintenance of buildings, etc. Of which attributable to the insurance business: 207 (207).

### 32. Depreciation

This item relates to the depreciation of fixed assets. Of which attributable to the insurance business: 28 (25).

### 33. Value adjustments to receivables

This item relates to downward value adjustments to loans and advances and provisions formed for commitments, as well as any releases thereof.

### 34. Value adjustments to financial fixed assets

This item relates to downward value adjustments to interest-bearing securities and shares forming part of the investment portfolio and participating interests, as well any reversals thereof. Of which attributable to the insurance business: minus 48 (192).

### 35. Taxation on operating profit

This item represents the tax charge on the profit on ordinary activities.

Of which attributable to the insurance business: 72 (minus 48).

The tax burden rose from 26.1% in 2002 to 30.5% in 2003.

	2003	2002
Standard tax rate in the Netherlands .....	34.5	34.5
Effect of foreign tax rates .....	(4.4)	(5.6)
Effect of tax-free income in the Netherlands .....	(0.8)	(2.9)
Other .....	1.2	0.1
Effective tax rate .....	30.5	26.1

### 36. Third-party interests

This item relates to third-party interests in the results of consolidated group companies.

#### *Analysis by business unit*

Partly as a result of consolidation effects, the figures of the principal business units below differ from those in the profit and loss account.

#### 2003

	Retail banking	Wholesale banking	Asset management	Insurance	Leasing
Interest .....	4,105	1,120	83	51	491
Commission.....	944	315	418	280	34
Other income .....	41	519	119	527	44
Total income.....	5,090	1,954	620	858	569
Staff costs .....	1,666	598	264	449	176
Other administrative expenses .....	1,577	337	181	207	117
Depreciation .....	204	32	18	28	12
Total operating expenses.....	3,447	967	463	684	305
Operating profit .....	1,643	987	157	174	264
Value adjustments to receivables.....	213	284	—	—	75
Value adjustments to financial fixed assets.....	—	59	(2)	(48)	—
Operating profit before taxation .....	1,430	644	159	222	189

#### 2002

	Retail banking	Wholesale banking	Asset management	Insurance	Leasing
Interest .....	3,767	901	84	49	449
Commission.....	859	321	423	280	35
Other income .....	79	593	79	399	41
Total income.....	4,705	1,815	586	728	525
Staff costs .....	1,621	562	250	419	177
Other administrative expenses .....	1,492	321	190	207	96
Depreciation .....	205	32	19	25	14
Total operating expenses.....	3,318	915	459	651	287
Operating profit .....	1,387	900	127	77	238
Value adjustments to receivables.....	165	266	—	—	68
Value adjustments to financial fixed assets.....	—	69	11	192	—
Operating profit before taxation .....	1,222	565	116	(115)	170

#### *Income by region*

	2003	2002
Total income.....	9,238	8,564
Of which generated in:		
The Netherlands.....	6,998	6,487
Other euro-zone countries .....	769	704
Rest of Europe .....	24	36
North America .....	1,004	956
Latin America .....	147	114
Asia .....	113	114
Australia.....	185	156
Other and consolidation effects.....	(2)	(3)
Total .....	9,238	8,564

**BALANCE SHEET OF RABOBANK NEDERLAND  
AT 31 DECEMBER 2003**

(after profit appropriation)

(in EUR millions)	2003	2002
<b>Assets</b>		
Cash <sup>(37)</sup> .....	5,959	2,682
Short-term government paper <sup>(38)</sup> .....	3,024	1,706
Professional securities transactions .....	29,871	39,574
Other banks .....	82,826	68,893
Banks <sup>(39)</sup> .....	112,697	108,467
Public sector lending .....	1,620	358
Private sector lending .....	54,147	54,342
Professional securities transactions .....	11,983	10,268
Lending <sup>(40)</sup> .....	67,750	64,968
Interest-bearing securities <sup>(41)</sup> .....	47,781	48,232
Shares <sup>(42)</sup> .....	1,309	797
Participating interests in group companies <sup>(43)</sup> ..	6,459	7,572
Other participating interests <sup>(44)</sup> .....	47	59
Property and equipment <sup>(45)</sup> .....	276	256
Other assets <sup>(46)</sup> .....	2,195	1,877
Prepayments and accrued income <sup>(47)</sup> .....	9,712	6,604
<b>Total assets</b> .....	257,209	243,220
<b>Liabilities</b>		
Professional securities transactions .....	19,487	21,535
Other banks .....	83,753	84,388
Banks <sup>(48)</sup> .....	103,240	105,923
Savings .....	375	84
Professional securities transactions .....	1,740	3,997
Other funds entrusted .....	53,837	60,845
Funds entrusted <sup>(49)</sup> .....	55,952	64,926
Debt securities <sup>(50)</sup> .....	72,156	54,087
Other liabilities <sup>(51)</sup> .....	6,310	3,041
Accruals and deferred income <sup>(52)</sup> .....	10,713	7,587
Provisions <sup>(53)</sup> .....	1,811	2,099
	250,182	237,663
Fund for general banking risks <sup>(54)</sup> .....	439	439
Share capital <sup>(55)</sup> .....	638	636
Revaluation reserve <sup>(56)</sup> .....	56	81
Other reserves <sup>(57)</sup> .....	120	14
Loans associated with issue of Rabobank Membership Certificates <sup>(58)</sup> .....	3,737	3,737
Loans associated with issue of Trust .....		
Preferred Securities <sup>(59)</sup> .....	2,037	650
Equity .....	7,027	5,557
<b>Total liabilities</b> .....	257,209	243,220
Contingent liabilities <sup>(60)</sup> .....	8,511	9,907
Irrevocable facilities <sup>(61)</sup> .....	19,702	21,522

# **PROFIT AND LOSS ACCOUNT OF RABOBANK NEDERLAND FOR 2003<sup>(6)</sup>**

<b>(in EUR millions)</b>	<b>2003</b>	<b>2002</b>
Profit of participating interests after taxation.....	1,018	761
Other income/(expense) after taxation.....	(496)	(318)
<b>Net profit .....</b>	<b>522</b>	<b>443</b>

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(6) Prepared in accordance with section 402 of Book 2 of the Netherlands Civil Code.

**NOTES TO THE BALANCE SHEET OF RABOBANK NEDERLAND<sup>(7)</sup>**  
**(IN EUR MILLIONS)**

**37. Cash**

This item consists of legal tender, balances available on demand with foreign central banks in countries where Rabobank Group operates, as well as a balance with the Dutch Central Bank under its minimum reserve policy.

**38. Short-term government paper**

This item relates to government paper with an original term to maturity of up to two years eligible for refinancing with central banks in the country of origin.

At cost: 3,028 (1,701)

At market value: 3,024 (1,702)

**39. Banks**

This item represents loans and advances, other than in the form of interest-bearing securities, to banks.

	2003	2002
This item includes:		
– Loans and advances to group companies	74,644	66,293
of which subordinated	126	86
– Assets transferred under sale and repurchase transactions	13,883	8,928
Amount not readily available (pledged as security)	—	2

**40. Lending**

This item consists of loans and advances, other than in the form of interest-bearing securities, to clients other than banks.

	2003	2002
Breakdown of lending:		
– Public sector lending.....	1,620	358
– Private sector lending.....	54,147	54,342
– Professional securities transactions .....	11,983	10,268
Total lending .....	67,750	64,968
This item includes:		
– Loans and advances to group companies .....	30,290	27,224
– Subordinated loans and advances to other participating interests .....	97	111
– Assets transferred under sale and repurchase transactions .....	1,570	12,617
– Loans and advances guaranteed by public authorities .....	3,654	6,223
– Other mortgages.....	426	224
Total home mortgages .....	47	76
Breakdown of private sector lending by industry sector:		
– Agricultural sector.....	12%	13%
– Trade, industry and the services sector.....	88%	87%

**41. Interest-bearing securities**

This item represents interest-bearing negotiable bonds and other interest-bearing securities, other than short-term government paper.

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(7) Reference is made to the notes on pages F-6 to F-11 for the accounting policies.



	2003	2002
Interest-bearing securities of:		
– Public authorities.....	25,270	26,082
– Other issuers.....	22,511	22,150
Total interest-bearing securities .....	47,781	48,232
Breakdown of interest-bearing securities:		
– Investment portfolio.....	21,660	18,943
– Trading portfolio .....	25,848	28,963
– Securitised loans .....	273	326
	47,781	48,232
The portfolio includes:		
– Own securities.....	84	115
– Securities issued by group companies.....	108	296
Listed securities .....	41,440	44,099
Unlisted securities.....	6,341	4,133
Falling due next year.....	4,079	2,201
Given on loan .....	591	242
Amount not readily available (pledged as security).....	—	851
Assets transferred under sale and repurchase transactions .....	5,774	3,887
Investment portfolio at cost .....	19,818	18,856
Trading portfolio at cost .....	25,829	29,047
Movements in the investment portfolio:		
Balance at 1 January.....	18,943	25,009
Purchases .....	11,058	9,777
Sales and redemptions.....	(7,257)	(14,246)
Currency translation differences and other movements.....	(1,084)	(1,597)
Balance at 31 December .....	21,660	18,943

#### 42. Shares

This item consists of shares and other variable-yield securities, and temporary other investments.

	2003	2002
Breakdown of shares:		
– Investment portfolio.....	34	31
– Trading portfolio .....	1,275	766
	1,309	797
Listed securities .....	1,274	767
Unlisted securities.....	35	30
Trading portfolio at cost .....	1,274	766
Temporary other investments included in total.....	15	12
Movements in the investment portfolio:		
Balance at 1 January .....	31	32
Purchases.....	20	12
Sales .....	(9)	(13)
Diminutions in value and reversals .....	(8)	—
Balance at 31 December .....	34	31

#### 43. Participating interests in group companies

This item includes the direct interests held in group companies.

	2003	2002
Participating interests, of which:		
– Credit institutions .....	2,711	2,136
– Other .....	3,748	5,436
Total participating interests in group companies .....	6,459	7,572
Movements in participating interests:		
Balance at 1 January .....	7,572	7,573
Acquisitions/capital contributions .....	542	476
Disposals .....	(1,800)	(106)
Profit for the year .....	1,042	718
Revaluation, goodwill and other movements .....	(897)	(1,089)
Balance at 31 December .....	6,459	7,572

#### 44. Other participating interests

This item includes the interests held in other participating interests.

	2003	2002
Other participating interests, of which:		
– Credit institutions .....	7	6
– Other .....	40	53
Total other participating interests .....	47	59
Of which listed .....	14	—
Movements in other participating interests:		
Balance at 1 January .....	59	115
Acquisitions .....	3	31
Disposals .....	—	(122)
Profit for the year .....	(24)	43
Revaluation and other movements .....	9	(8)
Balance at 31 December .....	47	59
Total revaluations .....	17	14
Total diminutions in value .....	1	36

#### 45. Property and equipment

This item consists of land and buildings, equipment and other tangible fixed assets, as well as tangible fixed assets not in use by the Bank, such as fixed assets acquired under foreclosure.

	2003	2002
Land and buildings in use by the Bank .....	222	226
Equipment .....	54	30
Total property and equipment .....	276	256

Movements in property and equipment

	Land and buildings in use by the Bank	Equipment	Total
Net book value at 1 January .....	226	30	256
Additions .....	8	44	52
Disposals .....	—	(1)	(1)
Revaluation .....	9	—	9
Depreciation and diminutions in value .....	(19)	(18)	(37)
Exchange differences .....	(2)	(1)	(3)

	Land and buildings in use by the Bank	Equipment	Total
Net book value at 31 December.....	222	54	276
Total revaluations .....	71	—	71
Total depreciation and diminutions in value .....	195	116	311

#### 46. Other assets

This item relates to precious metals, certificates representing precious metals, coins and medals made of precious metals (not being legal tender), goods and warehouse receipts, and assets that cannot be classified under any other heading.

This item includes amounts receivable, other than prepayments and accrued income, of 1,686 (1,684), of which 293 (7) is a tax receivable and 448 (502) a deferred tax asset.

#### 47. Prepayments and accrued income

This item relates to prepaid expenses interest receivable and other receivables not yet billed. It includes options of 1,277 (1,359), of which client options amount to 291 (311).

#### 48. Banks

This item represents amounts owed to credit institutions, other than debt securities and subordinated loans, of which amounts due to group companies amount to 27,740 (26,348), amounts due to other participating interests to 288 (-) and debts secured by assets to 19,487 (21,435).

#### 49. Funds entrusted

This item consists of funds entrusted by clients other than debt securities. This item includes funds entrusted by group companies of 7,785 (9,738) and by other participating interests of 27 (-), and funds entrusted secured by assets of 1,740 (3,997). Savings are all deposits and savings accounts of natural persons, non-profit-making associations and foundations, as well as non-transferable savings bonds.

#### 50. Debt securities

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit, of which the amount due to group companies is 1,739 (686).

#### 51. Other liabilities

This item includes liabilities that cannot be classified under any other heading, such as short positions in securities and liabilities on account of securitised loans.

#### 52. Accruals and deferred income

This item relates to payments received in advance, accrued interest and other amounts payable.

#### 53. Provisions

This item represents provisions formed for the equalisation of costs originating in the year under review or prior years, but to be incurred in future years, evenly over a number of years. It also includes best estimates of obligations and losses existing at the balance sheet date, the extent of which is still uncertain.

	2003	2002
Provision for pensions.....	1,201	1,654
Provision for deferred taxation .....	37	—
Other provisions .....	573	445
Total provisions.....	1,811	2,099

#### 54. Fund for general banking risks

There were no movements in the fund in 2003 or 2002

#### 55. Share capital

This item represents the issued and fully paid-up share capital. All shares are held by local member banks.

	2003	2002
Movements were as follows:		
Balance at 1 January .....	636	636
Increase in accordance with the Articles of Association .....	2	—
Balance at 31 December .....	638	636

#### 56. Revaluation reserve

This item represents the differences between the cost and carrying value of revalued assets, net of the related provision for deferred taxation.

	2003	2002
Breakdown of revaluation reserve:		
– Swap transactions involving interest-bearing securities .....	115	111
– Shares .....	3	8
– Participating interests .....	38	27
– Immovable property .....	58	61
– Exchange differences .....	(158)	(126)
Total revaluation reserve .....	56	81
Movements were as follows:		
Balance at 1 January .....	81	271
Transfer from/(to) other reserves .....	26	(13)
Revaluations .....	21	(172)
Released to profit and loss account .....	(72)	(5)
Balance at 31 December .....	56	81

#### 57. Other reserves

	2003	2002
Movements were as follows:		
Balance at 1 January .....	14	250
Transfer from/(to) revaluation reserve .....	(26)	13
Other movements .....	91	144
Goodwill .....	(212)	(630)
Profit appropriation .....	253	237
Balance at 31 December .....	120	14

The reserves may not be distributed to the members.

#### 58. Loans associated with issue of Rabobank Membership Certificates

In 2000, Rabobank Ledencertificaten N.V. (RLC), a group company of Rabobank Nederland, issued 40 million non-cumulative variable-interest shares. Of the proceeds, 900 was lent on to Rabobank Nederland in the form of a 31-year subordinated loan.

In 2001, a further 60 million non-cumulative variable-interest shares were issued. Of the proceeds, 1,350 was lent on to Rabobank Nederland in the form of a 30-year subordinated loan. In 2002, RLC II issued an additional 17 million shares. Of the proceeds, 1,487 was lent on to Rabobank Nederland in the form of a 32 year subordinated loan. Since the proceeds of the above issues are available to Rabobank Group on a perpetual and highly subordinated basis and since in principle no Dividend is paid on the Rabobank Membership Certificates if Rabobank Group's consolidated profit and loss account shows a loss for any financial year, the proceeds of the issues are

recognised in part in the consolidated balance sheet of Rabobank Group as group equity (see notes to the consolidated balance sheet). The loans, amounting to 3,737 (3,737), are also recognised in the balance sheet of Rabobank Nederland as shareholders' equity on account of their being funded by means of perpetual Membership Certificates. For the same reason, interest payments are accounted for in the profit appropriation.

	2003	2002
Movements were as follows:		
Balance at 1 January .....	3,737	2,250
Issued.....	—	1,487
Balance at 31 December .....	3,737	3,737

## 59. Loans associated with issue of Trust Preferred Securities

In 1999, 26 million non-cumulative Trust Preferred Securities were issued via Rabobank Capital Funding Trust, Delaware, a group company of Rabobank Nederland, raising total proceeds of 650. The proceeds were made available by Rabobank Capital Funding LLC (a US group company of Rabobank Nederland) to Rabobank Nederland in the form of a 20-year subordinated loan.

In 2003, 1.75 million non-cumulative Trust Preferred Securities were issued via Rabobank Capital Funding Trust 11, Delaware, a group company of Rabobank Nederland, raising total proceeds of USD 1,750 million. The proceeds were made available by Rabobank Capital Funding LLC II (a US group company of Rabobank Nederland) to Rabobank Nederland in the form of a 30-year subordinated loan.

Since the proceeds of both issues of Trust Preferred Securities are available to Rabobank Group on a perpetual and highly subordinated basis and since in principle no Dividend is paid on the Trust Preferred Securities if Rabobank Group's consolidated profit and loss account shows a loss for any financial year, the proceeds of both issues are recognised in the consolidated balance sheet of Rabobank Group as group equity.

These loans of 650 and USD 1,750 million respectively are also recognised in the balance sheet of Rabobank Nederland as equity, since both loans are subordinated.

	2003	2002
Movements were as follows:		
Balance at 1 January .....	650	650
Issued.....	1,388	—
Revaluation .....	(1)	—
Balance at 31 December .....	2,037	650

## Summary of Rabobank Nederland remaining terms to maturity

(the 2002 figures are shown between brackets)

	Total	Withdrawable:				
		On demand/ undated	≤3 months	>3 months ≤1 year	>1 year ≤5 years	>5 years
Assets						
Banks .....	112,697	5,502	45,280	13,123	29,786	19,006
	(108,467)	(9,191)	(46,649)	(13,486)	(23,819)	(15,322)
Lending.....	67,750	7,216	28,499	5,865	14,313	11,857
	(64,968)	(8,411)	(27,622)	(5,712)	(13,678)	(9,545)
Liabilities.....						
Banks	103,240	9,177	67,810	20,832	2,739	2,682
	(105,923)	(14,014)	(67,080)	(19,980)	(2,304)	(2,545)
Funds entrusted:						
Savings.....	375	318	48	5	4	-
	(84)	(21)	(35)	(20)	(8)	(-)
Other .....	55,577	10,394	23,650	13,085	5,658	2,790
	(64,842)	(9,939)	(41,423)	(1,404)	(8,234)	(3,842)
Debt securities .....	72,156	-	20,365	14,785	25,864	11,142
	(54,087)	(-)	(15,240)	(8,533)	(21,733)	(8,581)

## Management and agency services

Management and agency services provided to third parties relate to all the Bank's activities. The Bank also administers assets, in its own name but for the account and risk of third parties, which are separate from the Bank's own assets.

## Foreign currency

Total assets denominated in foreign currencies amount to 98,220 (97,106).

Total liabilities denominated in foreign currencies amount to 120,345 (129,179).

The balance of these amounts does not reflect the currency position, as most of the risk has been hedged by means of forward transactions whose notional value is not disclosed in the balance sheet.

Part of the forward exchange transactions relates to trading positions.

## 60. Contingent liabilities

This item relates to transactions in which Rabobank Nederland stands surety for commitments of third parties

	2003	2002
Contingent liabilities consist of:		
– Discounted bills.....	—	25
– Guarantees, etc. ....	7,341	8,639
Irrevocable letters of credit.....	930	982
– Other contingent liabilities.....	240	261
Total contingent liabilities .....	8,511	9,907
Of which:		
– Contingent liabilities of group companies.....	3,740	4,699
– Contingent liabilities secured by assets .....	11	353

## Securities lending account

Securities amounting to 2,398 (-) were received on loan. This amount is not included in the balance sheet.

## Liability undertaking

Pursuant to Section 403 of Book 2 of the Netherlands Civil Code, Rabobank Nederland has assumed liability for the debts arising from the legal transactions of a number of group companies.

### *Internal liability (cross-guarantee system)*

In accordance with Section 12 of the Credit System Supervision Act of 1992 (*Wet toezicht Kredietwezen 1992*) various corporate entities forming part of Rabobank Group stand surety for one another. This cross-guarantee system constitutes a legal arrangement under which the fulfillment of each participating entity's commitments is guaranteed by the other participating entities in the event of a shortfall of funds.

The participating entities are:

- the local member banks, members of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA
- Coöperatieve Centrale Raiffeisen-Boerenleenbank BA (Rabobank Nederland), Amsterdam
- Rabohypotheekbank NV, Amsterdam
- Raiffeisenhypotheekbank NV, Amsterdam
- Schretlen & Co. NV, Amsterdam
- De Lage Landen International BV, Eindhoven
- De Lage Landen Financiering BV, Eindhoven
- De Lage Landen Trade Finance BV, Eindhoven
- De Lage Landen Financial Services BV, Eindhoven

## 61. Irrevocable facilities

This item relates to all irrevocable facilities that could lead to lending.

	2003	2002
Unused credit facilities.....	19,701	21,456
Other .....	1	66
Total irrevocable facilities .....	19,702	21,522

Of which group companies: 1,921 (3,979).

## Derivatives

The derivatives schedule included in the notes to the consolidated financial statements relates almost entirely to Rabobank Nederland.

## Employees

The average number of employees was 6,931 (6,891).

Of which abroad: 2,002 (2,032).

Expressed in FTEs, the average number of employees was 6,728 (6,717).

## Emoluments of members of the Supervisory Board of Rabobank Nederland

The total remuneration of current and former members of the Supervisory Board amounted to 1.7 (1.5). This amount is included under staff costs.

## Emoluments of members of the Executive Board of Rabobank Nederland

The emoluments of current and former members of the Executive Board amounted to 10.8 (28.5). This amount is included under staff costs.

Loans and advances to and guarantees given on behalf of members of the Executive Board of Rabobank Nederland amounted to 4.5 (5.2). For members of the Supervisory Board of Rabobank Nederland they amounted to 1.9 (1.3).

Utrecht, 4 March 2004

### The Supervisory Board

L. Koopmans  
L.J.M. Berndsen  
T. de Boon  
B. Bijvoet  
S.E. Eisma  
M. Minderhoud  
J.A.A.M. van Rossum  
H.C. Scheffer  
M.J.M. Tielen  
A.W. Veenman  
A.J.A.M. Vermeer

### The Executive Board

H. Heemskerk  
D.J.M.G. baron van Slingelandt  
J.C. ten Cate  
J.J. Verhaegen  
P.J.A. van Schijndel  
P.W. Moerland

## PARTICIPATING INTERESTS

Once the financial statements are adopted, the list as referred to in Sections 379 and 414 of Book 2 of the Netherlands Civil Code will be filed at the Trade Registry of the Chamber of Commerce and Industries under number 30.046.259.

## OTHER INFORMATION

### A. Articles of Association provisions governing members' contributions to shortfalls

If, in the event of Rabobank Nederland's liquidation, whether by court order or otherwise, its assets should prove to be insufficient to meet its liabilities, the members at the time of the liquidation as well as those who ceased to be members in the year prior to the liquidation, shall be liable for the deficit.

In the event of Rabobank Nederland is dissolved on account of its insolvency after it has been declared bankrupt, not only the members at that time but also those who ceased to be members in the year prior to the bankruptcy order shall be jointly liable.

The amount payable by each member or former member shall be in the same proportion to the shortfall as their individual balance sheet totals according to their latest adopted balance sheets are to the latest adopted balance sheet totals of all liable members and former members together. If it should prove impossible to recover the share of one or more liable members or former members in the shortfall from them, the remaining members and former members shall be jointly liable in the same proportion for the amount not recovered.

In the event of a liquidation out of court, the inability to recover the share of one or more members or former members in the shortfall from them shall be deemed to exist if the liquidators, subject to the prior approval of the Supervisory Board, should waive the right of recourse because exercising the right would not lead to any recovery.

The amount for which members or former members are liable as referred to above shall never be more than 3% of their latest adopted balance sheet totals. Liable former members who contributed to earlier equity deficits shall be allowed to deduct the total amount paid earlier from the amount chargeable to them in the event of Rabobank Nederland's liquidation.

These Articles of Association provisions do not prejudice the guarantee given by the local member banks of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA under the cross-guarantee system that they will fulfill the obligations of Rabobank Nederland without any financial limitation in the event of a shortfall in funds. The cross-guarantee system is described in detail in the notes to the balance sheet of Rabobank Nederland.

### B. Articles of Association provisions governing profit appropriation and proposed profit appropriation of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA (Rabobank Nederland)

#### Articles of Association provisions governing profit appropriation

From the profit, a Dividend may be paid, the amount of which shall be determined by the General Meeting on the proposal of the Executive Board. The profit then remaining shall, on the proposal of the Executive Board, be used by the General Meeting to improve the solvency position of Rabobank Nederland.

During the existence of Rabobank Nederland, the reserves shall not be distributed to the members, neither in whole nor in part. If Rabobank Nederland should decide at any time to wind up its business with a view to having it continued by another legal entity or institution, these reserves shall accrue to that other legal entity or institution.

#### Proposed appropriation of available profit of Rabobank Nederland

	2003	2002
	(in EUR millions)	
Net profit .....	522	443
Payment on Rabobank Member Capital .....	215	160
Payment on Trust Preferred Securities .....	54	46
Addition to other reserves .....	253	237

### C. Articles of Association provisions governing profit appropriation of local member banks

The profit disclosed in the profit and loss account shall be added to the general reserve, which shall serve to extinguish any losses.



After the directors, subject to approval of the Supervisory Board, have table a proposal to that effect, the General Meeting may depart from the foregoing as follows: Of the amount which under the provisions of paragraph 1 of this article should be added to the general reserve, the General Meeting may disburse at most one quarter but no more than an amount equal to 4% of the amount of the general reserve for purposes which it considers to be of local or general interest. In no event may reserves be distributed to the members.

#### **D. Appropriation of available profit of Rabobank Group**

	<b>2003</b>	<b>2002</b>
	(in EUR millions)	
Net profit .....	1,403	1,250
Payment on Rabobank Member Capital .....	215	160
Payment on Trust Preferred Securities .....	54	46
Addition to other reserves .....	1,134	1,044

#### **E. Events after the balance sheet date**

In February 2004, Rabobank Group reached a settlement with the Royal Bank of Canada (RBC) regarding a claim the Canadian bank believed it had against Rabobank International. The claim related to a swap transaction (a swap of financing obligations) for the bankrupt US energy group Enron (EOG). The original amount of the claim - USD 517 million - was reduced in August 2003 by USD 195 million. This amount devolved upon RBC on the distribution of the sale proceeds of the EOG shares to Rabobank, RBC and the other Enron creditors. Under the terms of the settlement reached with RBC, less than half of the remaining claim amount is for the account of Rabobank, which is comfortably covered by the provision formed by the Bank for this purpose.

## F. Foreign offices

Europe		Americas		Australia		Asia
<b>Belgium</b>	Luxembourg	<b>Argentina</b>	St. Louis	Adelaide	Thames	<b>China</b>
Antwerp	<b>Austria</b>	Buenos Aires	Stockton	Albany	Timaru	Beijing
Brussels	Salzburg	<b>Brazil</b>	Strathmore	Armidale	Waipukurau	Hong Kong
Zaventem	<b>Poland</b>	Canoas	Tecate	Ayr	Wanganui	Shanghai
<b>Denmark</b>	Poznan	São Paulo	Thousand Palms	Brisbane	Wellington	<b>India</b>
Ballerup	Warsaw	<b>Canada</b>	Toledo	Bunbury	Whangarei	Mumbai
<b>Germany</b>	<b>Portugal</b>	Oakville	Twin Falls	Canberra		New Delhi
Frankfurt	Lisbon	Toronto	Visalia	Cloncurry		<b>Indonesia</b>
Düsseldorf	<b>Russia</b>	<b>Chile</b>	Washington	Cooma		Jakarta
Langenhagen	Moscow	Santiago	Wayne	Dalby		<b>Japan</b>
<b>Finland</b>	<b>Spain</b>	<b>Curaçao</b>	West Marshall	Darwin		Tokyo
Helsinki	Madrid	Willemstad	West Memphis	Dubbo		<b>Singapore</b>
<b>France</b>	<b>Sweden</b>	<b>Mexico</b>	White Plains	Emerald		Singapore
Beauvais	Sundbyberg	Mexico City	Wichita	Esperance		<b>Taiwan</b>
Paris	<b>Switzerland</b>	<b>United States</b>	Wilmington	Forbes		Taipei
<b>Guernsey</b>	Schlieren	Amarillo	Windsor	Geraldton		<b>Thailand</b>
St. Peter Port	Zug	Atlanta	Winnipeg	Goulburn		Bangkok
<b>Great Britain</b>	Zurich	Bakersfield	Wynne	Griffith		
Coventry		Blythe		Horsham		
Edinburgh		Boston		Ingham		
London		Brawley		Launceston		
Watford		Calexico		Longreach		
<b>Ireland</b>		Cedar Falls		Mackay		
Athlone		Chicago		Melbourne		
Ballina		Chico		Merriden		
Ballinasloe		Coachella		Moora		
Bandon		Crookston		Moree		
Carrick-on-Shannon		Dallas		Mount Gambier		
Castlebar		Des Moines		Narrogen		
Cavan		Dinuba		Orange		
Clonmel		El Centro		Perth		
Cork		Enid		Port Lincoln		
Drogheda		Fresno		Rockhampton		
Dublin		Gonzales		Roma		
Dundalk		Great Falls		Shepparton		
Dungarvan		Greenbrae		Swan Hill		
Ennis		Grimes		Sydney		
Galway		Hanford		Tamworth		
Kilrush		Hemet		Toowoomba		
Letterkenny		Holtville		Townsville		
Limerick		Honolulu		Wagga Wagga		
Listowel		Imperial		Warrnambool		
Longford		Indio		<b>New Zealand</b>		
Mallow		Julian		Alexandra		
Monaghan		Kearney		Ashburton		
Mullingar		La Quinta		Auckland		
Naas		Los Angeles		Blenheim		
Navan		Mcook Lake		Christchurch		
Nenagh		Memphis		Dannevirke		
New Ross		Menlo Park		Dunedin		
Newcastlewest		Naples		Feiling		
Portlaoise		New York		Gisborne		
Roscommon		Orange		Gore		
Skibbereen		Otterbein		Greymouth		
Sligo		Palm Desert		Hamilton		
Thurles		Palm Springs		Hastings		
Tralee		Preston		Invercargill		
Tuam		Rapid City		Masterton		
Tullamore		Reedley		New Plymouth		
Waterford		Roca		Oamaru		
Wexford		Rosamond		Pukekohe		
Wicklow		San Francisco		Rotorua/Taupo		
<b>Italy</b>		Santa Maria		Taumarunui		
Milan		Selma		Te Kuiti		
<b>Luxembourg</b>		Spokane		Te Puke		

## **G. Auditors' report**

### ***Introduction***

We have audited the 2003 financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam, of which the financial statements of Rabobank Group form a part, as included in this report. These financial statements are the responsibility of Rabobank Nederland's Executive Board. Our responsibility is to express an opinion on these financial statements based on our audit.

### ***Scope***

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Rabobank Nederland's Executive Board, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2003 and of the result for the year then ended in accordance with the accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Utrecht, 4 March 2004

**Ernst & Young Accountants**

	KEY FIGURES				
	2003	2002	2001	2000	1999
<b>Volume of services (in EUR millions)</b>					
Total assets .....	403,305	374,720	363,679	342,920	281,218
Private sector lending .....	235,425	212,323	197,262	179,137	161,074
Funds entrusted .....	172,571	171,632	172,174	146,705	127,527
Assets managed <sup>(1)</sup> .....	184,000	168,000	194,400	166,100	139,800
Premium income, insurance .....	3,893	3,660	3,926	3,417	2,867
<b>Financial position and solvency (in EUR millions)</b>					
Reserves .....	17,270	14,911	13,030 <sup>(2)</sup>	13,108	11,867
Tier 1 capital .....	19,660	17,202	15,092 <sup>(2)</sup>	14,653	13,007
Tier 1 + Tier 2 capital .....	19,892	17,414	15,542 <sup>(2)</sup>	15,093	13,650
Total risk-weighted assets .....	182,820	165,843	152,812	142,278	129,801
Tier 1 ratio .....	10.8	10.3	9.9 <sup>(2)</sup>	10.3	10.0
BIS ratio .....	10.9	10.5	10.2 <sup>(2)</sup>	10.6	10.5
Solvency requirement .....	14,626	13,268	12,225	11,382	10,384
<b>Profit and loss account (in EUR millions)</b>					
– Interest .....	6,010	5,391	5,082	4,585	4,499
– Commission and other income .....	3,228	3,173	3,352	3,175	2,307
Total income .....	9,238	8,564	8,434	7,760	6,806
Operating expenses .....	6,243	5,839	5,965	5,459	4,826
Value adjustments to receivables .....	575	500	480	360	350
Value adjustments to financial fixed assets .....	18	252	59	9	0
Addition to the Fund for general banking risks .....	0	0	0	52	100
Operating profit before taxation .....	2,402	1,973	1,930	1,880	1,530
Taxation on operating profit .....	733	514	532	507	423
Third-party interests .....	266	209	192	179	87
Net profit .....	1,403	1,250	1,206	1,194	1,020
<b>Ratios</b>					
Return on reserves .....	9.4%	9.6%	9.2%	10.1%	9.8%
Efficiency ratio .....	67.6%	68.2%	70.7%	70.3%	70.9%
<b>Other data (numbers of)</b>					
Member Banks .....	328	349	369	397	424
Offices:					
– branches .....	1,378	1,516	1,648	1,727	1,795
– agencies .....	356	402	455	548	610
Cash dispensing machines .....	2,981	2,979	2,889	2,676	2,546
Foreign offices .....	222	169	137	142	147
Employees:					
– total number .....	57,055	58,096	58,120	55,098	53,147
– full-time equivalents .....	50,849	51,867	52,173	49,711	48,224
Members (x 1,000) .....	1,360	1,108	825	550	510

(1) Following a change in definitions, the amounts disclosed for assets managed differ from the amounts presented in previous reports.

(2) The change in accounting policy for pensions as of January 1, 2002 is taken into account in the computation of reserves and of the Tier I and BIS ratio as at December 31, 2001.

General: Due to consolidation effects, the figures relating to Group entities will not always correspond with Rabobank Group totals. Changes in terms of percentages can vary as a result of rounding.

**CONSOLIDATED BALANCE SHEET OF RABOBANK GROUP AT 31 DECEMBER**  
(AFTER PROFIT APPROPRIATION)

(in EUR millions)	2003	2002	2001 <sup>(1)</sup>
<b>Assets</b>			
Cash .....	7,117	3,807	3,736
Short-term government paper ..	3,211	1,813	5,311
<i>Professional securities</i>			
<i>transactions</i> .....	30,199	40,053	28,359
<i>Other banks</i> .....	11,720	7,176	11,719
<b>Banks</b> .....	41,919	47,229	40,078
<i>Public sector lending</i> .....	2,161	797	761
<i>Private sector lending</i> .....	235,425	212,323	197,262
<i>Professional securities</i>			
<i>transactions</i> .....	13,211	12,132	10,591
<b>Lending</b> .....	250,797	225,252	208,614
Interest-bearing securities .....	71,141	71,320	78,680
Shares .....	10,093	9,414	12,556
Participating interests .....	201	184	156
Property and equipment .....	3,964	3,870	3,756
Other assets.....	4,984	4,519	4,425
Prepayments and accrued income.....	9,878	7,312	6,367
<b>Total assets</b> .....	403,305	374,720	363,679
<b>Liabilities</b>			
<i>Professional securities</i>			
<i>transactions</i> .....	20,180	21,808	17,076
<i>Other banks</i> .....	62,676	64,078	62,938
<b>Banks</b> .....	82,856	85,886	80,014
<i>Savings</i> .....	71,559	66,272	63,060
<i>Professional securities</i>			
<i>transactions</i> .....	3,309	6,031	8,485
<i>Other funds entrusted</i> .....	97,703	99,329	100,629
<b>Funds entrusted</b> .....	172,571	171,632	172,174
Debt securities .....	80,695	61,739	58,514
Other liabilities .....	11,907	7,699	12,039
Accruals and deferred income.	12,513	8,218	4,187
Provisions .....	19,177	18,338	18,336
	379,719	353,512	345,264
<i>Fund for general banking risks</i>	1,679	1,679	1,679
<i>Subordinated loans</i> .....	174	111	52
	1,853	1,790	1,731
<b>Member Capital</b> .....	3,853	3,851	2,276
<i>Revaluation reserves</i> .....	222	246	417
<i>Other reserves</i> .....	11,158	10,164	9,687
	2,037	650	650
<b>Trust Preferred Securities</b> .....			
<i>Reserves</i> .....	17,270	14,911	13,030
<i>Third-party interests</i> .....	4,463	4,507	3,654
	23,586	21,208	18,415
<b>Group equity</b> .....			
<b>Total liabilities</b> .....	403,305	374,720	363,679
Contingent liabilities .....	6,435	7,655	9,652
Irrevocable facilities .....	26,117	27,151	25,674

(1) At 1 January 2002 a change in accounting policy for pension charges relating to defined benefit pension schemes was introduced. The comparative figures for 2001 have been restated accordingly. Therefore, the 2001 figures presented above differ from the 2001 figures in the financial statements of 2001.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT OF RABOBANK GROUP

(in EUR millions)	2003	2002	2001 <sup>(1)</sup>
<b>Income</b>			
<i>Interest income</i> .....	17,794	18,265	20,042
<i>Interest expense</i> .....	11,784	12,874	14,960
Interest .....	6,010	5,391	5,082
Income from securities and participating interests .....	519	529	517
<i>Commission income</i> .....	2,146	2,049	1,974
<i>Commission expense</i> .....	294	254	214
Commission .....	1,852	1,795	1,760
Results on financial transactions .....	170	285	422
Other income	687	564	653
<b>Total income</b>	9,238	8,564	8,434
<b>Expenses</b>			
<i>Staff costs</i> .....	3,770	3,682	3,565
<i>Other administrative expenses</i> .....	2,101	1,789	2,032
Staff costs and other administrative expenses ....	5,871	5,471	5,597
Depreciation .....	372	368	368
<b>Operating expenses</b> .....	6,243	5,839	5,965
Value adjustments to receivables .....	575	500	480
Value adjustments to financial fixed assets .....	18	252	59
<b>Total expenses</b> .....	6,836	6,591	6,504
Operating profit before taxation .....	2,402	1,973	1,930
Taxation on operating profit	733	514	532
Operating profit/Group profit after taxation .....	1,669	1,459	1,398
Third-party interests .....	266	209	192
<b>Net profit</b> .....	1,403	1,250	1,206

(1) At 1 January 2002 a change in accounting policy for pension charges relating to defined benefit pension schemes was introduced. The comparative figures for 2001 have been restated accordingly. Therefore, the 2001 figures presented above differ from the 2001 figures in the financial statements of 2001.

# **CONSOLIDATED CASH FLOW STATEMENT OF RABOBANK GROUP**

(in EUR millions)	<u>2003</u>	<u>2002</u>	<u>2001<sup>(1)</sup></u>
<b>Cash flow from operating activities</b>			
Operating profit/Group profit after taxation	1,669	1,459	1,398
Adjustments for:			
– depreciation	372	368	368
– value adjustments to receivables	575	500	480
– value adjustments to financial fixed assets	18	252	59
– movements in technical reserves relating to the insurance business	1,119	939	1,439
– movements in other provisions	(280)	(937)	(19)
– movements in accrued and deferred items	1,729	4,734	(2,591)
	<u>3,533</u>	<u>5,856</u>	<u>(264)</u>
Cash flow from business operations	5,202	7,315	1,134
Movements in short-term government paper	(1,398)	3,498	2,051
Movements in securities trading portfolio	2,665	3,340	198
Movements in securitised loans	(50)	(154)	159
Movements in banks	633	(675)	(4,294)
Movements in lending	(26,120)	(17,138)	(17,428)
Movements in funds entrusted	939	(542)	25,469
Other movements from operating activities	4,464	(469)	(8,793)
	<u>(18,867)</u>	<u>(12,140)</u>	<u>(2,638)</u>
<b>Net cash flow from operating activities</b>	(13,665)	(4,825)	(1,504)
<b>Cash flow from investing activities</b>			
Investments and purchases			
– investment portfolio	(24,222)	(22,495)	(35,864)
– participating interests	(45)	(126)	(39)
– tangible fixed assets	(686)	(802)	(869)
	<u>(24,953)</u>	<u>(23,423)</u>	<u>(36,772)</u>
Disposals, redemptions and sales			
– investment portfolio	19,900	23,801	29,676
– participating interests	15	136	457
– tangible fixed assets	227	333	202
	<u>20,142</u>	<u>24,270</u>	<u>30,335</u>

(in EUR millions)	2003	2002	2001 <sup>(1)</sup>
<b>Net cash flow from investing activities</b>	(4,811)	847	(6,437)
<b>Cash flow from financing activities</b>			
Movements in Rabobank Membership Certificates and Trust Preferred Securities	1,389	1,575	1,384
Movements in subordinated loans	63	59	(1)
Movements in debt securities	18,956	3,225	8,627
Payment on Rabobank Membership Certificates and Trust Preferred Securities	(269)	(206)	(122)
<b>Net cash flow from financing activities</b>	<u>20,139</u>	<u>4,653</u>	<u>9,888</u>
<b>Net cash flow / Movement in cash and cash equivalents</b>	1,663	675	1,947

The cash flow statement provides a summary of the net movements in operating, investing and financing activities.

Cash and cash equivalents consist of legal tender and balances available on demand with central banks.

- 
- (1) At 1 January 2002 a change in accounting policy for pension charges relating to defined benefit pension schemes was introduced. The comparative figures for 2001 have been restated accordingly. Therefore, the 2001 figures presented above differ from the 2001 figures in the financial statements of 2001.



**UNCONSOLIDATED BALANCE SHEET OF RABOBANK NEDERLAND AT  
31 DECEMBER (AFTER PROFIT APPROPRIATION)**

(in EUR millions).....	2003	2002	2001 <sup>(1)</sup>
<b>Assets</b>			
Cash .....	5,959	2,682	2,374
Short-term government paper.....	3,024	1,706	5,245
<i>Professional securities</i>			
<i>transactions</i> .....	29,871	39,574	26,039
<i>Other banks</i> .....	82,826	68,893	68,741
Banks .....	112,697	108,467	94,780
<i>Public sector lending</i> .....	1,620	358	425
<i>Private sector lending</i> .....	54,147	54,342	54,953
<i>Professional securities</i>			
<i>transactions</i> .....	11,983	10,268	7,995
Lending .....	67,750	64,968	63,373
Interest-bearing securities .....	47,781	48,232	58,137
Shares.....	1,309	797	2,243
Participating interests in group			
companies .....	6,459	7,572	7,573
Other participating interests .....	47	59	115
Property and equipment .....	276	256	270
Other assets .....	2,195	1,877	2,386
Prepayments and accrued income	9,712	6,604	6,222
<b>Total assets</b> .....	257,209	243,220	242,718
<b>Liabilities</b>			
<i>Professional securities</i>			
<i>transactions</i> .....	19,487	21,535	16,165
<i>Other banks</i> .....	83,753	84,388	86,658
Banks .....	103,240	105,923	102,823
<i>Savings</i> .....	375	84	86
<i>Professional securities</i>			
<i>transactions</i> .....	1,740	3,997	5,626
<i>Other funds entrusted</i> .....	53,837	60,845	63,904
Funds entrusted .....	55,952	64,926	69,616
Debt securities.....	72,156	54,087	51,050
Other liabilities.....	6,310	3,041	7,328
Accruals and deferred income .....	10,713	7,587	4,390
Provisions.....	1,811	2,099	3,015
	250,182	237,663	238,222
<i>Fund for general banking risks</i> ....	439	439	439
<i>Share capital</i> .....	638	636	636
<i>Revaluation reserve</i> .....	56	81	271
<i>Other reserves</i> .....	120	14	250
<i>Loans associated with issue of</i>			
<i>Rabobank membership</i>			
<i>certificates</i> .....	3,737	3,737	2,250
<i>Loans associated with issue of</i>			
<i>Trust Preferred Securities</i> .....	2,037	650	650
Equity .....	7,027	5,557	4,496
<b>Total liabilities</b> .....	257,209	243,220	242,718
Contingent liabilities .....	8,511	9,907	10,273
Irrevocable facilities.....	19,702	21,522	20,379

(1) At 1 January 2002 a change in accounting policy for pension charges relating to defined benefit pension schemes was introduced. The comparative figures for 2001 have been restated accordingly. Therefore, the 2001 figures presented above differ from the 2001 figures in the financial statements of 2001.

# **UNCONSOLIDATED PROFIT AND LOSS ACCOUNT OF RABOBANK NEDERLAND<sup>(1)</sup>**

<b>(in EUR millions)</b>	<b>2003</b>	<b>2002</b>	<b>2001<sup>(2)</sup></b>
Profit of participating interests after taxation.....	1,018	761	834
Other income/(expense) after taxation.....	(496)	(318)	(460)
<b>Net profit .....</b>	<b>522</b>	<b>443</b>	<b>374</b>

(1) Prepared in accordance with section 402 of book 2 of the Netherlands Civil Code.

(2) At 1 January 2002 a change in accounting policy for pension charges relating to defined benefit pension schemes was introduced. The comparative figures for 2001 have been restated accordingly. Therefore, the 2001 figures presented above differ from the 2001 figures in the financial statements of 2001.

**AUDITORS' REPORT TO THE CONSOLIDATED FINANCIAL DATA OF  
RABOBANK GROUP**

The accompanying consolidated financial data as set out on page F44 up to and including page F47 of this Offering Memorandum have been derived from the consolidated financial statements for the years ended December 31, 2003, 2002 and 2001 of Rabobank Group, as audited by us. The consolidated financial data are the responsibility of Rabobank Group's management.

In our opinion, the consolidated financial data for the years ended December 31, 2003, 2002 and 2001, as included in this Offering Memorandum on page F44 up to and including page F47, are consistent, in all material respects, with the consolidated financial statements of Rabobank Group from which they have been derived. We issued unqualified auditors' reports on these consolidated financial statements on March 4, 2004, March 6, 2003 and March 7, 2002, respectively. These auditors' reports are included in the consolidated financial statements for the years referred to, which form an integral part of this Offering Memorandum.

Utrecht, October 27, 2004

Ernst & Young Accountants

**AUDITORS' REPORT TO THE UNCONSOLIDATED FINANCIAL DATA OF RABOBANK  
NEDERLAND**

The accompanying unconsolidated financial data as set out on pages F48 up to and including F49 of this Offering Memorandum have been derived from the financial statements for the years ended December 31, 2003, 2002 and 2001 of Rabobank Nederland, as audited by us. The unconsolidated financial data are the responsibility of Rabobank Nederland's management.

In our opinion, the unconsolidated financial data for the years ended December 31, 2003, 2002 and 2001, as included in this Offering Memorandum on pages F48 up to and including F49, are consistent, in all material respects, with the financial statements of Rabobank Nederland from which they have been derived. We issued unqualified auditors' reports on these financial statements on March 4, 2004, March 6, 2003 and March 7, 2002, respectively. These auditors' reports are included in the financial statements for the years referred to, which form an integral part of this Offering Memorandum.

Utrecht, October 27, 2004

Ernst & Young Accountants

# CONSOLIDATED BALANCE SHEET

(in EUR millions)	June 30, 2004	December 31, 2003	June 30, 2003
<b>Assets</b>			
Cash .....	9,478	7,117	6,371
Short-term government paper .....	3,388	3,211	2,619
Professional securities transactions ..	36,237	30,199	30,201
Other banks .....	12,268	11,720	14,263
Banks .....	48,505	41,919	44,464
Public sector lending .....	3,210	2,161	2,015
Private sector lending .....	245,560	235,425	221,688
Professional securities transactions ..	12,824	13,211	13,460
Lending .....	261,594	250,797	237,163
Interest-bearing securities .....	85,045	71,141	82,831
Shares .....	12,414	10,093	11,966
Participating interests .....	499	201	199
Property and equipment .....	3,962	3,964	3,900
Other assets .....	4,534	4,984	4,996
Prepayments and accrued income .....	10,929	9,878	7,858
Total assets .....	440,348	403,305	402,367
<b>Liabilities</b>			
Professional securities transactions ..	22,289	20,180	20,002
Other banks .....	71,153	62,676	64,889
Banks .....	93,442	82,856	84,891
Savings .....	75,070	71,559	69,104
Professional securities transactions ..	3,274	3,309	10,487
Other funds entrusted .....	102,140	97,703	101,287
Funds entrusted .....	180,484	172,571	180,878
Debt securities .....	96,617	80,695	76,484
Other liabilities .....	13,183	11,907	11,826
Accruals and deferred income .....	11,803	12,513	7,391
Provisions .....	20,140	19,177	18,923
	415,669	379,719	380,393
Fund for general banking risks .....	1,679	1,679	1,679
Subordinated loans .....	2,245	2,211	759
Members' capital .....	3,850	3,853	3,851
Revaluation reserves .....	324	222	237
Other reserves .....	11,848	11,158	10,731
Reserves .....	16,022	15,233	14,819
Third-party interests .....	4,733	4,463	4,717
Group equity .....	24,679	23,586	21,974
Total liabilities .....	440,348	403,305	402,367
Contingent liabilities .....	7,310	6,435	7,373
Irrevocable facilities .....	27,693	26,117	28,577

These interim figures are unaudited.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in EUR millions)	1st half-year 2004	2nd half-year 2003	1st half-year 2003
<b>Income</b>			
Interest .....	3,133	3,027	2,929
Income from securities and participating interests .....	229	244	109
Commission.....	1,020	983	869
Results on financial transactions.....	133	101	69
Other income .....	399	312	375
<b>Total income</b> .....	4,914	4,667	4,351
<b>Expenses</b>			
Staff costs.....	1,928	1,948	1,822
Other administrative expenses .....	1,155	1,180	921
Staff costs and other administrative expenses .....	3,083	3,128	2,743
Depreciation .....	177	195	177
Operating expenses .....	3,260	3,323	2,920
Value adjustments to receivables.....	275	300	275
Value adjustments to financial fixed assets.....	(12)	(98)	(50)
<b>Total expenses</b> .....	3,523	3,525	3,145
Operating profit before taxation .....	1,391	1,142	1,206
Taxation on operating profit .....	411	365	347
Operating profit/Group profit after taxation.....	980	777	859
Third-party interests.....	155	141	125
<b>Net profit</b> .....	825	636	734

These interim figures are unaudited.

**CASH FLOW STATEMENT FOR  
THE SIX MONTHS ENDED**

(in EUR millions)	June 30, 2004	June 30, 2003
	<b>(unaudited)</b>	
<b>Cash flow from operating activities</b>		
Operating profit/Group profit after taxation .....	980	859
Adjustments for:		
<i>depreciation</i> .....	177	177
<i>value adjustments to receivables</i> .....	275	275
<i>value adjustments to financial fixed assets</i> ....	(12)	(50)
<i>movements in technical reserves relating to</i> <i>the insurance business</i> .....	818	643
<i>movements in other provisions</i> .....	145	(58)
<i>movements in accrued and deferred items</i> .....	(1,761)	(1,345)
	(358)	(358)
Cash flow from business operations .....	622	501
Movements in short-term government paper ....	(177)	(806)
Movements in securities trading portfolio .....	(13,010)	(12,813)
Movements in securitized loans .....	(481)	379
Movements in banks .....	3,895	1,732
Movements in lending .....	(11,072)	(12,186)
Movements in funds entrusted .....	7,913	9,246
Other movements from operating activities .....	1,841	2,813
	(11,091)	(11,635)
<b>Net cash flow from operating activities</b> .....	<b>(10,469)</b>	<b>(11,134)</b>
<b>Cash flow from investing activities</b>		
Investing activities concerning:		
<i>investment portfolio</i> .....	(2,730)	(716)
<i>participating interests</i> .....	(275)	(51)
<i>tangible fixed assets</i> .....	(116)	(207)
<b>Net cash flow from investing activities</b> .....	<b>(3,121)</b>	<b>(974)</b>
<b>Cash flow from financing activities</b>		
Rabobank Membership Certificates .....	(3)	—
Movements in subordinated loans .....	34	(2)
Movements in debt securities .....	15,922	14,745
Payment on Rabobank Membership Certificates .....	(108)	(110)
<b>Net cash flow from financing activities</b> .....	<b>15,845</b>	<b>14,633</b>
<b>Net cash flow/ movement in cash and cash     equivalents</b> .....	<b>2,255</b>	<b>2,525</b>

The cash flow statement provides a summary of the net movements in operating, investing and financing activities. Cash and cash equivalents consist of legal tender and balances available on demand with central banks.

## MOVEMENTS IN RESERVES

	First half 2004	Second half 2003	First half 2003
	(in EUR millions)		
Balance at 1 January / 1 July .....	15,233	14,819	14,261
Rabobank Membership Certificates .....	(3)	2	–
Profit for the first / second half-year.....	825	636	734
Revaluation .....	147	(1)	33
Goodwill.....	(61)	(106)	(107)
Payment on Rabobank Membership Certificates .....	(108)	(105)	(110)
Other movements .....	(11)	(12)	8
Balance at 30 June / 31 December.....	16,022	15,233	14,819

## ANALYSIS BY BUSINESS UNIT

Partly as a result of consolidation effects, the figures of the principal business units below differ from those in the profit and loss account.

	Retail banking	Wholesale banking	Asset management	Insurance	Leasing	Real estate
	(in EUR millions)					
<b>2004 I</b>						
Total Income .....	2,617	1,058	301	456	314	54
Total operating expenses.....	1,694	524	221	341	174	16
Gross profit.....	923	534	80	115	140	38
Value adjustments to receivables.....	126	82	–	–	40	1
Value adjustments to financial fixed assets.....	–	(12)	–	(11)	–	–
Operating profit before taxation .....	797	464	80	126	100	37
<b>2003 I</b>						
Total Income .....	2,384	994	310	328	271	11
Total Operating Expenses .....	1,635	439	226	346	142	1
Gross profit.....	749	555	84	(18)	129	10
Value adjustments to receivables.....	108	125	–	–	41	–
Value adjustments to financial fixed assets.....	–	43	(1)	(93)	–	–
Operating profit before taxation .....	641	387	85	75	88	10

## NOTES TO THE BALANCE SHEET

**In the first half of 2004, Rabobank Group's total assets according to the consolidated balance sheet grew by 9% to EUR 440 billion. The Tier I ratio at 30 June 2004 was 10.6 and the BIS ratio 10.7.**

Lending to the private sector was up 4% at EUR 245.6 billion. Total assets also grew owing to the increase in interest bearing securities. The expansion of activities was largely financed by the growth in funds entrusted and a rise in debt securities.

### **Lending**

Rabobank Group's total lending increased 4% in the first half of 2004 to EUR 261.6 (250.8) billion. The figure breaks down as:

- public sector lending;
- professional securities transactions;
- private sector lending.

Public sector lending increased by EUR 1.0 billion to EUR 3.2 billion. Professional securities transactions amounted to EUR 12.8 (13.2) billion.

### ***Private Sector Lending***

Private sector lending rose 4% in the first half year to EUR 245.6 (235.4) billion. The private sector comprises private individuals, the food and agri sector and the trade, industry and services sector. Of the total amount lent, 51% is to private individuals, 15% to the food and agri sector, and 34% to the trade, industry and services sector. Lending by local banks was up 4%. Lending as part of wholesale banking was down 2% owing to the netting of debit and credit balances for the same client. Before netting off, lending showed modest growth. The other sectors combined, including leasing and real estate, reported growth of 20%, which is partly due to the acquisition of Telia Finans AB and the increase in real-estate activities.

### ***Trade, Industry and services***

The total borrowed by entrepreneurs in the trade, industry and services sector amounted to EUR 83.6 billion at 30 June 2004, 3% up from the EUR 81.3 billion at 31 December 2003. The strongest growth was the attributable to companies in the property and construction sectors.

### ***Food and agri***

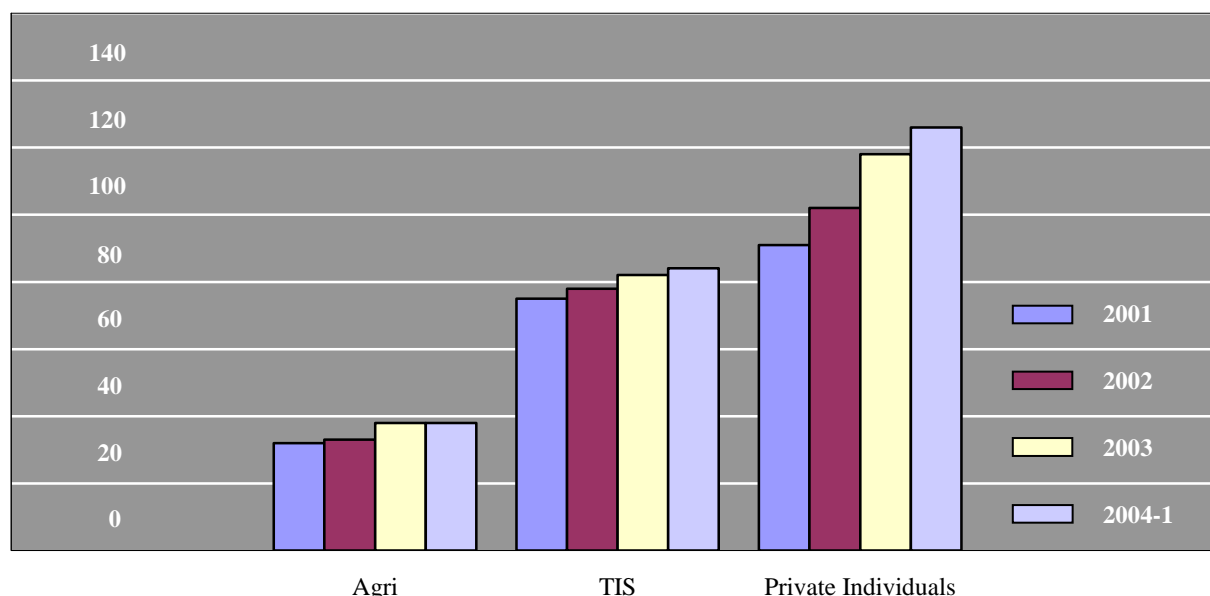
At the end of June, the amount lent to companies in the food and agri sector stood at EUR 36.4 (36.6) billion, the larger part relating to the primary agricultural sector.

### ***Private individuals***

Lending to private individuals totalled EUR 125.6 (117.5) billion at the end of June 2004, representing a rise of 7%, about the same as for the same period of 2003. The greater part of the lending to private individuals, EUR 123.3 (116.1) billion, is in the form of mortgage loans.



## Lending by sector (in EUR billion)



### *Interest-bearing securities*

During the period under review, interest-bearing securities rose 20% to EUR 85.0 (71.1) billion, most of the increase being attributable to the growth of the trading portfolio.

### **Funds entrusted**

During the reporting period, funds entrusted, which comprises savings, professional securities transactions and other funds entrusted, increased by 5% to EUR 180.5 (172.6) billion. Professional securities transactions amounted to EUR 3.3 (3.3) billion at 30 June 2004. The other funds entrusted increased by EUR 4.4 billion to EUR 102.1 billion, the increase being mainly attributable to the relatively large growth in deposits.

### *Savings*

Savings grew EUR 3.5 billion in the first half year to EUR 75.1 billion, an increase of 5%. The economic uncertainties and low consumer confidence led to many private individuals placing their cash in savings accounts. The share of internet savings in the total went up from 33% to 40% during the first half year. This was mainly at the expense of traditional forms of savings and Telesavings, whose shares reduced by 3% to 24% and by 4% to 17% respectively.

### **Debt securities**

Debt securities went up EUR 15.9 billion in the first half year to EUR 96.6 billion, an increase of 20%. In addition to the issue of Medium Term Notes, more Certificates of Deposit were issued to finance the growth in lending and to maintain liquidity at a healthy level.

### **Reserves**

Based on the most recent International Financial Reporting Standards (IFRS), it was concluded during the reporting period that the Trust Preferred Securities, amounting to EUR 2.0 billion, no longer qualified as reserves. For reasons of prudence, it was decided therefore to classify Trust Preferred Securities under subordinated debt as from 1 January 2004 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Changes in Accounting Rules – Changes in Accounting Policies"). For supervisory purposes however, the Dutch Central Bank will continue to regard Trust Preferred Securities as Tier I capital, even after the transition to IFRS in 2005. Accordingly, this change in accounting policy does not affect the Tier I ratio or the BIS ratio.

Under IFRS, the members' capital, amounting to EUR 3.9 billion, will continue to qualify in full as reserves.

To hedge the interest rate risk on members' capital, Rabobank Group concluded long-term swaps. However, IFRS does not allow hedge accounting for instruments an organization issues relating to its own capital. Under IFRS, Rabobank Group has to recognize the swaps it concluded at fair value in its financial statements and changes in the fair value must be taken to the profit and loss account. As the result of a resolution, the existing swaps were included in the trading portfolio for the first half year, and consequently carried at fair value. The effect was a charge of EUR 107 million. This different type of treatment in the accounts does not of course have any impact on the overall risk profile of Rabobank Group.

### **Increase in group equity**

#### ***Tier I-ratio: 10.6***

The Tier I ratio and the BIS ratio are the most commonly used ratios in the financial world to measure solvency. The Tier I ratio expresses the relationship between the core capital and the total risk-weighted assets. At 30 June 2003, the Tier I ratio was 10.6 (10.8), higher than the long-term objective of 10. The minimum requirement set by the external supervisors is 4. The high solvency ratio is one of the main reasons for Rabobank Group's high ratings awarded by the rating agencies Moody's and Standard & Poor's. Total risk-weighted assets grew by EUR 10.2 billion to EUR 193.0 billion, largely the result of increased lending. The Tier I capital rose by EUR 0.8 billion to EUR 20.5 billion.

#### ***BIS-ratio: 10.7***

The BIS ratio is calculated by dividing the total of Tier I and Tier II capital, or qualifying capital, by the total of risk-weighted assets. The qualifying capital is therefore the sum of the core capital and the supplementary capital. At 30 June 2004, the BIS ratio was 10.7 (10.9), well above the minimum requirement of 8 set by the external supervisors.

## NOTES TO THE PROFIT AND LOSS ACCOUNT

**In the first half year, net profit increased by 12% to EUR 825 million, thanks to higher income.**

### **Income**

Total income rose in the first six months by EUR 563 million to EUR 4,914 million, an increase of 13%. The growth rate was boosted by the change in accounting policy at Interpolis. Adjusted for this change, the increase in income is 10%.

#### ***Interest income up 7%***

In the first half year, interest income rose by 7% to EUR 3,133 (2,929) million. This rise is attributable to the growth in lending and savings. The interest margin was under pressure during the first half year owing to fierce competition on the savings and mortgage markets.

#### ***Commission up 17%***

Commission went up EUR 151 million to EUR 1,020 million, an increase of 17%, mainly from higher commission realised on securities and insurance activities.

#### ***Other income***

Results on financial transactions were up EUR 64 million to EUR 133 million, with the results on derivative transactions accounting for a significant part of the increase. The income from securities and participating interests amounted to EUR 229 (109) million, virtually all of which was attributable to the change in accounting policy at Interpolis (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Changes in Accounting Rules – Changes in Accounting Policies”). Other income went up to EUR 399 (375) million, which includes the underwriting results of Interpolis.

### **Expenses**

Operating expenses rose during the reporting period by 12% to EUR 3,260 (2,920) million, 2% being attributable to acquisitions, 6% to one-off expenses related to provisions and 4% to an organic rise in costs.

#### ***Staff costs up 6%***

Staff costs rose in the first six months by 6% to EUR 1,928 (1,822) million. The increase is attributable in part to wage increases and higher bonus reserves for wholesale banking. Rabobank Group employed 50,594 FTEs at 30 June 2004, compared with 50,849 at 31 December 2003.

#### ***Other administrative expenses up 25%***

Other administrative expenses rose by 25% to EUR 1,155 (921) million, largely attributable to provisions. Most of the additions to provisions concern the reorganizations within Rabobank Nederland, the amount involved being EUR 120 million.

#### ***Value adjustments to receivables***

The addition to the provision for doubtful debts is recognised under value adjustments to receivables. The addition is determined on a general basis from the long-term weighted average of the actual losses expressed as a percentage of the outstanding loans, with the most recent years given the highest weightings. For the first six months, EUR 275 million was added to the provision, the same amount as for the same period of the previous year. The addition as a percentage of the average risk-weighted assets used in banking activities (calculated on an annual basis) improved by 3 basis points to 30 basis points compared with 2003. Value adjustments to financial fixed assets amounted to EUR -12 (-50) million.

### ***Operating profit before taxation up 15%***

Rabobank Group's operating profit before taxation totalled EUR 1,391 (1,206) million for the first half of 2004, a rise of 15% compared with the same period of 2003.

### ***Net profit up 12%***

After deduction of tax of EUR 411 (347) million and allowing for third-party interests of EUR 155 (125) million, net profit amounts to EUR 825 (734) million, representing an increase of 12%.

## **Operating result by group unit**

### ***Retail banking***

With an increase in operating profit before taxation of 24%, retail banking performed well. The increase of EUR 156 million to EUR 797 million is mainly attributable to a rise in income by 10% to EUR 2,617 (2,384) million. Operating expenses increased by 4% to EUR 1,694 (1,635) million. The increased income mainly relates to higher interest income and commission. The growth in interest income was slightly below the growth in loans owing to a tighter interest rate margin. The rise in operating expenses largely represents other administrative expenses. Staff costs were virtually unchanged, partly owing to a drop in the number of FTEs by just under 2%. Value adjustments to receivables increased by EUR 18 million to EUR 126 million.

### ***Wholesale banking***

Wholesale banking reported an operating profit before taxation of EUR 464 (387) million for the first half year, an increase of 20%. The increase was partly thanks to lower risk-related costs and a 34% downward value adjustment of receivables to EUR 82 (125) million. Moreover, the contribution by value adjustments of financial fixed assets to the result was a gain of EUR 12 million, whereas this was a loss of EUR 43 million for the first half of 2003. Income rose slightly by 6% to EUR 1,058 (994) million. In contrast, operating expenses rose by 19% to EUR 524 (439) million, mainly owing to an increase in one-off costs and to the acquisitions of the previous year that are now fully included in the figures. Country banking activities reported a good result, despite a tighter interest rate margin. The gross profit of Corporate Clients was down on the previous year, nor did Corporate Finance match the good result it had achieved in 2003. Early in 2004, Rabobank Group reached a final settlement with Royal Bank of Canada regarding a claim connected with a swap transaction for Enron, the nowadays bankrupt energy group.

### ***Asset management***

Asset management activities produced an operating profit before taxation of EUR 80 million for the first six months compared with EUR 85 million for the same period of 2003. One-off income items, such as gains on financial transactions, were down on the previous year. In addition, a one-off expense of EUR 10 million was recognised, relating to Robeco Group's spread results for 2003. It has been agreed with the Netherlands Authority for the Financial Markets that spread results will be taken to the investment funds.

### ***Insurance***

The operating profit before taxation, which represents the result on operating activities and on investments, amounted to EUR 126 million for the first half year compared with EUR 75 million for the same period of 2003. The result on operating activities was up EUR 26 million to EUR 101 million, mainly owing to good underwriting results on non-life business. The profit on investments also grew steeply, climbing from EUR 1 million to EUR 25 million.

### ***Leasing***

With an increase in operating profit of 14% to EUR 100 (88) million, leasing activities performed well in the first half of 2004. The increase is mainly attributable to higher interest income, lower risk-related costs and the acquisition of Telia Finans AB. The lower risk-related costs were achieved for a growing volume of lending.

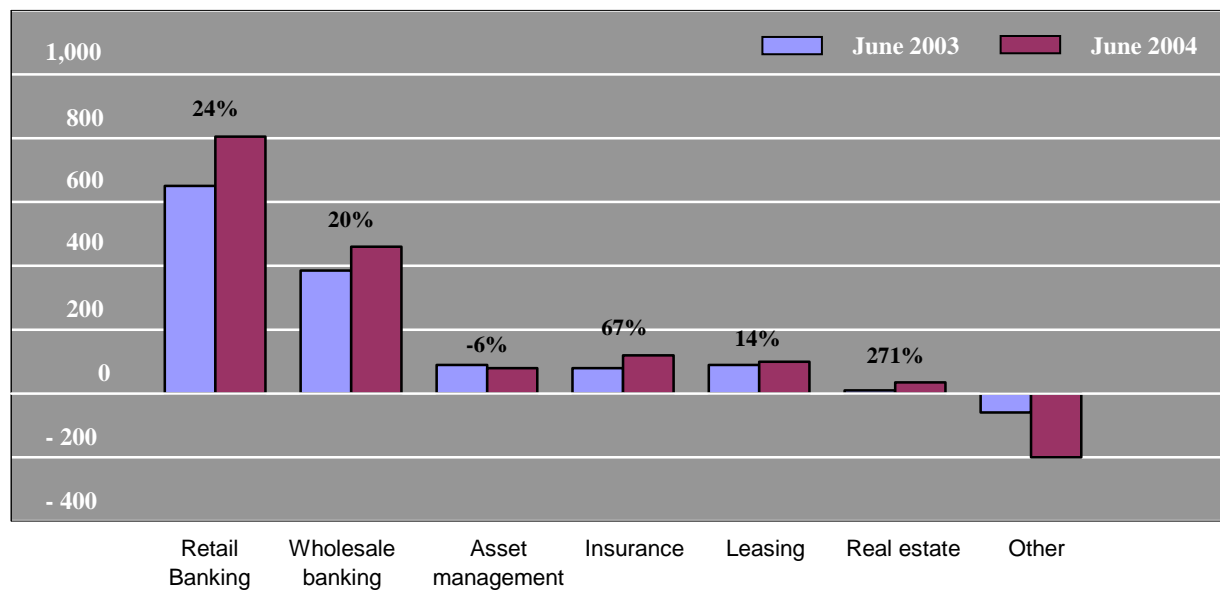
### ***Real estate***

The new group unit Real estate achieved an operating profit before taxation of EUR 37 million for the first half of 2004.

### ***Other units***

The combined result before taxation of the Group units included under Other fell by EUR 139 million to produce a loss of EUR 212 million. The sharp decline is mainly due to the additions to provisions.

### **Operating result before taxation by Group unit** (in EUR million)



**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2002**  
**(AFTER PROFIT APPROPRIATION)**

(in EUR millions)	2002	2001
<b>Assets</b>		
Cash <sup>(1)</sup> .....	3,807	3,736
Short-term government paper <sup>(2)</sup> .....	1,813	5,311
Professional securities transactions .....	40,053	28,359
Other banks .....	7,176	11,719
Banks <sup>(3)</sup> .....	47,229	40,078
Public sector lending .....	797	761
Private sector lending .....	212,323	197,262
Professional securities transactions .....	12,132	10,591
Lending <sup>(4)</sup> .....	225,252	208,614
Interest-bearing securities <sup>(5)</sup> .....	71,320	78,680
Shares <sup>(6)</sup> .....	11,062	12,556
Participating interests <sup>(7)</sup> .....	184	156
Property and equipment <sup>(8)</sup> .....	3,870	3,756
Other assets <sup>(9)</sup> .....	4,519	4,425
Prepayments and accrued income <sup>(10)</sup> .....	5,664	6,367
<b>Total assets</b> .....	374,720	363,679
<b>Liabilities</b>		
Professional securities transactions .....	21,808	17,076
Other banks .....	64,078	62,938
Banks <sup>(11)</sup> .....	85,886	80,014
Savings .....	66,272	63,060
Professional securities transactions .....	6,031	8,485
Other funds entrusted .....	99,329	100,629
Funds entrusted <sup>(12)</sup> .....	171,632	172,174
Debt securities <sup>(13)</sup> .....	61,739	58,514
Other liabilities <sup>(14)</sup> .....	7,699	12,039
Accruals and deferred income <sup>(15)</sup> .....	8,218	4,187
Provisions <sup>(16)</sup> .....	18,338	18,336
	353,512	345,264
Fund for general banking risks <sup>(17)</sup> .....	1,679	1,679
Subordinated loans <sup>(18)</sup> .....	111	52
Reserves <sup>(19)</sup> .....	14,911	13,030
Third-party interests <sup>(20)</sup> .....	4,507	3,654
Group equity .....	21,208	18,415
<b>Total liabilities</b> .....	374,720	363,679
Contingent liabilities <sup>(21)</sup> .....	7,655	9,652
Irrevocable facilities <sup>(22)</sup> .....	27,151	25,674

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR 2002**

(in EUR millions)	2002	2001
<b>Income</b>		
<i>Interest income</i> <sup>(23)</sup> .....	18,265	20,042
<i>Interest expense</i> <sup>(24)</sup> .....	12,874	14,960
Interest .....	5,391	5,082
Income from securities and participating interests <sup>(25)</sup> .....	529	517
<i>Commission income</i> <sup>(26)</sup> .....	2,049	1,974
<i>Commission expense</i> <sup>(27)</sup> .....	254	214
Commission .....	1,795	1,760
Results on financial transactions <sup>(28)</sup> .....	285	422
Other income <sup>(29)</sup> .....	564	653
<b>Total income</b> .....	8,564	8,434
<b>Expenses</b>		
<i>Staff costs</i> <sup>(30)</sup> .....	3,682	3,565
<i>Other administrative expenses</i> <sup>(31)</sup> .....	1,789	2,032
Staff costs and other administrative expenses .....	5,471	5,597
Depreciation <sup>(32)</sup> .....	368	368
Operating expenses	5,839	5,965
Value adjustments to receivables <sup>(33)</sup> .....	500	480
Value adjustments to financial fixed assets <sup>(34)</sup> .....	252	59
<b>Total expenses</b> .....	6,591	6,504
Operating profit before taxation .....	1,973	1,930
Taxation on operating profit <sup>(35)</sup> .....	514	532
Operating profit/Group profit after taxation .....	1,459	1,398
Third-party interests <sup>(36)</sup> .....	209	192
<b>Net profit</b> .....	1,250	1,206

## CASH FLOW STATEMENT

(in EUR millions)	2002	2001
<b>Cash flow from operational activities</b>		
Operating profit/Group profit after taxation .....	1,459	1,398
Adjustments for:		
– depreciation .....	368	368
– value adjustments to receivables .....	500	480
– value adjustments to financial fixed assets .....	252	59
– movements in technical reserves relating to the insurance business .....	939	1,439
– movements in other provisions .....	(937)	(19)
– movements in accrued and deferred items .....	4,734	(2,591)
	5,856	(264)
Cash flow from business operations .....	7,315	1,134
Movements in short-term government paper ....	3,498	2,051
Movements in securities trading portfolio .....	3,340	198
Movements in securitised loans .....	(154)	159
Movements in banks .....	(675)	(4,294)
Movements in lending .....	(17,138)	(17,428)
Movements in funds entrusted .....	(542)	25,469
Other movements from operational activities ...	(469)	(8,793)
	(12,140)	(2,638)
<b>Net cash flow from operational activities</b>	(4,825)	(1,504)
<b>Cash flow from investing activities</b>		
Investments and purchases		
– investment portfolios .....	(22,495)	(35,864)
– participating interests .....	(126)	(39)
– tangible fixed assets .....	(802)	(869)
	(23,423)	(36,772)
Disposals, redemptions and sales		
– investment portfolio .....	23,801	29,676
– participating interests .....	136	457
– tangible fixed assets .....	333	202
	24,270	30,335
<b>Net cash flow from investing activities</b> .....	847	(6,437)
<b>Cash flow from financing activities</b>		
Rabobank Membership Certificates .....	1,575	1,384
Movements in subordinated loans .....	59	(1)
Movements in debt securities .....	3,225	8,627
Payment on Rabobank Membership Certificates and Trust Preferred Securities .....	(206)	(122)
<b>Net cash flow from financing activities</b> .....	4,653	9,888
<b>Net cash flow</b> .....	675	1,947

The cash flow statement provides a summary of the net movements in operational, investing and financing activities.

Cash and cash equivalents consist of legal tender and balances available on demand with central banks.



## NOTES

### **Basis of consolidation**

The consolidated financial statements of Rabobank Group include the financial information of Rabobank Nederland and the local member banks, as well as the financial information of other group companies. The assets, liabilities and results of these companies are consolidated in full. Third-party interests are disclosed separately. Joint ventures are included in the consolidated financial statements in proportion to the Bank's share. Account balances between the banking activities and the insurance activities are eliminated insofar as they arise from financing activities.

The consolidated financial statements form part of the financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA ('Rabobank Nederland') and are referred to as the financial statements of Rabobank Group.

The difference between the equity and results as presented in the financial statements of Rabobank Group and in the financial statements of Rabobank Nederland can be attributed to the equity and results of the local member banks affiliated to Rabobank Nederland, Rabohypothekbank NV and Onderlinge Waarborgmaatschappij Rabobanken BA.

The financial statements have been drawn up in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. Unless otherwise stated, all amounts disclosed in these notes are in millions of euros.

### **Changes in classification and accounting policies with effect from 2002**

At 1 January 2002 a change in accounting policy for pension charges relating to defined benefit pension schemes was introduced. Under the policy that applied until 31 December 2001, the contributions set annually based on the financing agreements were taken to the profit and loss account of Rabobank Nederland. This policy resulted in highly fluctuating pension charges in the financial statements. The new policy is based on the accrual of pension rights rather than the financing agreements and results in more stable pension charges calculated on the basis of pensionable earnings. The new 'dynamic contribution policy' takes account of estimates of a number of future economic factors, such as pay increases, indexations, investment returns and developments in the client base.

Owing to the change in accounting policy, €1,884 million was charged to other reserves of Rabobank Nederland at 1 January 2002 and simultaneously a provision for pensions of €2,894 million was formed and a deferred tax asset of €1,010 million was recognised. These amounts are higher than those stated in the 2001 financial statements, which related only to pensions administered by Stichting Pensioenfonds Rabobankorganisatie. Other comparable pension schemes are now also included in the calculations, which used more up-to-date information and assumptions.

The comparative figures for 2001 in this annual report have been restated accordingly. Other assets have been increased by €60 million and provisions by €2,163 million, and other liabilities have been reduced by €219 million. Staff costs (pension charges) for 2001 have been increased by €131 million. Taking the tax burden into account, the net effect on the result is €85 million.

Other prior-year figures have been reclassified where necessary for comparative purposes. These reclassifications have no effect on results or equity.

### **Recognition of financial instruments in the balance sheet**

A financial asset or a financial liability is included in the balance sheet as from the moment that the Group is entitled to the benefits or is committed to the obligations arising from the contractual provisions of the financial instrument. From the moment that these conditions are no longer met, a financial instrument is no longer included in the balance sheet. Financial assets and liabilities are netted off in the balance sheet if the Group is allowed to do so on the basis of legal or contractual provisions and has the intention to offset these assets and liabilities or to settle them simultaneously.

## **Accounting policies**

### ***General***

These financial statements have been prepared under the historical cost convention. Departures, if any, from historical cost rules are mentioned separately. All assets are carried net of such diminutions in value as is deemed necessary. The addition to the item value adjustments to receivables is determined on a dynamic basis. The accounting policies applied by Interpolis NV are in accordance with the reporting requirements for insurance companies.

Premiums and discounts are included under prepayments and accrued income or under accruals and deferred income as appropriate, and are amortised over the term to maturity of the items concerned.

### ***Derivatives***

Derivative contracts relating to trading activities are included at their market value in the balance sheet, under prepayments and accrued income or under accruals and deferred income as appropriate. Changes in these market values are accounted for in the profit and loss account. The market value of derivative contracts relating to trading activities is determined taking into account the costs of eliminating market risk, the expected credit risk and administrative expenses, cash adjustments and adjustments resulting from market developments.

Interest rate contracts relating to trading activities are stated at market value based on the spot price ruling at the balance sheet date. Gains and losses on these contracts are accounted for under results on financial transactions. Other interest rate contracts are valued in line with the underlying assets and liabilities. Gains and losses are accounted for under interest in proportion to the expired term.

Foreign exchange contracts relating to borrowing and lending transactions are carried at the spot price ruling at the balance sheet date. Gains and losses resulting from these transactions are accounted for under interest in proportion to the term to maturity. Other foreign exchange contracts are carried at the market price for the remaining term ruling at the balance sheet date. Realised and unrealised exchange differences are taken to results on financial transactions. Other contracts are carried at market value.

### ***Foreign currency***

Participating interest denominated in foreign currencies are translated at the spot rate of exchange ruling at the balance sheet date. Resulting exchange differences that have not been hedged are taken to reserves. Other assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the balance sheet date. Resulting exchange differences are taken to results on financial transactions.

Assets, liabilities and results of the insurance business denominated in foreign currencies are translated at the spot rate of exchange ruling at the balance sheet date. Resulting exchange differences on assets and liabilities are taken direct to reserves insofar as they are for the Group's own account and risk.

### ***Leasing***

Amounts receivable on leases of movable and immovable property are included in the balance sheet under lending and banks. The value of rights acquired under techno-lease agreements is included under lending. Net income from lease contracts is taken to the profit and loss account under interest income.

## **Short-term government paper, interest-bearing securities and shares**

### ***Investment portfolio***

The investment portfolio consists of securities forming part of fixed assets and held as investments in accordance with Rabobank policy. Bonds and other interest-bearing securities are carried at redemption value. The difference between redemption value and cost is accounted for under prepayments and accrued income or accruals and deferred income as appropriate and taken to interest income over the term of the securities concerned.

Bonds and other interest-bearing securities for which all or most of the interest income is received at the time of redemption are carried at cost rather than at redemption value. The value of these items is increased by a proportional part of the difference between cost and redemption value for the remaining time to maturity, calculated on the basis of compound interest. This increase is accounted for as interest income.

Gains and losses on the sale of bonds and other interest-bearing securities are taken to reserves, taking into account deferred taxation, and recognised as interest income over the remaining term to maturity of those securities.

Gains and losses on securities sold on account of a structural reduction of the investment portfolio are taken direct to interest income.

Transfers of bonds and other interest-bearing securities from the investment portfolio to the trading portfolio, and vice versa, are made at market value. Resulting gains and losses are accounted for in the same manner as gains and losses on sales of either investment portfolio or trading portfolio securities, as appropriate.

Shares and other variable-yield securities listed on a stock exchange are carried at year-end market value; those not listed are carried at estimated realisable value. Resulting unrealised differences in value are taken to a revaluation reserve, taking into account deferred taxation. Unrealised differences in the value of hedging contracts are treated in the same manner. Realised price differences are taken to the profit and loss account under income from securities and participating interests. Unrealised losses that cannot be charged to the revaluation reserve are taken to the profit and loss account under value adjustments to financial fixed assets.

In respect of investments made by the insurance business in land and buildings, shares and convertible bonds, a structural total return is recognised in the profit and loss account. The total return consists of the direct return realised (net rental income and Dividends) and an indirect return. The total return is calculated by multiplying the average return realised on the investments in the past 30 years by the average value of the investments in the past seven years. The indirect return is calculated as the difference between the total return and the direct return. The indirect return is released from the revaluation reserve. Releases from the revaluation reserve are made insofar as the reserve is positive.

The accounting policy for investments in separate investment funds (insurance business) is the same as the policy described above, except for unrealised differences in value on investments in shares and other variable-yield securities, which are accounted for in the provision for price differences third parties. Realised price gains and losses are taken direct to the profit and loss account. Other investments for the account and risk of policyholders are carried at market value, increased with accrued interest where appropriate. Realised and unrealised differences in value are taken to the profit and loss account.

### ***Trading portfolio***

The trading portfolio is carried at market value or estimated realisable value at the balance sheet date. Valuation differences relating to the trading portfolio are accounted for under results on financial transactions.

Repurchased own bonds and other interest-bearing securities for resale are carried at the lower of cost and market value.

The market value is determined taking into account the costs of eliminating market risk, the expected credit risk and administrative expenses, cash adjustments and adjustments resulting from market developments.

### ***Certificates of deposit and commercial paper***

Certificates of deposit and commercial paper qualifying as loans and advances are carried at face value. If they do not qualify as such, they are valued in the same way as bonds and other interest-bearing securities.

### ***Temporary other investments***

Temporary other investments are carried at market value determined individually for each investment. The resulting positive differences in value in relation to cost are taken to the revaluation reserve. Decreases in the revaluation reserve due to disposals are released to the profit and loss account. Downward value adjustments and reversals of them are taken to the profit and loss account under value adjustments to financial fixed assets.

### ***Participating interests***

Participating interests over whose commercial and financial policy Rabobank exercises significant influence are carried at net asset value based on the latest financial information available. Rabobank's share in the results of participating interests is taken to the profit and loss account under income from securities and participating interests.

Other participating interests are carried at current cost. The resulting positive differences in value in relation to cost are taken to the revaluation reserve for participating interests. Decreases in the revaluation reserve due to disposals are released to the profit and loss account. Downward value adjustments, as well as reversals of them, are accounted for under value adjustments to financial fixed assets, insofar as no reserve has been formed for this. Dividends received from other participating interests are taken to the profit and loss account under income from securities and participating interests.

Results of foreign offices denominated in foreign currencies are translated at the average rates for the financial year. Resulting translation differences are taken to the revaluation reserve.

Goodwill, being the difference between the cost and net asset value of participating interests, is charged direct to other reserves in the year of acquisition. Negative goodwill on the acquisition of participating interests is taken direct to the revaluation reserve. The revaluation reserve is transferred evenly to other reserves and in proportion to the gains accruing on the participating interests concerned.

## **Property and equipment**

### ***Property in use by the Bank***

Bank buildings are carried at current cost, derived from their replacement value based on continuity and functionality. This replacement value is arrived at by means of regular appraisals, so that each building is appraised at least once every ten years. The current cost of buildings not appraised in the year under review is adjusted based on the building industry index.

Changes in value resulting from this accounting policy are taken to the revaluation reserve, taking into account deferred taxation. The current cost is depreciated on a straight-line basis over an expected useful economic life of at most 40 years. Bank buildings under construction are carried at cost. No depreciation is charged while work is in progress.

Buildings due to be sold are stated at their appraised realisable value. Lump-sum ground rent of land held on long lease is capitalised and written off over a period not exceeding 40 years.

### ***Property not in use by the Bank***

Buildings not in use by the Bank are carried at current cost, i.e. at their net realisable value. Changes in value resulting from this accounting policy are taken to the revaluation reserve, taking into account deferred taxation. Downward value adjustments that cannot be absorbed by the revaluation reserve are accounted for under depreciation.

Immovable property acquired under foreclosure is carried at the lower of cost and net realisable value. Construction projects in progress are carried at the lower of cost and net realisable value, net of payments received on account.

### ***Property relating to the insurance business***

All land and buildings are carried at current cost, i.e. the estimated private sale value, taking into account the expected return on investment and the nature and location of the property. Changes in value resulting from this accounting policy are taken to the revaluation reserve, taking into account deferred taxation. Buildings under construction are carried at the direct all-inclusive building costs incurred up to the balance sheet date, plus the contractual obligations entered into and net of any expected decrease in value upon delivery. Land and buildings are not depreciated.

### ***Equipment***

Equipment is carried at cost and depreciated evenly over the estimated useful lives of the items concerned.

## **Debt securities**

### ***Borrowings***

Borrowings for which all or most of the interest charges are paid at the time of redemption are carried at their principal, plus a proportional part of the difference between the principal and redemption value for the remaining time to maturity, calculated on the basis of compound interest. The increase is accounted for in the profit and loss account under interest expense.

## **Provisions**

### ***Provision for pensions***

The provision for pension obligations under defined benefit pension schemes is determined according to a method that calculates the discounted value of the pension obligations on the basis of the number of years of active service until the balance sheet date, the estimated salary at the expected date of termination of employment, indexation and the market rate of interest on high-quality bonds already being traded. To spread the pension charges

evenly over the years, the expected return on the investments is incorporated in the calculations. Differences between the expected and actual return on the investments, as well as any actuarial adjustments, are not taken to the profit and loss account, unless the cumulative total of these differences and adjustments exceeds 10% of the larger of the obligations under the pension scheme and the fair value of the corresponding investments. The portion that exceeds this limit is taken to the profit and loss account over the future working lives of the scheme members. The estimates of future factors are based on long-term studies carried out by Rabobank Group. These estimates are by definition uncertain and are therefore tested regularly and adjusted as necessary.

#### ***Provision for deferred taxation***

The provision is formed for deferred tax liabilities resulting from timing differences and is stated at its discounted value. In the insurance business, the provision is stated at non-discounted value and is calculated taking into account the reserves recognised for tax purposes. Deferred tax assets are recognised only insofar as they are likely to crystallise.

#### **Technical reserves relating to the insurance business**

##### ***Unearned premium reserve***

The unearned premium reserve relates to non-life insurance only and represents the unearned portion of premiums written. The reserve includes the ageing provisions for disability and sickness benefits policies.

##### ***Provision for life insurance***

Life insurance liabilities are calculated in accordance with the net method on the basis of recent mortality tables and a discount rate of predominantly 4%. For life insurance policies concluded after 1 August 1999, a discount rate of 3% is used. The discount rate used for underwriting liabilities relating to savings mortgages is equal to the interest rate on the mortgage loan linked to the insurances. The provision is stated net of capitalised interest rate rebates and net of capitalised new-business commission incurred on life insurance policies with renewal premiums paid at regular intervals. Capitalised interest rate rebates on policies for which Interpolis bears the full investment risk are amortised to the profit and loss account evenly over a period of ten years. For policies for which Interpolis bears virtually no investment risk, amortisation is over the full term of the policy. This provision includes profit guarantees calculated according to actuarial principles.

##### ***Outstanding claims reserve***

The outstanding claims reserve is formed for outstanding claims, including claims incurred but not yet reported in previous financial years. The reserve is either specific or estimated on the basis of claims experience, and includes claims handling expenses payable. The portion of the reserve for disability insurance claims is calculated on the basis of actuarial claims accrual factors, using a discount rate of 4%. For claims reported after 1 January 2001 a discount rate of 3% is used.

##### ***Provision for insurance for which policyholders bear the investment risk***

The provision for these liabilities, insofar as the underlying investments are held in separate investment funds, is calculated in the same way as the provision for life insurance business.

The provision for other insurances for which policyholders bear the investment risk are calculated in accordance with the carrying value of the underlying investments.

##### ***Other technical reserves***

Other technical reserves include a reserve for catastrophe risks in the non-life business. The addition to the reserve is based on the expected cost of external reinsurance cover. Amounts are released from the reserve if the total loss relating to catastrophe risks on an annual basis exceeds a pre-defined limit. Different limits have been set for the various sectors.

#### **Other provisions**

##### ***Other provisions, banking activities***

During the term of the Collective Labour Agreement (CLA), employees who meet the CLA requirements can opt for early retirement at or around the age of 60. A provision has been formed for employees who might opt for the Voluntary Early Retirement Scheme. The provision is calculated actuarially, using an average market rate of interest for all employees meeting the criteria and who are likely to make use of the scheme. All other provisions are carried at their non-discounted value.

### ***Other provisions, insurance business***

The provision for price differences third parties relates to unrealised price differences, as at the balance sheet date, on investments in property and shares of separate investment funds. Results realised on the sale of property and shares are taken to the profit and loss account. The provisions for staff non-activity schemes include a provision for early retirement. The provision represents the present value of staff costs to be incurred during the period of early retirement. A discount rate of 4% is used to calculate the provision. For staff covered by the CLA for the insurance business, a new pension scheme was introduced on 1 January 2000. Under the new scheme, the retirement age for field staff is 61 and for office staff, 62. The provision for the early retirement of these employees only applies therefore to benefits in the course of payment at 1 January 2000 and benefits falling under the transition arrangement included in the CLA for the insurance business.

### **Fund for general banking risks**

The fund is formed to cover general risks associated with banking activities where this is prudently required. These risks include risks arising on account of unforeseeable and therefore unquantifiable expenses, such as large misappropriations of funds, nationalisation, et cetera, on the one hand and expenses resulting from large, exceptional setbacks relating to lending, interest rates, currencies, et cetera, on the other. Movements in the fund are accounted for separately in the profit and loss account. Expenses absorbed by amounts released from the fund are accounted for under the related items in the profit and loss account. Movements in the fund are taken into account in determining the tax charge. The fund is presented in the balance sheet net of deferred tax assets.

### **Income and expenses**

Interest, commission and other income are recognised in the financial year to which they relate. Interest and commission due which are doubtful of collection are not recognised as income. This applies in particular to unpaid interest and commission on loans and advances whose value has been adjusted because of a debtor's expected or actual default. The same applies to the unpaid portion of interest and commission on those loans and advances whose value has been adjusted on account of country risks. In determining the costs, allowance is made for accrued and deferred items. In calculating the tax charge, allowance is made for the current tax relief facilities, and their interpretations, including additions to the item value adjustments to receivables and to the fund for general banking risks, which are taken into account in full.

Depreciation is charged in accordance with the notes to the item property and equipment.

**NOTES TO THE CONSOLIDATED BALANCE SHEET**  
(in EUR millions)

**1. Cash**

This item consists of legal tender, balances available on demand with foreign central banks in countries where Rabobank Group is represented, as well as a balance with the Dutch Central Bank under its minimum reserve policy.

**2. Short-term government paper**

This item relates to government paper with an original term to maturity of up to two years eligible for refinancing with central banks in the country of origin.

At cost: EUR 1,808 (5,306) million.

At market value: EUR 1,809 (5,300) million.

**3. Banks**

This item represents loans and advances, other than in the form of interest-bearing securities, to banks.

The total amount includes amounts receivable on lease contracts of EUR 94 (87) million, and assets transferred under sale and repurchase transactions of EUR 8,928 (9,904) million.

EUR 2 (–) million is not readily available, as it has been pledged as security.

**4. Lending**

This item consists of loans and advances, other than in the form of interest-bearing securities, to clients other than banks.

	<b>2002</b>	<b>2001</b>
<b>This item can be broken down as follows:</b>		
– Public sector lending.....	797	761
– Private sector lending (corporate clients).....	111,382	106,885
– Private sector lending (private individuals) .....	102,665	92,077
– Professional securities transactions .....	12,132	10,591
– Provisions for doubtful debts and country risks.....	(1,724)	(1,700)
Total lending.....	225,252	208,614
	<b>2002</b>	<b>2001</b>
<b>This item includes:</b>		
– Loans and advances to participating interests.....	20	20
– Subordinated loans and advances to participating interests.....	121	—
– Other subordinated loans and advances .....	129	6
– Amounts receivable on lease contracts .....	11,228	10,417
of which operating lease contracts .....	2,945	2,810
– Loans and advances guaranteed by public authorities .....	7,830	5,269
– Mortgages guaranteed by public authorities .....	9,062	8,233
– Other mortgages.....	130,728	117,431
Total home mortgages .....	99,762	88,307
Assets transferred under sale and repurchase transactions	15,373	5,102
<b>Breakdown of private sector lending by industry sector:</b>		
– Agricultural sector .....	15%	15%
– Trade, industry and the services sector .....	39%	40%
– Private individuals .....	46%	45%

	<u>2002</u>	<u>2001</u>
<b>Movements in provisions for doubtful debts and country risks</b>		
Balance at 1 January.....	1,753	1,646
Addition.....	500	480
Amounts charged to the provisions .....	(460)	(430)
Other movements, including currency translation differences .....	(8)	57
Balance at 31 December .....	<u>1,785</u>	<u>1,753</u>

EUR 1,724 (1,700) million relates to lending, while the remainder of the balance relates to banks, interest-bearing securities and off-balance-sheet items.

***Analysis by business unit***

Movements in provisions for doubtful debts and country risks of the relevant business units.

<u>2002</u>	<u>Retail banking</u>	<u>Wholesale banking</u>	<u>Asset management</u>	<u>Leasing</u>
Balance at 1 January.....	935	722	5	89
Addition.....	165	266	—	68
Amounts charged to the provisions .....	(94)	(289)	—	(77)
Other .....	15	(16)	(4)	(1)
Balance at 31 December .....	1,021	683	1	79
Impaired loans .....	1,579	2,215	1	345



2001	Retail banking	Wholesale banking	Asset management	Leasing
Balance at 1 January.....	858	674	13	100
Addition.....	150	268	1	60
Amounts charged to the provisions .....	(90)	(255)	(10)	(75)
Other .....	17	35	1	4
Balance at 31 December .....	935	722	5	89
Impaired loans .....	1,448	2,156	6	320

#### Risk on non-OECD countries

Regions:	In Europe	In Africa	In Latin America	In Asia/ Pacific	Total	As a % of total assets
Economic country risk (excluding derivatives)(1).....	531	284	3,118	4,334	8,267	2.2%
Risk-reducing components:						
Loans and advances granted in local currency.....	397	14	698	1,029	2,138	
Third-party coverage of country risk .....	54	48	1,185	857	2,144	
Deduction for transactions with lower risk.....	42	87	452	316	897	
Net exposure before provisions .....	38	135	783	2,132	3,088	0.8%
						As a % of total provisions
Total provisions for economic country risk .....	3	6	87	154	250	14.0%

(1)Total assets, plus guarantees issued and unused committed credit facilities.

#### 5. Interest-bearing securities

This item represents interest-bearing negotiable bonds and other interest-bearing securities, other than short-term government paper.

	2002	2001
<b>Interest-bearing securities of</b>		
– Public authorities .....	38,644	49,052
– Other issuers.....	32,676	29,628
Total interest-bearing securities.....	71,320	78,680
<b>This item can be broken down as follows:</b>		
– Investment portfolio.....	40,946	44,955
– Trading portfolio.....	29,264	32,769
– Securitised loans .....	1,110	956
	71,320	78,680

	2002	2001
<b>The portfolio includes:</b>		
– Securities issued by group companies .....	115	265
– Subordinated securities .....	—	5
Listed securities .....	58,485	65,108
Unlisted securities .....	12,835	13,572
Falling due next year .....	6,878	14,529
Given on loan .....	242	28
Amount not readily available (pledged as security) .....	1,454	6,269
Assets transferred under sale and repurchase transactions .....	4,219	10,798
Investment portfolio at cost .....	41,802	45,638
Trading portfolio at cost .....	29,351	32,767
<b>Movements in the investment portfolio:</b>		
Balance at 1 January .....	44,955	40,277
Purchases .....	19,740	31,218
Sales and redemptions .....	(21,388)	(27,030)
Currency translation differences and other movements .....	(2,361)	490
Balance at 31 December .....	40,946	44,955

## 6. Shares

This item consists of shares and other variable-yield securities, and temporary other investments.

	2002	2001
<b>This item can be broken down as follows:</b>		
– Investment portfolio .....	8,293	9,709
– Trading portfolio .....	2,458	2,539
– Client options .....	311	308
Total .....	11,062	12,556
Of which listed .....	5,100	5,935
Of which unlisted .....	5,962	6,621
Trading portfolio at cost .....	2,072	2,329
Temporary other investments included in total .....	4,817	5,301
<b>Movements in the investment portfolio:</b>		
Balance at 1 January .....	9,709	7,979
Addition as a result of changes in accounting policies .....	—	167
Purchases .....	2,755	4,646
Sales .....	(2,413)	(2,646)
Revaluation .....	(35)	(378)
Changes in value and reversals .....	(251)	(59)
Other movements .....	(1,472)	—
Balance at 31 December .....	8,293	9,709
Total revaluations .....	36	268
Total diminutions in value .....	657	65

Other movements include changes in the value of investments for which policyholders bear the investment risk, and currency translation differences.

Client options relate to long positions in listed options held by Rabobank Nederland for the account and risk of its clients. These options are not formally separated from the Bank's own assets. The corresponding liabilities are included under other liabilities.

## Breakdown of investment and trading portfolios

	2002	2001
<b>Investment portfolios</b>		
Dutch government.....	4,562	5,983
Other OECD states.....	20,433	29,817
Mortgage-backed securities.....	4,947	4,829
Other interest-bearing securities.....	12,817	9,637
Total interest-bearing securities and short-term government paper.....	42,759	50,266
Shares.....	8,293	9,709
Total investment portfolios.....	51,052	59,975
<b>Trading portfolios</b>		
Dutch government.....	2,597	2,524
Other OECD states.....	24,081	25,628
Other interest-bearing securities.....	2,586	4,617
Total interest-bearing securities.....	29,264	32,769
Shares.....	2,458	2,539
<b>Total trading portfolios.....</b>	<b>31,722</b>	<b>35,308</b>

## 7. Participating interests

This item represents the interests held in participating interests.

	2002	2001
<b>Participating interests, of which:</b>		
– Credit institutions.....	8	8
– Other.....	176	148
Total participating interests.....	184	156
<b>Movements in participating interests:</b>		
Balance at 1 January.....	156	567
Investments.....	126	39
Disposals.....	(136)	(457)
Profit for the year.....	53	34
Revaluation and other movements.....	(15)	(27)
Balance at 31 December.....	184	156
Total revaluations.....	53	21
Total diminutions in value.....	56	14

The capital commitments amount to some EUR 36 (165) million.

## 8. Property and equipment

This item consists of buildings and land, equipment and other tangible fixed assets, as well as tangible fixed assets not in use by the Group, such as fixed assets acquired under foreclosure.

	2002	2001
Land and buildings in own use .....	2,490	2,386
Other land and buildings .....	751	696
Equipment .....	629	674
Total property and equipment .....	3,870	3,756
Of which leased .....	—	41
Capital commitments .....	147	140

### Movements in property and equipment:

	Land and buildings in own use	Other land and buildings	Equipment	Total
Net book value at 1 January .....	2,386	696	674	3,756
Additions .....	296	236	270	802
Disposals .....	(84)	(195)	(54)	(333)
Revaluation .....	8	11	—	19
Depreciation and diminutions in value .....	(115)	6	(252)	(361)
Exchange differences .....	(1)	(3)	(9)	(13)
Net book value at 31 December .....	2,490	751	629	3,870
Total revaluations .....	294	99	—	393
Total depreciation and diminutions in value .....	1,060	19	1,301	2,380

## 9. Other assets

This item relates to precious metals, certificates representing precious metals, coins and medals made of precious metals (not being legal tender), goods and warehouse receipts, and assets that cannot be classified under any other heading.

Amounts receivable, other than prepayments and accrued income, included under this heading amount to EUR 3,817 (3,836) million. This item also includes a tax receivable of EUR 347 (603) million in respect of corporate income tax and a deferred tax asset of EUR 187 (560) million with a non-discounted value of EUR 142 (519) million.

## 10. Prepayments and accrued income

This item relates to prepaid expenses, interest receivable and other receivables not yet billed.

## 11. Banks

This item represents amounts owed to credit institutions, other than debt securities and subordinated loans, of which debts secured by assets amount to EUR 21,808 (19,609) million.

## 12. Funds entrusted

This item consists of funds entrusted by clients other than debt securities. Savings are all deposits and savings accounts of natural persons, non-profit-making associations and foundations, as well as non-transferable savings bonds.

This item includes funds entrusted by participating interests of EUR – (145) million and funds entrusted secured by assets of EUR 6,039 (8,544) million.

### 13. Debt securities

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit.

### 14. Other liabilities

This item includes liabilities that cannot be classified under any other heading, such as short positions in securities and liabilities on account of securitised loans.

### 15. Accruals and deferred income

This item relates to payments received in advance, accrued interest and other amounts payable. It also includes obligations representing accrued holiday entitlements and additional leave days.

### 16. Provisions

This item represents provisions formed for the equalisation of costs originating in the year under review or prior years, but to be incurred in future years, evenly over a number of years. It also includes best estimates of obligations and losses existing at the balance sheet date, the extent of which is still uncertain.

	2002	2001
Provision for pensions.....	1,662	2,415
Provision for deferred taxation .....	206	250
Technical reserves relating to the insurance business.....	15,435	14,496
Other provisions .....	1,035	1,175
Total provisions.....	18,338	18,336

#### *Provision for deferred taxation*

The non-discounted value of deferred taxation amounted to EUR 206 (250) million.

#### *Provision for pensions*

Weighted average of principal actuarial assumptions used in the valuation of these provisions at 31 December (% per annum):

	2002	2001
Discount rate .....	4.75	4.75
Expected salary accrual rate.....	3.50	3.50
Index of consumer price inflation.....	2.75	2.75

The expected return on investments to cover pension obligations was 7.5% in 2002. The actual return in 2002 was negative and approximately 9%.

#### **The provision for pensions at 1 January 2002 can be broken down as follows:**

Obligations arising from defined benefit pension schemes .....	7,355
Fair value of the investments .....	4,461
Adjustment due to change in accounting policy .....	2,894
Prepayments to the pension fund in 2001.....	(500)
	2,394
Other pension obligations (defined contribution schemes).....	21
Balance at 1 January 2002 .....	2,415

The fair value of the investments at 31 December 2002 amounted to EUR 5,351 million.

	<u>2002</u>
<b>Movements in the provision for pensions can be summarised as follows:</b>	
<b>Defined benefit pension schemes</b>	
Balance at 1 January.....	2,394
Addition charged to the profit and loss account.....	174
Payments to pension funds.....	(924)
Balance at 31 December .....	<u>1,644</u>
<b>Defined contribution schemes</b>	
Balance at 1 January.....	21
Movements .....	(3)
Balance at 31 December .....	<u>18</u>

#### 17. Fund for general banking risks

The fund is formed to cover general risks associated with banking activities where this is prudently required. The fund is stated net of deferred tax assets.

	<u>2002</u>	<u>2001</u>
<b>Movements in the fund for general banking risks:</b>		
Balance at 1 January.....	1,679	1,666
Tax.....	—	13
Balance at 31 December .....	<u>1,679</u>	<u>1,679</u>

The movement in 2001 was attributable to the adjustment of the Dutch corporate income tax rate in 2002.

#### 18. Subordinated loans

This item relates to loans, whether or not in the form of debt securities, which, in the event of liquidation, rank for payment after all the Bank's other debts existing at that time. These subordinated loans include loans with regard to Weiss, Peck & Greer LLC, Roparco NV, Effectenbank Stroeve NV and ACC Bank.

The subordinated debt of Weiss, Peck & Greer LLC consists of two loans.

The first loan amounts to USD 5 million, falls due in 2006 and bears interest at 7.72%. The second loan amounts to USD 10 million, falls due in 2008 and bears interest at 8.81%. Interest charged to the year under review amounted to USD 0.5 million and USD 0.9 million respectively. Repayment ahead of schedule is possible subject to certain conditions.

The subordinated debt of Roparco NV is a loan of EUR 26.3 million bearing interest at a variable rate, which averaged 5.25% in 2002. The loan is open-ended, subject to a notice period of five years. The subordination can be lifted only after written approval from the Dutch Central Bank.

Interest charged to the year under review amounted to EUR 1.4 million.

Effectenbank Stroeve NV has a subordinated debt consisting of two loans, namely a EUR 2.3 million loan bearing interest at 6.25% that will be repaid in 2009 and a EUR 2.3 million loan bearing interest at 6% that will be repaid in 2008. Interest charged to the year under review amounted to EUR 0.1 million and EUR 0.1 million respectively.

The subordinated debt of ACC Bank is a loan of EUR 63 million bearing interest at a variable rate. The loan matures in 2008. Interest charged to the year under review amounted to EUR 0.1 million.

## 19. Reserves

	2002	2001
<b>Reserves can be broken down as follows:</b>		
Revaluation reserves.....	246	417
Other reserves .....	10,164	9,687
Rabobank Membership Certificates.....	3,851	2,276
Trust Preferred Securities.....	650	650
	<u>14,911</u>	<u>13,030</u>
<b>Movements in reserves:</b>		
<b>Revaluation reserves</b>		
Balance at 1 January.....	417	407
Movement as a result of changes in accounting policies .....	—	354
Revaluation.....	(152)	(117)
Transferred to other reserves.....	(13)	(10)
Released to profit and loss account.....	(6)	(217)
Balance at 31 December.....	<u>246</u>	<u>417</u>

This item includes the revaluation reserves for immovable property, shares and participating interests.

	2002	2001
<b>Other reserves</b>		
Balance at 1 January.....	9,687	11,159
Movement as a result of changes in accounting policies .....	—	(306)
Transferred from revaluation reserves.....	13	10
Goodwill.....	(635)	(526)
Other movements .....	55	65
Profit appropriation .....	1,044	1,169
Balance at 31 December .....	<u>10,164</u>	<u>11,571</u>
Change in accounting policy for pensions.....	—	(1,799)
Net effect of change in accounting policy for pensions .....	<u>—</u>	<u>(85)</u>
Balance at 31 December after changes in accounting policies .....	<u>10,164</u>	<u>9,687</u>

Owing to the change in accounting policy, at 1 January 2002 EUR 1,884 million was charged to other reserves of Rabobank Nederland and simultaneously a provision for pensions of EUR 2,894 million was formed and a deferred tax asset of EUR 1,010 million was recognised.

Significant equity interests acquired in 2002:

- Bank Sarasin & Cie, Switzerland
- Boston Partners Asset Managers, United States
- ACC Bank, Republic of Ireland
- Valley Independent Bank, United States
- Transtrend, the Netherlands
- Sage Capital Management, United States

The goodwill paid amounted to EUR 635 million.

	2002	2001
<b>Rabobank Membership Certificates</b>		
Balance at 1 January.....	2,276	892
Issued.....	1,575	1,384
Balance at 31 December .....	3,851	2,276

In 2000, Rabobank Ledencertificaten N.V. (RLC), a group company of Rabobank Nederland, issued 40 million shares. The total proceeds of this issue amounted to EUR 1,000 million. In 2000, RLC granted Rabobank Nederland a EUR 900 million deep subordinated loan with a term of 31 years. In 2001, RLC issued an additional 60 million shares. The total proceeds of this issue amounted to EUR 1,575 million. In 2001, RLC granted Rabobank Nederland a EUR 1,350 million deep subordinated loan with a term of 30 years. In 2002, RLC II issued an additional 17 million shares. The total proceeds of this issue amounted to EUR 1,747 million. In 2002, RLC II granted Rabobank Nederland a EUR 1,487 million deep subordinated loan with a term of 32 years.

As at year-end 2002, the number of shares held by members and employees was 97,972,359 (97,688,468) with a net asset value of EUR 2,520 (2,515) million and 16,410,074 shares with a net asset value of EUR 1,641 million.

Subject to the prior written permission of the Dutch Central Bank, the loan may be repaid ahead of schedule on 29 June 2006 and every subsequent 29 June.

Since the proceeds of the issue are available to Rabobank Group on a perpetual and highly subordinated basis (also subordinate to the Trust Preferred Securities) and since in principle no Dividend is paid if the consolidated profit and loss account shows a loss for any financial year, the issue proceeds, insofar as they have been lent on to Rabobank Nederland, are recognised as reserves in proportion to the number of shares held by members and employees. As a result, dividend payments are accounted for in the profit appropriation.

#### ***Trust Preferred Securities***

In 1999, 26 million 7% non-cumulative Trust Preferred Securities (financing preference shares) were issued via Rabobank Capital Funding Trust, Delaware, a group company of Rabobank Nederland, raising total proceeds of EUR 650 million.

As from 31 December 2004, the Bank has the right, after receiving prior written approval from the Dutch Central Bank, to repurchase the financing preference shares on each dividend payment date.

Since the proceeds of the issue are available to Rabobank Group on a perpetual and highly subordinated basis and since in principle no dividend is paid if the consolidated profit and loss account shows a loss for any financial year, the issue proceeds are recognised as reserves. As a result, dividend payments are accounted for in the profit appropriation.

## **20. Third-party interests**

This item relates to the share held by third parties in the capital of subsidiaries and other group companies.

	2002	2001
Balance at 1 January.....	3,654	3,151
Currency translation differences.....	(270)	57
Other movements .....	1,123	446
Balance at 31 December .....	4,507	3,654

Other movements relate principally to the balance of shares issued and redeemed.

#### ***Solvency***

The main capital ratio requirements set by the Dutch Central Bank are derived from the capital adequacy guidelines of the European Union and the Basel Committee on Banking Supervision. These ratios compare the Bank's total capital (Tier I and Tier II) and core capital (Tier I) with total risk-weighted assets and off-balance-sheet items and the market risk of the trading portfolios. The minimum requirement for total capital and core capital as a



percentage of risk-weighted assets is 8% and 4% respectively. The table following shows the capital available to the Bank and the minimum capital required by the supervisory authorities.

	<b>2002</b>		<b>2001</b>	
<b>Tier I and Tier II capital can be broken down as follows:</b>				
Other reserves .....		10,164		9,687
Fund for general banking risks .....		1,679		1,679
Rabobank Membership Certificates .....	3,851		2,276	
Trust Preferred Securities .....	650		650	
Innovative capital .....		4,501		2,926
Third-party interests treated as qualifying capital .....		858		890
Deductions .....		(131)		(90)
Tier I capital .....		17,071		15,092
Revaluation reserve .....		246		417
Subordinated loan treated as qualifying capital .....		97		33
Tier I and Tier II capital .....		17,414		15,542
	<b>2002</b>		<b>2001</b>	
	<b>Minimum required</b>	<b>Available</b>	<b>Minimum required</b>	<b>Available</b>
Tier I and Tier II capital .....	13,268	17,414	12,225	15,542
Tier I and Tier II ratio .....	8	10.5	8	10.2
Tier I capital .....	6,634	17,071	6,112	15,092
Tier I ratio .....	4	10.3	4	9.9

**Summary of remaining terms to maturity**  
(the 2001 figures are shown between brackets)

	Withdrawable					
	Total	on demand/ undated	≤3 months	>3 months ≤1 year	>1 year ≤5 years	>5 years
<b>Assets</b>						
Banks .....	47,229	1,142	38,711	3,942	2,856	578
	(40,078)	(1,418)	(28,903)	(5,343)	(4,055)	(359)
Lending .....	225,252	7,420	41,541	12,945	34,355	128,991
	(208,614)	(9,336)	(40,370)	(11,384)	(32,657)	(114,867)
<b>Liabilities</b>						
Banks	85,886	10,000	67,670	5,020	1,735	1,461
	(80,014)	(7,829)	(60,519)	(7,034)	(2,499)	(2,133)
Funds entrusted:						
– Savings .....	66,272	61,245	2,047	196	1,837	947
	(63,060)	(57,080)	(3,299)	(120)	(1,614)	(947)
– Other .....	105,360	41,714	49,761	1,764	9,158	2,963
	(109,114)	(39,377)	(53,039)	(5,926)	(7,706)	(3,066)
Debt securities ....	61,739	—	18,438	9,787	24,795	8,719
	(58,514)	(—)	(17,583)	(11,362)	(21,934)	(7,635)

**Management and agency services**

Management and agency services to third parties relate to all the activities. The Bank also administers assets, in its own name but for the account and risk of third parties, which are separate from the Bank's own assets.

**Foreign currency**

Total assets denominated in foreign currencies amount to EUR 113,229 (127,575) million.

Total liabilities denominated in foreign currencies amount to EUR 143,135 (169,997) million.

The balance of these amounts does not reflect the currency position, as most of the risk has been hedged by means of derivatives not disclosed in the balance sheet.

Part of the derivatives in foreign currencies relates to trading positions.

**21. Contingent liabilities**

This item relates to transactions in which the Group stands surety for commitments of third parties.

	2002	2001
<b>Contingent liabilities consist of:</b>		
– Bills discounted .....	25	37
– Guarantees, et cetera .....	6,412	8,537
– Irrevocable letters of credit .....	977	803
– Other contingent liabilities .....	241	275
Total contingent liabilities .....	7,655	9,652

Of which contingent liabilities secured by assets: EUR 353 (79) million.

## 22. Irrevocable facilities

This item relates to all irrevocable facilities that could lead to lending.

	2002	2001
Sale and repurchase transactions .....	—	1
Unused credit facilities.....	26,979	25,619
Other .....	172	54
Total irrevocable facilities .....	27,151	25,674

### *Securities lending account*

Interest-bearing securities amounting to EUR – (28) million were received on loan.

These amounts are not included in the balance sheet.

### *Derivatives*

Derivatives are financial instruments which assist the Bank in managing its market risk positions, especially its interest rate and currency exposure. The underlying values (notional amounts) serve only as computation variables and are not disclosed on the face of the balance sheet. Examples of derivatives are forward exchange contracts, swaps, futures, forward rate agreements and options. The notional amounts given below relate to derivatives offered by Rabobank Group primarily as a service to the large corporate clients of Rabobank Nederland and clients of local member banks, and for the Bank's own asset and liability management. A substantial portion of the derivative contracts is concluded in the context of trading activities.

The notional values are divided into short-term, medium-term and long-term (the 2001 figures are shown between brackets)

	Notional value				Positive replacement value
	Total	<1 year	1-5 years	>5 years	
<b>Interest rate contracts</b>					
– Over the counter .....					
Swaps.....	1,049,605	581,000	250,238	218,367	16,991
	(1,185,354)	(712,014)	(244,845)	(228,495)	(10,453)
Forwards .....	181,835	171,523	10,303	9	126
	(439,385)	(417,195)	(22,190)	(—)	(917)
Options .....	83,220	9,171	18,583	55,466	1,029
	(88,195)	(19,865)	(25,926)	(42,404)	(729)
– Listed <sup>(2)</sup> .....					
Futures .....	109,127	83,028	25,971	128	50
	(147,865)	(111,810)	(35,972)	(83)	(16)
<b>Foreign exchange contracts</b>					
– Over the counter .....					
Swaps <sup>(3)</sup> .....	51,170	12,311	29,320	9,539	1,582
	(58,322)	(19,940)	(26,587)	(11,795)	(2,993)
Forwards .....	216,755	204,851	11,216	688	4,613
	(282,209)	(270,505)	(11,112)	(592)	(4,654)
Options .....	2,935	2,763	172	—	38
	(3,379)	(1,472)	(1,907)	(—)	(33)
<b>Other contracts<sup>(4)</sup></b>					
Over the counter .....	3,597	692	2,693	212	128
	(5,953)	(2,687)	(3,103)	(163)	(345)
Other contracts .....	1,406	577	801	28	4
	(2,085)	(1,196)	(889)	(—)	(5)
Total derivatives.....	1,699,650	1,065,916	349,297	284,437	24,561
	(2,212,747)	(1,556,684)	(372,531)	(283,532)	(20,145)

(2) Listed: for contracts traded on the stock exchange which are subject to daily adjustments of margin commitments, no replacement value is given.

(3) Foreign exchange contracts/swaps: including cross-currency interest rate swaps.

(4) Other contracts: this includes share derivatives and derivatives linked to precious metals and commodities.

When two parties enter into a derivatives contract, this will result in a payment obligation for one party, depending on the direction of movements in the market. This will be accompanied by credit risks for the Bank which in practice will be only a fraction of the notional amounts of the derivative contracts.

For a better understanding of the volume of the derivatives activities and the related credit risks, the weighted and unweighted credit equivalents are also given in addition to the positive replacement value. The positive replacement value is the mark-to-market valuation of derivative contracts resulting in a claim on the other party which leads to a loss of profit in the event of default.

For a derivatives portfolio, the total credit risk forms a much better basis than the total notional amount of the portfolio for making a comparison with other banking activities. In the event of parties remaining in default, this credit risk is just as important as a claim, whereas the notional amount of the contract in that situation is generally of no importance. The notional amounts of the derivative contracts reflect the extent of Rabobank Group's operations in the markets concerned, but give no indication of the portfolio's exposure to credit or market risks.

The credit risk is measured by increasing the positive replacement value of the derivative contracts by a percentage of the notional amount (unweighted credit equivalent). This percentage depends on the term and the nature of the contracts. In determining the own funds for solvency requirement purposes, the credit equivalents are weighted, the weighting factor depending on who the other party is, e.g. a government body, a bank or other party. The transaction party is usually a bank. No netting agreements or guarantees are taken into account for calculating the credit risk.

	Credit Equivalent 2002		Credit Equivalent 2001	
	Unweighted	Weighted	Unweighted	Weighted
Interest rate contracts .....	23,983	5,627	17,446	3,973
Foreign exchange contracts.....	10,285	2,408	11,707	2,782
Other contracts .....	286	79	771	291
Total.....	34,554	8,114	29,924	7,046

If netting agreements are taken into account, the positive replacement value of the derivatives portfolio as a whole would amount to EUR 7,150 (6,592) million, in which case the unweighted credit equivalent would be EUR 12,001 (11,336) million and the weighted credit equivalent EUR 3,136 (2,815) million.

A breakdown of notional amounts and credit equivalents by type of contract and transaction party is given below. The item trading includes derivative transactions on behalf of clients and for own account. The item balance sheet management relates to derivative transactions concluded to hedge normal banking risks.

	2002			2001		
	Trading	Balance sheet management	Total	Trading	Balance sheet management	Total
Interest rate contracts	1,368,932	54,855	1,423,787	1,794,151	66,648	1,860,799
Foreign exchange contracts.....	262,286	8,574	270,860	332,222	11,688	343,910
Other contracts .....	5,002	1	5,003	8,034	4	8,038
	1,636,220	63,430	1,699,650	2,134,407	78,340	2,212,747

	2002		2001	
	Unweighted credit equivalent	Weighted credit equivalent	Unweighted credit equivalent	Weighted credit equivalent
Government.....	587	—	1,150	—
Banks .....	29,564	5,913	24,471	4,894
Other .....	4,403	2,201	4,303	2,152
	34,554	8,114	29,924	7,046

## NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in EUR millions)

### 23. Interest income

This item includes all interest income from deposits, loans and advances and interest-bearing securities, as well as income similar in nature to interest, such as overdraft commission.

Interest income from bonds and other securities issued at fixed rates or rates that vary in accordance with market rates amounted to EUR 2,478 (2,613) million.

Interest income attributable to the insurance business amounted to EUR 721 (655) million.

### 24. Interest expense

This item includes all interest payable on funds entrusted, subordinated and non-subordinated loans and debt securities, as well as charges similar in nature to interest.

Interest expense attributable to the insurance business amounted to EUR 672 (577) million.

### 25. Income from securities and participating interests

This item includes Dividends and other income from securities and participating interests.

	2002	2001
Income from equity shares and other variable-yield securities.....	386	483
Profit of participating interests .....	143	34
Total income from securities and participating interests .....	529	517

Of which attributable to the insurance business: EUR 137 (137) million.

### 26. Commission income

This item relates to commission received for services provided to third parties not similar in nature to interest.

	2002	2001
<b>Commission income can be broken down as follows:</b>		
– Payment transactions .....	413	425
– Insurance broking .....	87	86
– Asset management .....	474	448
– Stockbroking .....	319	352
– Other.....	756	663
Total commission income .....	2,049	1,974

Of which attributable to the insurance business: EUR 280 (236) million.

### 27. Commission expense

This item relates to commission paid for third party services not similar in nature to interest. Of which relating to stockbroking activities: EUR 50 (61) million, and asset management: EUR 89 (46) million.

### 28. Results on financial transactions

This item includes both realised and unrealised price and value differences on securities forming part of the trading portfolio, currency and other income from financial transactions, insofar as this income is not similar in nature to interest.

## 29. Other income

This item relates to income that cannot be classified elsewhere and does not represent extraordinary income, such as technical results on the insurance business, rent from leased property and results on project development. Of which attributable to the insurance business: EUR 262 (359) million.

## 30. Staff costs

	2002	2001
<b>This item consists of:</b>		
– Wages and salaries.....	2,530	2,410
– Pension charges.....	251	127
– Social security charges .....	297	284
– Other.....	604	744
Total staff costs.....	3,682	3,565

Of which attributable to the insurance business: EUR 419 (372) million.

The item Pension charges also includes the costs relating to the Voluntary Early Retirement Scheme, including movements in the related provisions.

The average number of employees was 58,107 (56,609)

Of whom:

- abroad: 5,539 (5,065)
- in the insurance business: 5,632 (4,630)

Expressed in FTEs, the average number of employees was 52,020 (50,942)

## 31. Other administrative expenses

This item includes office supplies, IT expenses, postage, advertising, rent and maintenance of buildings, etc. Of which attributable to the insurance business: EUR 207 (221) million.

## 32. Depreciation

This item relates to the depreciation of fixed assets Of which attributable to the insurance business: EUR 25 (16) million.

## 33. Value adjustments to receivables

This item relates to downward value adjustments to loans and advances and provisions formed for commitments, as well as any releases thereof.

## 34. Value adjustments to financial fixed assets

This item relates to down ward value adjustments to interest-bearing securities and shares forming part of the investment portfolio and participating interests, as well any reversals thereof. Of which attributable to the insurance business: EUR 192 (-) million.

### 35. Taxation on operating profit

This item represents the tax charge on the profit on ordinary activities.

Of which attributable to the insurance business: EUR negative 48 (56) million.

The tax burden fell from 27.6% in 2001 to 26.1% in 2002.

	2002	2001
Standard tax rate in the Netherlands .....	34.5	35.0
Effect of foreign tax rates .....	(5.6)	(5.5)
Effect of tax-free income in the Netherlands .....	(2.9)	(2.4)
Other .....	0.1	0.5
Effective tax rate .....	26.1	27.6

Other in 2001 was mainly caused by the adjustment of the deferred taxes as a result of the adjustment of the Dutch corporate income tax rate in 2002.

### 36. Third-party interests

This item relates to third-party interests in the results of consolidated group companies.

#### *Analysis by business unit*

Partly as a result of consolidation effects, the figures below differ from those in the profit and loss account.

2002	Retail banking	Wholesale banking	Asset management	Insurance	Leasing
Interest .....	3,767	901	84	49	449
Commission.....	859	321	423	280	35
Other income .....	79	593	79	399	41
Total income.....	4,705	1,815	586	728	525
Staff costs .....	1,621	562	250	419	177
Other administrative expenses .....	1,492	321	190	207	96
Depreciation .....	205	32	19	25	14
Total operating expenses.....	3,318	915	459	651	287
Operating profit.....	1,387	900	127	77	238
Value adjustments to receivables .....	165	266	—	—	68
Value adjustments to financial fixed assets .....	—	69	11	192	—
Operating profit before taxation .....	1,222	565	116	(115)	170



<b>2001</b>	<b>Retail banking</b>	<b>Wholesale banking</b>	<b>Asset management</b>	<b>Insurance</b>	<b>Leasing</b>
Interest .....	3,463	914	100	78	411
Commission .....	953	216	512	236	30
Other income .....	20	738	67	496	34
Total income .....	4,436	1,868	679	810	475
Staff costs .....	1,401	558	322	372	156
Other administrative expenses .....	1,514	364	215	221	91
Depreciation .....	178	61	26	16	13
Total operating expenses.....	3,093	983	563	609	260
Operating profit .....	1,343	885	116	201	215
Value adjustments to receivables .....	150	268	1	—	60
Value adjustments to financial fixed assets .....	1	17	1	—	—
Operating profit before taxation .....	1,192	600	114	201	155

***Income by region***

	<b>2002</b>	<b>2001</b>
Total income .....	8,564	8,434
Of which generated in:		
The Netherlands.....	6,487	6,380
Other euro-zone countries .....	704	606
Rest of Europe .....	36	98
North America .....	956	970
Latin America .....	114	76
Asia .....	114	175
Australia.....	156	139
Other and consolidation effects.....	(3)	(10)
Total .....	8,564	8,434

**BALANCE SHEET OF RABOBANK NEDERLAND  
AT 31 DECEMBER 2002**

(after profit appropriation)

(in EUR millions)	2002	2001
<b>Assets</b>		
Cash <sup>(37)</sup> .....	2,682	2,374
Short-term government paper <sup>(38)</sup> .....	1,706	5,245
Professional securities transactions .....	39,574	26,039
Other banks .....	68,893	68,741
Banks <sup>(39)</sup> .....	108,467	94,780
Public sector lending .....	358	425
Private sector lending .....	54,342	54,953
Professional securities transactions .....	10,268	7,995
Lending <sup>(40)</sup> .....	64,968	63,373
Interest-bearing securities <sup>(41)</sup> .....	48,232	58,137
Shares <sup>(42)</sup> .....	2,156	2,243
Participating interests in group companies <sup>(43)</sup> .....	7,572	7,573
Other participating interests <sup>(44)</sup> .....	59	115
Property and equipment <sup>(45)</sup> .....	256	270
Other assets <sup>(46)</sup> .....	1,877	2,386
Prepayments and accrued income <sup>(47)</sup> .....	5,245	6,222
<b>Total assets</b>	243,220	242,718
<b>Liabilities</b>		
Professional securities transactions .....	21,535	16,165
Other banks .....	84,388	86,658
Banks <sup>(48)</sup> .....	105,923	102,823
Savings .....	84	86
Professional securities transactions .....	3,997	5,626
Other funds entrusted .....	60,845	63,904
Funds entrusted <sup>(49)</sup> .....	64,926	69,616
Debt securities <sup>(50)</sup> .....	54,087	51,050
Other liabilities <sup>(51)</sup> .....	3,041	7,328
Accruals and deferred income <sup>(52)</sup> .....	7,587	4,390
Provisions <sup>(53)</sup> .....	2,099	3,015
	237,663	238,222
Fund for general banking risks <sup>(54)</sup> .....	439	439
Share capital <sup>(55)</sup> .....	636	636
Revaluation reserve <sup>(56)</sup> .....	81	271
Other reserves <sup>(57)</sup> .....	14	250
Loans associated with issue of Rabobank Membership Certificates <sup>(58)</sup> .....	3,737	2,250
Loans associated with issue of Trust Preferred Securities <sup>(59)</sup> .....	650	650
Equity .....	5,557	4,496
<b>Total liabilities</b>	243,220	242,718
Contingent liabilities <sup>(60)</sup> .....	9,907	10,273
Irrevocable facilities <sup>(61)</sup> .....	21,522	20,379

# **PROFIT AND LOSS ACCOUNT OF RABOBANK NEDERLAND FOR 2002<sup>(5)</sup>**

<b>(in EUR millions)</b>	<b>2002</b>	<b>2001</b>
Profit of participating interests after taxation.....	761	834
Other income/(expense) after taxation.....	(318)	(460)
<b>Net profit .....</b>	<b>443</b>	<b>374</b>

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(5) Prepared in accordance with section 402 of Book 2 of the Netherlands Civil Code.

**NOTES TO THE BALANCE SHEET OF RABOBANK NEDERLAND<sup>(6)</sup>**  
(in EUR millions)

**37. Cash**

This item consists of legal tender, balances available on demand with foreign central banks in countries where Rabobank Group is represented, as well as a balance with the Dutch Central Bank under its minimum reserve policy.

**38. Short-term government paper**

This item relates to government paper with an original term to maturity of up to two years eligible for refinancing with central banks in the country of origin.

At cost: EUR 1,701 (5,241) million. At market value: EUR 1,702 (5,236) million

**39. Banks**

This item represents loans and advances, other than in the form of interest-bearing securities, to banks.

	<u>2002</u>	<u>2001</u>
<b>This item includes:</b>		
– Loans and advances to group companies .....	66,293	61,803
of which subordinated .....	86	86
– Assets transferred under sale and repurchase transactions .....	8,928	9,299
Amount not readily available (pledged as security) .....	2	—

**40. Lending**

This item consists of loans and advances, other than in the form of interest-bearing securities, to clients other than banks.

	<u>2002</u>	<u>2001</u>
<b>This item can be broken down as follows:</b>		
– Public sector lending	358	425
– Private sector lending	54,342	54,953
– Professional securities transactions	10,268	7,995
Total lending	<u>64,968</u>	<u>63,373</u>
<b>This item includes:</b>		
– Loans and advances to group companies .....	27,224	25,521
– Loans and advances to other participating interests.....	111	124
of which subordinated .....	111	124
– Assets transferred under sale and repurchase transactions .....	12,617	2,239
– Loans and advances guaranteed by public authorities .....	6,223	3,603
– Other mortgages.....	224	414
Total home mortgages .....	76	88

(6) Reference is made to the notes on pages F-64 to F-70 for the accounting policies.

	2002	2001
<b>Breakdown of private sector lending by industry sector:</b>		
– Agricultural sector .....	12%	13%
– Trade, industry and the services sector .....	88%	87%

#### 41. Interest-bearing securities

This item represents interest-bearing negotiable bonds and other interest-bearing securities, other than short-term government paper.

	2002	2001
<b>Interest-bearing securities of:</b>		
– Public authorities .....	26,082	36,238
– Other issuers.....	22,150	21,899
Total interest-bearing securities .....	48,232	58,137

#### This item can be broken down as follows:

– Investment portfolio.....	18,943	25,009
– Trading portfolio.....	28,963	32,361
– Securitised loans .....	326	767
	48,232	58,137

#### The portfolio includes:

– Own securities .....	115	97
– Securities issued by group companies .....	296	640
– Subordinated securities .....	—	5
Listed securities .....	44,099	47,480
Unlisted securities .....	4,133	10,657
Falling due next year .....	2,201	12,832
Given on loan.....	242	28
Amount not readily available (pledged as security) .....	851	4,933
Assets transferred under sale and repurchase transactions.....	3,887	10,158
Investment portfolio at cost.....	18,856	25,511
Trading portfolio at cost.....	29,047	32,362

#### Movements in the investment portfolio:

Balance at 1 January .....	25,009	22,054
Purchases .....	9,777	21,506
Sales and redemptions.....	(14,246)	(18,932)
Currency translation differences and other movements .....	(1,597)	381
Balance at 31 December.....	18,943	25,009

#### 42. Shares

This item consists of shares and other variable-yield securities, and temporary other investments.

	2002	2001
This item can be broken down as follows:		
– Investment portfolio.....	31	32
– Trading portfolio.....	1,814	1,903
– Client options .....	311	308
	2,156	2,243
Listed securities .....	1,104	1,110
Unlisted securities .....	1,052	1,133
Trading portfolio at cost.....	1,439	1,694
Temporary other investments included in total .....	12	26
<b>Movements in the investment portfolio:</b>		
Balance at 1 January .....	32	158
Purchases .....	12	8
Sales .....	(13)	(132)
Diminutions in value and reversals .....	—	(2)
Balance at 31 December.....	31	32

#### 43. Participating interests in group companies

This item includes the direct interests in group companies.

	2002	2001
<b>Interests in group companies, of which:</b>		
– Credit institutions.....	2,136	1,696
– Other.....	5,436	5,877
Total participating interests in group companies.....	7,572	7,573
<b>Movements in participating interests in group companies:</b>		
Balance at 1 January .....	7,573	5,272
Acquisitions/capital contributions.....	476	2,285
Disposals.....	(106)	(9)
Profit for the year.....	718	813
Revaluation, goodwill and other movements .....	(1,089)	(788)
Balance at 31 December.....	7,572	7,573

#### 44. Other participating interests

This item includes the interests in other participating interests.

	2002	2001
<b>Participating interests, of which:</b>		
– Credit institutions.....	6	6
– Other.....	53	109
Total other participating interests in group companies .....	59	115
These investments are not listed .....		
<b>Movements in participating interests:</b>		
Balance at 1 January .....	115	111
Acquisitions .....	31	20
Disposals.....	(122)	(18)
Profit for the year.....	43	21
Revaluation and other movements .....	(8)	(19)
Balance at 31 December.....	59	115
Total revaluations .....	14	30
Total diminutions in value.....	36	13

#### 45. Property and equipment

This item consists of buildings and land, equipment and other tangible fixed assets, as well as tangible fixed assets not in use by the Bank, such as fixed assets acquired under foreclosure.

	2002	2001
Land and buildings in use by the Bank.....	226	228
Equipment .....	30	42
Total property and equipment.....	256	270

##### Movements in property and equipment

	Land and buildings in use by the Bank	Equipment	Total
Net book value at 1 January.....	228	42	270
Additions .....	15	18	33
Disposals .....	—	(11)	(11)
Revaluation.....	2	—	2
Depreciation and diminutions in value .....	(17)	(16)	(33)
Exchange differences .....	(2)	(3)	(5)
Net book value at 31 December.....	226	30	256
Total revaluations.....	60	—	60
Total depreciation and diminutions in value .....	180	111	291

**46. Other assets**

This item relates to precious metals, certificates representing precious metals, coins and medals made of precious metals (not being legal tender), goods and warehouse receipts, and assets that cannot be classified under any other heading.

Amounts receivable, other than prepayments and accrued income, included under this heading amount to EUR 1,684 (2,236) million. This item also includes a tax receivable of EUR 7 (10) million and a differed tax asset of EUR 502 (791) million.

**47. Prepayments and accrued income**

This item relates to prepaid expenses, interest receivable and other receivables not yet billed.

**48. Banks**

This item represents amounts owed to credit institutions, other than debt securities and subordinated loans. Of which amounts due to group companies: EUR 26,348 (28,420) million and debts secured by assets: EUR 21,435 (18,617) million.

**49. Funds entrusted**

This item consists of funds entrusted by clients other than debt securities. This items includes funds entrusted by group companies of EUR 9,738 (10,093) million and other participating interests of EUR – (145) million and funds entrusted secured by assets of EUR 3,997 (5,613) million. Savings are all deposits and savings accounts of natural persons, non-profit-making associations and foundations, as well as non-transferable savings bonds.

**50. Debt securities**

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit. Of which group companies: EUR 686 (178) million.

**51. Other liabilities**

This item includes liabilities that cannot be classified under any other heading, such as short positions in securities and liabilities on account of securitised loans.

**52. Accruals and deferred income**

This item relates to payments received in advance, accrued interest and other amounts payable.

**53. Provisions**

This item represents provisions formed for the equalisation of costs originating in the year under review or prior years, but to be incurred in future years, evenly over a number of years. It also includes best estimates of obligations and losses existing at the balance sheet date, the extent of which is still uncertain.

	2002	2001
Provision for pensions.....	1,654	2,404
Provision for deferred taxation.....	—	30
Other provisions.....	445	581
<b>Total provisions.....</b>	<b>2,099</b>	<b>3,015</b>

**54. Fund for general banking risks**

After due allowance for tax payable, the addition for the year was EUR – (3) million.

The movement in 2001 was attributable to the adjustment of the Dutch corporate income tax rate in 2002.

**55. Share capital**

This item represents the issued and fully paid-up share capital. All shares are held by local member banks.



There were no movements in 2002.

## 56. Revaluation reserve

This item represents the differences between the cost and carrying value of revalued assets, net of the related provision for deferred taxation.

	2002	2001
<b>The revaluation reserve can be broken down as follows:</b>		
– Swap transaction involving interest-bearing securities.....	111	145
– Shares .....	8	192
– Participating interests.....	27	19
– Immovable property.....	61	63
– Exchange differences .....	(126)	(148)
Total revaluation reserve .....	81	271
<b>Movements in reserve:</b>		
Balance at 1 January .....	271	310
Movement as a result of changes in accounting policies .....	—	354
Released to other reserves .....	(13)	(4)
Revaluations .....	(172)	(171)
Taken to profit and loss account .....	(5)	(218)
Balance at 31 December .....	81	271

## 57. Other reserves

	2002	2001
<b>Movements in other reserves:</b>		
Balance at 1 January .....	250	2,482
Movement as a result of changes in accounting policies .....	—	(266)
Released from revaluation reserve .....	13	4
Other movements.....	143	98
Goodwill .....	(630)	(521)
Profit appropriation .....	238	337
Balance at 31 December .....	14	2,134
Change in accounting policy for pensions .....	—	(1,799)
Net effect as a result of change in accounting policy for pensions .....	—	(85)
Balance at 31 December after changes in accounting policies .....	14	250

The reserves may not be distributed to the members.

Owing to the change in accounting policy, at 1 January 2002 EUR 1,884 million was charged to other reserves of Rabobank Nederland and simultaneously a provision for pensions of EUR 2,894 million was formed and a deferred tax asset of EUR 1,010 million was recognised.

## 58. Loans associated with issue of Rabobank Membership Certificates

In 2000, Rabobank Ledencertificaten N.V. (RLC), a group company of Rabobank Nederland, issued 40 million non-cumulative variable-interest shares. Of the proceeds, EUR 900 million was lent on to Rabobank Nederland in the form of a 31-year subordinated loan. In 2001, a further 60 million non-cumulative variable-interest shares were issued. Of the proceeds, EUR 1,350 million was lent on to Rabobank Nederland in the form of a 30-year subordinated loan. In 2002, a further 17 million shares were issued by RLC II. Of the proceeds, EUR 1,487 million was lent on to Rabobank Nederland in the form of a 32-year subordinated loan.

Since the proceeds of the issue are available to Rabobank Group on a perpetual and highly subordinated basis and since in principle no Dividend is paid on the Rabobank membership certificates if Rabobank Group incurs a loss

in any financial year, the issue proceeds are recognised in part in the consolidated balance sheet of Rabobank Group as group equity (see notes to the consolidated balance sheet). The loans of EUR 3,737 (2,250) million are also recognised in the balance sheet of Rabobank Nederland as shareholders' equity on account of their being funded by means of perpetual membership certificates. For the same reason, interest payments are accounted for in the profit appropriation.

	2002	2001
<b>Movements were as follows:</b>		
Balance at 1 January .....	2,250	900
Issued .....	1,487	1,350
Balance at 31 December .....	3,737	2,250

## 59. Loans associated with issue of Trust Preferred Securities

In 1999, 26 million 7% non-cumulative Trust Preferred Securities (financing preference shares) were issued via Rabobank Capital Funding Trust, Delaware, a group company of Rabobank Nederland, raising total proceeds of EUR 650 million. These proceeds were lent on to Rabobank Nederland in the form of a 20-year subordinated loan.

Since the proceeds of the issue are available to Rabobank Group on a perpetual and highly subordinated basis and since in principle no Dividend is paid on the financing preference shares if the consolidated profit and loss account of Rabobank Group in any year shows that a loss has been made, the issue proceeds are recognised in the consolidated balance sheet of Rabobank Group as group equity. The loan of EUR 650 million is recognised in Rabobank Nederland's balance sheet as shareholders' equity on account of its being funded by means of perpetual financing preference shares. For the same reason, interest payments are accounted for in the profit appropriation.

### Summary of remaining terms to maturity Rabobank Nederland (the 2001 figures are shown between brackets)

		Withdrawable				
	Total	on demand/ undated	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years
<b>Assets</b>						
Banks .....	108,467	9,191	46,649	13,486	23,819	15,322
	(94,780)	(8,383)	(36,458)	(14,463)	(21,155)	(14,321)
Lending .....	64,968	8,411	27,622	5,712	13,678	9,545
	(63,373)	(8,471)	(26,200)	(4,364)	(14,303)	(10,035)
<b>Liabilities</b>						
Banks .....	105,923	14,014	67,080	19,980	2,304	2,545
	(102,823)	(14,342)	(63,286)	(7,230)	(2,550)	(15,415)
Funds entrusted:						
– Savings .....	84	21	35	20	8	—
	(86)	(13)	(46)	(24)	(3)	(—)
– Other .....	64,842	9,939	41,423	1,404	8,234	3,842
	(69,530)	(10,406)	(41,125)	(5,671)	(8,421)	(3,907)
Debt securities ....	54,087	—	15,240	8,533	21,733	8,581
	(51,050)	(—)	(14,948)	(9,521)	(19,004)	(7,577)

### Management and agency services

Management and agency services to third parties relate to all the Bank's activities.

The Bank also administers assets, in its own name but for the account and risk of third parties, which are separate from the Bank's own assets.

### Foreign currency

Total assets denominated in foreign currencies amount to EUR 97,106 (110,507) million.

Total liabilities denominated in foreign currencies amount to EUR 129,179 (156,674) million.

The balance of these amounts does not reflect the currency position, as most of the risk has been hedged by means of forward transactions not disclosed in the balance sheet.

Part of the forward exchange transactions relates to trading positions.

## 60. Contingent liabilities

This item relates to transactions in which Rabobank Nederland stands surety for the commitments of third parties.

	2002	2001
<b>Contingent liabilities consist of:</b>		
– Bills discounted.....	25	37
– Guarantees, etc.....	8,639	9,063
– Irrevocable letters of credit.....	982	870
– Other contingent liabilities .....	261	303
Total contingent liabilities.....	9,907	10,273
<b>Of which:</b>		
– Contingent liabilities of group companies .....	4,699	3,461
– Contingent liabilities secured by assets.....	353	49

### *Securities lending account*

Interest-bearing securities of EUR – (28) million were received on loan. These amounts are not included in the balance sheet.

### *Liability undertaking*

Pursuant to section 403 of Book 2 of the Netherlands Civil Code, Rabobank Nederland has assumed liability for the debts arising from the legal transactions of a number of group companies.

### *Internal liability (Cross-guarantee system)*

In accordance with section 12 of the Credit System Supervision Act 1992 (Wet toezicht kredietwezen 1992) various corporate entities forming part of Rabobank Group stand surety for one another. This cross-guarantee system constitutes a legal arrangement under which the fulfillment of each participating entity's commitments is guaranteed by the other participants in the event of a shortfall of funds.

The participating entities are:

- the local member banks, members of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA
- Coöperatieve Centrale Raiffeisen-Boerenleenbank BA (Rabobank Nederland), Amsterdam
- Rabohypotheekbank NV, Amsterdam
- Raiffeisenhypotheekbank NV, Amsterdam
- Schretlen & Co. NV, Amsterdam
- De Lage Landen International BV, Eindhoven
- De Lage Landen Financiering BV, Eindhoven
- De Lage Landen Trade Finance BV, Eindhoven
- De Lage Landen Financial Services BV, Eindhoven

## 61. Irrevocable facilities

This item relates to all irrevocable facilities that could lead to lending.

	2002	2001
Unused credit facilities.....	21,456	20,339
Other .....	66	40
Total irrevocable facilities .....	21,522	20,379

Of which group companies: EUR 3,742 (2,968) million.

### ***Derivatives***

The derivatives schedule included in the notes to the consolidated financial statements relates almost entirely to Rabobank Nederland.

### ***Employees***

The average number of employees was 6,891 (6,822).

Of which abroad: 2,032 (2,110).

Expressed in FTEs, the average number of employees was 6,717 (6,622).

### ***Emoluments of members of the Supervisory Board of Rabobank Nederland***

The total fixed remuneration of the members of the Supervisory Board amounted to EUR 1.5 (0.4) million. This amount is included under staff costs.

### ***Emoluments of members of the Executive Board of Rabobank Nederland***

The emoluments of the members of the Executive Board amounted to EUR 28.5 (11.1) million. This amount is included under staff costs.

Loans and advances to as well as guarantees given on behalf of members of the Executive Board of Rabobank Nederland amounted to EUR 5.2 (5.8), for members of the Supervisory Board of Rabobank Nederland these amounted to EUR 1.3 (1.5) million.

### ***Participating interests***

Once the financial statements are adopted, the list as referred to in sections 379 and 414 of Book 2 of the Netherlands Civil Code will be filed at the Trade Registry of the Chamber of Commerce and Industries under number 30.046.259.

Utrecht, 6 March 2003

#### **The Supervisory Board**

---

L. Koopmans  
A.J.A.M. Vermeer  
S.E. Eisma  
L.J.M. Berndsens  
B. Bijvoet  
T. de Boon  
S.M. Dekker  
M. Minderhoud  
J.A.A.M. van Rossum  
H.C. Scheffer  
M.J.M. Tielen  
A.W. Veenman

#### **The Executive Board**

---

H. Heemskerk  
D.J.M.G. baron van Slingelandt  
J.C. ten Cate  
J.J. Verhaegen  
P.J.A. van Schijndel  
P.W. Moerland

## OTHER INFORMATION

### A. Articles of Association provisions governing members' contributions to shortfalls

If, in the event of Rabobank Nederland's liquidation, whether by court order or otherwise, its assets should prove to be insufficient to meet its liabilities, the members at the time of the liquidation as well as those who ceased to be members in the year prior to the liquidation, shall be liable for the deficit. In the event that Rabobank Nederland is dissolved on account of its insolvency after it has been declared bankrupt, not only the members at that time but also those who ceased to be members in the year prior to the bankruptcy order shall be jointly liable.

The amount payable by each member or former member shall be in the same proportion to the shortfall as their individual balance sheet totals according to their latest adopted balance sheet to the latest adopted balance sheet totals of all liable members and former members together. If it should prove impossible to recover the share of one or more liable members or former members in the shortfall, the remaining members and former members shall be jointly liable from them in the same proportion for the amount not recovered.

In the event of a liquidation out of court, the inability to recover the share of one or more members or former members in the shortfall from them shall be deemed to exist if the liquidators, subject to the prior approval of the Supervisory Board, should waive the right of recourse because exercising the right would not lead to any recovery.

The amount for which members or former members are liable as referred to above shall never be more than three per cent of their latest adopted balance sheet total. Liable former members who contributed to earlier equity deficits shall be allowed to deduct the amount paid earlier from the amount chargeable to them in the event of Rabobank Nederland's liquidation.

### B. Articles of Association provisions governing profit appropriation and proposed profit appropriation of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA (Rabobank Nederland)

#### *Articles of Association provisions governing profit appropriation*

From the profit, a Dividend may be paid, the amount of which shall be determined by the General Meeting on the proposal of the Executive Board. The profit then remaining shall, on the proposal of the Executive Board, be used by the General Meeting to improve the solvency position of Rabobank Nederland.

During the existence of Rabobank Nederland, the reserves shall not be distributed among the members, neither in whole nor in part. If, at any time, Rabobank Nederland should decide to wind up its business with a view to having it continued by another legal entity or institution, these reserves shall accrue to that other legal entity or institution.

#### *Proposed appropriation of available profit of Rabobank Nederland*

(in EUR millions)	2002	2001
Net profit.....	443	459
Payment on Rabobank Membership Certificates .....	160	76
Payment on Trust Preferred Securities .....	46	46
<b>Addition to other reserves .....</b>	<b>237</b>	<b>337</b>

In connection with the change in accounting policy for pensions, the comparative figures in the financial statements have been restated. The proposed appropriation of profit for 2001 does not take into account the restatement of the results.

### C. Articles of Association provisions governing profit appropriation of local member banks

The profit disclosed in the profit and loss account shall be added to the general reserve, which shall serve to extinguish any losses.

After the directors, subject to approval of the Supervisory Board, have tabled a proposal to that effect, the General Meeting may depart from the foregoing as follows. Of the amount which under the provisions of paragraph 1 of this article should be added to the general reserve, the General Meeting may disburse at most one quarter but no more than an amount equal to four per cent of the amount of the general reserve for purposes which it considers to be of local or general interest.

In no event may reserves be distributed among the members.

**D. Appropriation of available profit of Rabobank Group**

(in EUR millions)	2002	2001
Net profit.....	1,250	1,291
Payment on Rabobank membership certificates.....	160	76
Payment on Trust Preferred Securities .....	46	46
<b>Addition to other reserves</b>	<b>1,044</b>	<b>1,169</b>

In connection with the change in accounting policy for pensions, the comparative figures in the financial statements have been restated. The proposed appropriation of profit for 2001 does not take into account the restatement of the results.

# **E. Foreign offices**

<b>Europe</b>	<b>America</b>	<b>Australia</b>		<b>Asia</b>
<b>Belgium</b>	<b>Argentina</b>	Adelaide	<b>New Zealand</b>	<b>China</b>
Antwerp	Buenos Aires	Armidale	Alexandra	Beijing
Brussels	<b>Brazil</b>	Ayr	Ashburton	Hong Kong
Zaventem	Canoas	Brisbane	Auckland	Shanghai
<b>Denmark</b>	São Paulo	Cloncurry	Blenheim	<b>India</b>
Ballerup	<b>Canada</b>	Cooma	Christchurch	Mumbai
<b>Germany</b>	Oakville	Cowra	Dannevirke	New Delhi
Frankfurt	Toronto	Darwin	Dunedin	<b>Indonesia</b>
Düsseldorf	<b>Chile</b>	Dubbo	Feilding	Jakarta
Langenhagen	Santiago	Emerald	Gisborne	<b>Japan</b>
<b>Finland</b>	<b>Curaçao</b>	Esperance	Gore	Tokyo
Helsinki	Willemstad	Forbes	Greymouth	<b>Singapore</b>
<b>France</b>	<b>Mexico</b>	Geraldton	Hamilton	Singapore
Beauvais	Mexico City	Goondiwindi	Hastings	<b>Taiwan</b>
Paris	<b>United States</b>	Goulburn	Invercargill	Taipei
<b>United Kingdom</b>	Atlanta	Griffith	Masterton	<b>Thailand</b>
Coventry	Bakersfield	Ingham	New Plymouth	Bangkok
Edinburgh	Berwyn	Launceston	Oamaru	<b>Turkey</b>
London	Blythe	Longreach	Pukekohe	Istanbul
Watford	Boston	Mackay	Rotorua/Taupo	
<b>Hungary</b>	Brawley	Melbourne	Taumarunui	
Budapest	Calexico	Moree	Te Kuiti	
<b>Republic of Ireland</b>	Chicago	Mount Gambier	Te Puke	
Clare	Coachella	Orange	Thames	
Cork	Dallas	Perth	Timaru	
Donegal	Des Moines	Rockhampton	Waipukurau	
Dublin	Dinuba	Roma	Wanganui	
Galway	El Centro	Shepparton	Wellington	
Kerry	Fresno	Swan Hill	Whangarei	
Kildare	Greenbrae	Sydney		
Laois	Hanford	Tamworth		
Leitrim	Hemet	Toowoomba		
Limerick	Holtville	Townsville		
Longford	Honolulu	Wagga Wagga		
Meath	Imperial	Warrnambool		
Monaghan	Indio			
Offaly	Julian			
Roscommon	La Quinta			
Sligo	Los Angeles			
Tipperary	Menlo Park			
Westmeath	New York			
Wexford	Orange			
Wicklow	Palm Desert			
<b>Italy</b>	Palm Springs			
Milan	Rancho Mirage			
<b>Luxembourg</b>	Reedley			
Luxembourg	San Francisco			
<b>Austria</b>	Selma			
Salzburg	Tecate			
<b>Poland</b>	Thousand Palms			
Poznan	Toledo			
Warsaw	Visalia			
<b>Portugal</b>	Washington			
Lisbon	White Plains			
<b>Russia</b>	Wilmington			
Moscow				
<b>Spain</b>				
Madrid				
<b>Sweden</b>				
Sundyberg				
<b>Switzerland</b>				
Geneva				
Schlieren				
Zürich				

## **F. Auditors' Report**

### ***Introduction***

We have audited the 2002 financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam, of which the financial statements of Rabobank Group form a part, as included in this report. These financial statements are the responsibility of Rabobank Nederland's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### ***Scope***

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Rabobank Nederland's management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Utrecht, 6 March 2003  
Ernst & Young Accountants



	KEY FIGURES				
	2002	2001	2000	1999	1998
<b>Volume of services (in EUR millions)</b>					
Total assets .....	374,720	363,679	342,920	281,218	249,718
Private sector lending .....	212,323	197,262	179,137	161,074	129,554
Funds entrusted .....	171,632	172,174	146,705	127,527	114,826
Assets managed .....	153,200	177,800	159,000	139,800	124,100
Premium income, insurance .....	3,660	3,926	3,417	2,867	2,485
<b>Financial position and solvency (in EUR millions)</b>					
Reserves .....	14,911	13,030 <sup>(1)</sup>	13,108	11,867	10,381
Tier 1 capital .....	17,071	15,092 <sup>(1)</sup>	14,653	13,007	11,817
Tier 1 + Tier 2 capital .....	17,414	15,542 <sup>(1)</sup>	15,093	13,650	12,660
Total risk-weighted assets .....	165,843	152,812	142,278	129,801	114,445
Tier 1 ratio .....	10.3	9.9 <sup>(1)</sup>	10.3	10.0	10.3
BIS ratio .....	10.5	10.2 <sup>(1)</sup>	10.6	10.5	11.1
Solvency requirement .....	13,268	12,225	11,382	10,384	9,156
<b>Profit and loss account (in EUR millions)</b>					
– Interest .....	5,391	5,082	4,585	4,499	3,781
– Commission and other income .....	3,173	3,352	3,175	2,307	2,051
Total income .....	8,564	8,434	7,760	6,806	5,832
Operating expenses .....	5,839	5,965	5,459	4,826	4,099
Value adjustments to receivables .....	500	480	360	350	340
Value adjustments to financial fixed assets .....	252	59	9	0	0
Addition to the Fund for general banking risks .....	0	0	52	100	0
Operating profit before taxation .....	1,973	1,930	1,880	1,530	1,393
Taxation on operating profit .....	514	532	507	423	401
Third-party interests .....	209	192	179	87	56
Net profit .....	1,250	1,206	1,194	1,020	936
<b>Ratios</b>					
Return on reserves .....	9.6%	9.2%	10.1%	9.8%	9.6%
Efficiency ratio .....	68.2%	70.7%	70.3%	70.9%	70.3%
<b>Other data (numbers of)</b>					
Member Banks .....	349	369	397	424	445
Offices:					
– branches .....	1,516	1,648	1,727	1,795	1,797
– agencies .....	402	455	548	610	629
Cash dispensing machines .....	2,979	2,889	2,676	2,546	2,430
Foreign offices .....	169	137	142	147	150
Employees:					
– total number .....	58,096	58,120	55,098	53,147	49,465
– full-time equivalents .....	51,867	52,173	49,711	48,224	45,310
Members (x 1,000) .....	1,108	825	550	510	515

General: Due to consolidation effects, the figures relating to group entities will not always correspond with Rabobank Group totals. Changes in terms of percentage can vary as a result of rounding.

(1) The effect of the change in accounting policy for pensions as of 1 January 2002 is included in the computation of reserves and of the Tier 1 and BIS ratios as at 31 December 2001.

# **CONSOLIDATED BALANCE SHEET**

(in EUR millions)	<u>June 30, 2003</u>	<u>December 31, 2002</u>	<u>June 30, 2002</u>
<b>Assets</b>			
Cash .....	6,371	3,807	3,140
Short-term government paper .....	2,619	1,813	6,109
<i>Professional securities</i>			
<i>transactions</i> .....	30,201	40,053	44,969
<i>Other banks</i> .....	14,263	7,176	8,555
Banks .....	44,464	47,229	53,524
<i>Public sector lending</i> .....	2,015	797	4,912
<i>Private sector lending</i> .....	221,688	212,323	202,105
<i>Professional securities</i>			
<i>transactions</i> .....	13,460	12,132	10,095
Lending .....	237,163	225,252	217,112
Interest-bearing securities .....	82,831	71,320	70,868
Shares .....	13,642	11,062	13,452
Participating interests .....	199	184	207
Property and equipment .....	3,900	3,870	3,862
Other assets .....	4,996	4,519	4,145
Prepayments and accrued income .....	6,182	5,664	4,730
Total assets .....	402,367	374,720	377,149
<b>Group equity and liabilities</b>			
<i>Professional securities</i>			
<i>transactions</i> .....	20,002	21,808	26,300
<i>Other banks</i> .....	64,889	64,078	57,491
Banks .....	84,891	85,886	83,791
<i>Savings</i> .....	69,104	66,272	64,934
<i>Professional securities</i>			
<i>transactions</i> .....	10,487	6,031	7,580
<i>Other funds entrusted</i> .....	101,287	99,329	93,812
Funds entrusted .....	180,878	171,632	166,326
Debt securities .....	76,484	61,739	67,835
Other liabilities .....	11,826	7,699	16,091
Accruals and deferred income .....	7,391	8,218	6,123
Provisions .....	18,923	18,338	18,460
	380,393	353,512	358,626
<i>Fund for general banking risks</i> .....	1,679	1,679	1,679
<i>Subordinated loans</i> .....	109	111	112
<i>Reserves</i> .....	15,469	14,911	13,245
<i>Third-party interests</i> .....	4,717	4,507	3,487
Group equity .....	21,974	21,208	18,523
Total group equity and liabilities .....	402,367	374,720	377,149
Contingent liabilities .....	7,373	7,655	8,238
Irrevocable facilities .....	28,577	27,151	26,652

These interim figures are unaudited.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in EUR millions)	1st half-year 2003	2nd half-year 2002	1st half-year 2002
<b>Income</b>			
Interest	2,952	2,649	2,742
Income from securities and participating interests .....	228	171	358
Commission.....	869	880	915
Results on financial transactions.....	69	215	70
Other income .....	375	287	277
<b>Total income</b> .....	4,493	4,202	4,362
<b>Expenses</b>			
Staff costs.....	1,822	1,823	1,859
Other administrative expenses .....	921	932	857
Staff costs and other administrative expenses .....	2,743	2,755	2,716
Depreciation .....	177	185	183
Operating expenses .....	2,920	2,940	2,899
Value adjustments to receivables.....	275	237	263
Value adjustments to financial fixed assets.....	69	225	27
<b>Total expenses</b> .....	3,264	3,402	3,189
Operating profit before taxation .....	1,229	800	1,173
Taxation on operating profit .....	356	154	360
Operating profit/Group profit after taxation.....	873	646	813
Third-party interests.....	125	91	118
<b>Net profit</b> .....	748	555	695

These interim figures are unaudited.

## CASH FLOW STATEMENT

(in EUR millions)	1 <sup>st</sup> half-year 2003	1 <sup>st</sup> half-year 2002
<b>Cash flow from operating activities</b>		
Operating profit/Group profit after taxation	873	813
Adjustments for:		
<i>depreciation</i> .....	177	183
<i>value adjustments to receivables</i> .....	275	263
<i>value adjustments to financial fixed assets</i> ....	69	27
<i>movements in technical reserves relating to</i> <i>the insurance business</i> .....	643	466
<i>movements in other provisions</i> .....	(58)	(342)
<i>movements in accrued and deferred items</i> .....	(1,345)	3,573
	(239)	4,170
Cash flow from business operations .....	634	4,983
Movements in short-term government paper ....	(806)	(798)
Movements in securities trading portfolio .....	(12,813)	1,845
Movements in securitised loans .....	379	(30)
Movements in banks .....	1,732	(10,459)
Movements in lending .....	(12,186)	(8,761)
Movements in funds entrusted .....	9,246	(5,848)
Other movements from operating activities .....	2,703	1,655
	(11,745)	(22,396)
<b>Net cash flow from operating activities</b> .....	<b>(11,111)</b>	<b>(17,413)</b>
<b>Cash flow from investing activities</b>		
Investing activities concerning: .....		
<i>investment portfolio</i> .....	(716)	6,943
<i>participating interests</i> .....	(51)	62
<i>tangible fixed assets</i> .....	(207)	(264)
<b>Net cash flow from investing activities</b> .....	<b>(974)</b>	<b>6,741</b>
<b>Cash flow from financing activities</b>		
Movements in subordinated loans .....	(2)	60
Movements in debt securities .....	14,745	9,321
Payment on Rabobank Membership Certificates and Trust Preferred Securities ....	(133)	(95)
<b>Net cash flow from financing activities</b> .....	<b>14,610</b>	<b>9,286</b>
<b>Net cash flow</b> .....	<b>2,525</b>	<b>(1,386)</b>

These interim figures are unaudited.

The cash flow statement provides a summary of the net movements in operating, investing and financing activities. Cash and cash equivalents consist of legal tender and balances available on demand with central banks.

## Accounting policies

The accounting policies are the same as those applied to the financial statements.

Some prior year figures have been reclassified where necessary for comparative purposes.

### MOVEMENTS IN RESERVES

	First half 2003	Second half 2002	First half 2002
	(in EUR millions)		
Balance at 1 January / 1 July.....	14,911	13,245	13,030
Issue of Rabobank Membership Certificates.....	—	1,575	—
Profit for the first / second half-year.....	748	555	695
Revaluation.....	33	(136)	(17)
Goodwill.....	(107)	(325)	(310)
Payment on Rabobank Membership Certificates/ Trust			
Preferred Securities .....	(133)	(111)	(95)
Other movements .....	17	108	(58)
Balance at 30 June / 31 December.....	15,469	14,911	13,245

### ANALYSIS BY BUSINESS UNIT

	Retail banking	Wholesale banking	Asset management	Insurance	Leasing
	(in EUR millions)				
<b>2003-I</b>					
Total income.....	2,384	994	310	447	271
Total operating expenses.....	1,635	439	226	346	142
Operating profit .....	749	555	84	101	129
<b>2002-I</b>					
Total income.....	2,282	975	281	399	251
Total operating expenses.....	1,637	443	227	315	140
Operating profit .....	645	532	54	84	111

These interim figures are unaudited.

## NOTES TO THE BALANCE SHEET

**Rabobank Group's consolidated balance sheet total grew by EUR 28 billion in the first half of 2003 to EUR 402 billion, an increase of 7%. At 30 June 2003, the Tier I ratio was 10.2 and the BIS ratio 10.3.**

Private sector lending increased by 4% during the first six months of the year to EUR 222 billion. Apart from the increase in lending, a significant contributor to the balance sheet growth was the increase in interest-bearing securities. The expansion in these activities was largely financed by an increase in debt securities of EUR 15 billion.

### **Assets**

#### ***Lending***

Rabobank Group's loan portfolio increased by 5% in the first six months of 2003 to EUR 237.2 (225.3) billion. The portfolio consists of:

- public sector lending;
- professional securities transactions;
- private sector lending.

Lending to the public sector increased to EUR 2.0 (0.8) billion. Professional securities transactions climbed to EUR 13.5 (12.1) billion.

#### ***Private sector lending***

In the first half of 2003, lending to the private sector rose by 4% to EUR 221.7 (212.3) billion. The growth percentage was under pressure from a weaker US dollar.

The private sector comprises private individuals, the agricultural sector and the trade, industry and services sector. Of the total amount lent, 50% is to private individuals, 35% to the trade, industry and services sector, and 15% to the agricultural sector.

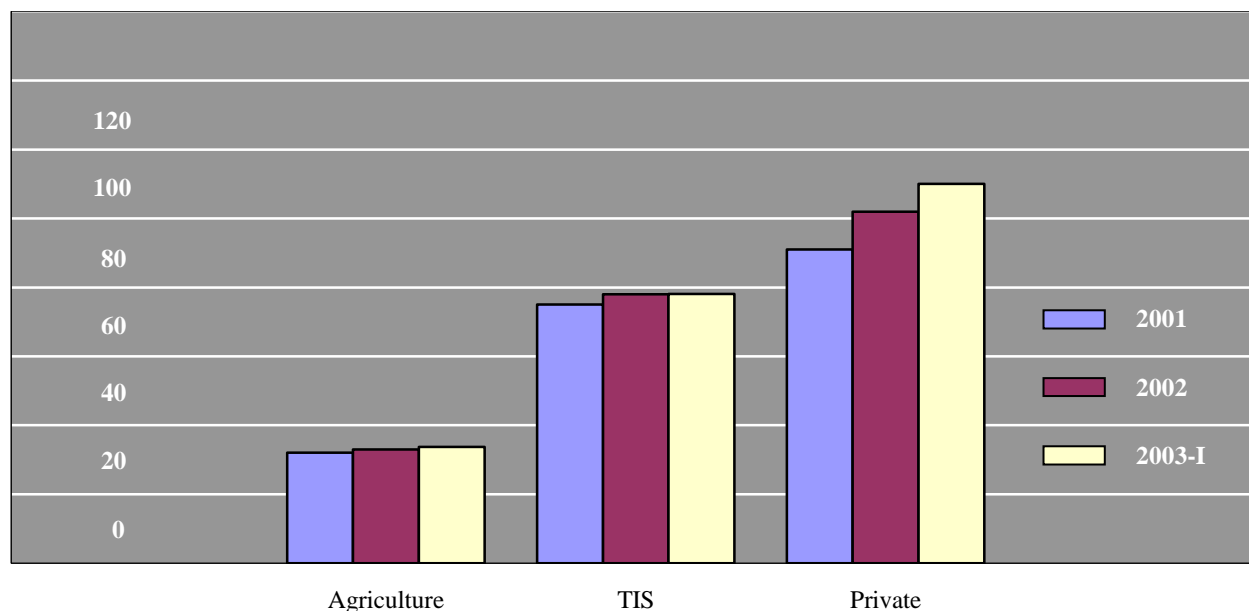
#### ***Trade, industry and services***

At the end of June, the amount lent to corporate clients in the trade and industry and the services sector (TIS) stood at EUR 78.1 (75.8) billion, representing an increase of 3% compared with year-end 2002. Lending by local banks was up 3%. For wholesale banking, lending was unchanged on balance. For the other business units, including leasing, lending grew by 11%.

#### ***Agricultural sector***

Lending to the private sector was virtually unchanged from year-end 2002. Total lending amounted to EUR 33.7 (33.4) billion.

## Lending by sector (in EUR billion)



### *Private individuals*

The strongest growth in private sector lending was in the form of loans to private individuals. At 30 June 2003, their net borrowing stood at EUR 109.9 billion. This was EUR 6.9 billion up on year-end 2002, a rise of 7%. Of the total, EUR 106.2 (99.8) billion relates to mortgage loans.

### *Banks*

The item banks represents funds lent to credit institutions. Compared with year-end 2002, this item fell by EUR 2.8 billion to EUR 44.5 billion, a drop of 6%. Of the total amount, EUR 30.2 (40.1) billion concerns professional securities transactions.

### *Other assets*

At 30 June 2003, Rabobank Group had interest-bearing securities totalling EUR 82.8 (71.3) billion on its balance sheet. EUR 13.6 (11.1) billion was invested in shares and EUR 2.6 (1.8) billion in short-term government paper.

## Liabilities

### *Funds entrusted*

Funds entrusted, comprising savings, professional securities transactions and other funds entrusted, increased by 5% in the first half year to EUR 180.9 (171.6) billion. Professional securities transactions increased to EUR 10.5 (6.0) billion. Other funds entrusted rose to EUR 101.3 (99.3) billion.

### *Savings*

Savings rose EUR 2.8 billion in the first half year to EUR 69.1 billion, an increase of 4%. The size of this increase was due to reduced consumer confidence combined with a persistently unfavourable stock market climate. Clients prefer security these days, and are accordingly placing their surplus funds in a savings account.

### ***Other liabilities***

The item banks was down 1% at EUR 84.9 (85.9) billion. Once again, funds were raised on the capital market. As a result, the item debt securities grew by 24% to EUR 76.5 (61.7) billion. Provisions increased slightly by EUR 0.6 billion in the first six months to EUR 18.9 billion. Of this amount, EUR 16.1 (15.4) billion concerns technical reserves relating to the insurance business of Interpolis.

### ***Increase in Group equity***

Rabobank Group's reserves increased by EUR 0.6 billion to EUR 15.5 (14.9) billion. Group equity rose by EUR 0.8 billion, totalling EUR 22.0 billion at 30 June 2003. In addition to the bank's reserves, this item consists of subordinated loans, the fund for general banking risks and third-party interests.

### ***Off-balance- sheet activities***

Off-balance-sheet activities concern, inter alia, guarantees, irrevocable facilities and derivatives. Guarantees issued totalled EUR 7.4 (7.7) billion and irrevocable facilities EUR 28.6 (27.2) billion. The notional amounts of the derivatives outstanding totalled EUR 1,912 (1,700) billion, which corresponds to a net weighted lending amount of EUR 3.2 (3.1) billion.

### ***Tier I ratio: 10.2***

The Tier 1 ratio and the BIS ratio are the most commonly used ratios in the financial world to measure solvency. The Tier I ratio expresses the relationship between the core capital and the total risk-adjusted assets. At 30 June 2003, the Tier I ratio stood at 10.2 (10.3), exceeding the long-term target of 10.0. The minimum requirement set by the external supervisors is 4.0. The high solvency ratio is one of the reasons for Rabobank Group's triple A rating from the rating agencies Moody's and Standard & Poor's.

Total risk-adjusted items increased by EUR 9.1 billion to EUR 175.0 billion, largely the result of the rise in lending. The Tier I capital increased by EUR 0.7 billion to EUR 17.8 billion.

### ***BIS-ratio: 10.3***

The BIS ratio is calculated by dividing the total of Tier I and Tier II capital by the total of risk-adjusted assets. The BIS ratio was 10.3 (10.5), which comfortably exceeds the minimum requirements of 8.0 set by the external supervisors.



## NOTES TO THE PROFIT AND LOSS ACCOUNT

**Operating result grew 7% in the first half 2003 to EUR 1,573 million. The strict expense policy has been continued successfully in 2003.**

### **Income**

Total income in the first half of 2003 was up EUR 131 million to EUR 4,493 million, a rise of 3%.

#### ***Net interest income up 8%***

Net interest income increased by EUR 210 million in the first six months of 2003 to EUR 2,952 million. This 8% increase is the result of growth in lending and savings. Moreover, because of the low capital market interest rate, private individuals repaid many mortgage loans early, which produced additional revenue.

#### **Commission down 5%**

In the first half of 2003, commission was down 5% to EUR 869 million, Commission income from securities and asset management was under pressure owing to the ongoing depression in stock markets. This was offset to an extent by an increase in commission income from funds transfers and services.

### **Other income**

Results on financial transactions stabilized at EUR 69 (70) million. Income from securities and participating interests decreased EUR 130 million in the first half year to EUR 228 million. The 2002 figures include non-recurring income of EUR 87 million from the sale of International Private Banking activities. Other income was up EUR 98 million to EUR 375 million. Other revenue includes the underwriting results of Interpolis,

### **Expenses**

Operating expenses rose 1% in the first half year to EUR 2,920 (2,899) million, an increase of EUR 21 million.

#### ***Staff costs down 2%***

Staff costs fell during the reporting period by 2% to EUR 1,822(1,859) million. The pay increases under the Collective Labour Agreements were more than offset by a decrease in the size of the workforce and the smaller number of external staff hired in. The Rabobank Group's workforce was 51,238 FTEs at 30 June 2003.

#### ***Other administrative expenses up 7%***

Other administrative expenses rose by 7% to EUR 921 (857) million. Depreciation decreased by EUR 6 million (-3%) to EUR 177 million.

#### ***Operating result up 7%***

The operating result was EUR 1,573 (1,463) million, 7% up on the first half of 2002.

### **Operating result by Group unit**

#### **Retail banking**

Retail banking had an excellent first half year. The operating result increased by EUR 104 million to EUR 749 million, a rise of 16%. Income grew by 4% to EUR 2,384 (2,282) million, while operating expenses at EUR 1,635 (1,637) million were virtually unchanged from last year. The higher income was almost entirely due to higher net interest income. This increased by 8% thanks to the growth in loans and savings, and to the additional income from mortgage refinancing. Despite a greater number of securities orders, commission fell by 8%. This was partly the result of clients increasingly placing orders via less expensive channels, such as the internet. Owing to a drop in the number of FTEs, operating expenses were unchanged from the previous year. The number of FTEs shrank by 1,027 in the first half year to 30,643.

## Wholesale banking

Wholesale banking achieved an operating profit of EUR 555 (532) million, an increase of 4%. Income increased by 2% to EUR 994 (975) million, whereas operating expenses decreased by 1% to EUR 439 (443) million. Rabobank International and Corporate Clients performed well during the first half of the year, with the profit from Corporate Finance and Capital Markets being particularly pleasing. Group Treasury's operating result was down compared with the same period last year, the fall being partly attributable to a cautious risk policy. In addition, the flat interest curve and the marked rise in the euro both had an adverse impact on the result.

### *Asset management*

The profit from asset management activities grew by 57% to EUR 84 (54) million. Investment conditions remained poor in the first half of 2003. The poor results for the first half 2002 were improved on substantially, thanks in particular to non-recurring profits on co-investing and the profit on financial transactions. Cost savings were also achieved.

## Insurance

The operating result of Interpolis was up 20% to EUR 101 (84) million. The increase is largely attributable to the improved operating result on non-life insurance business,

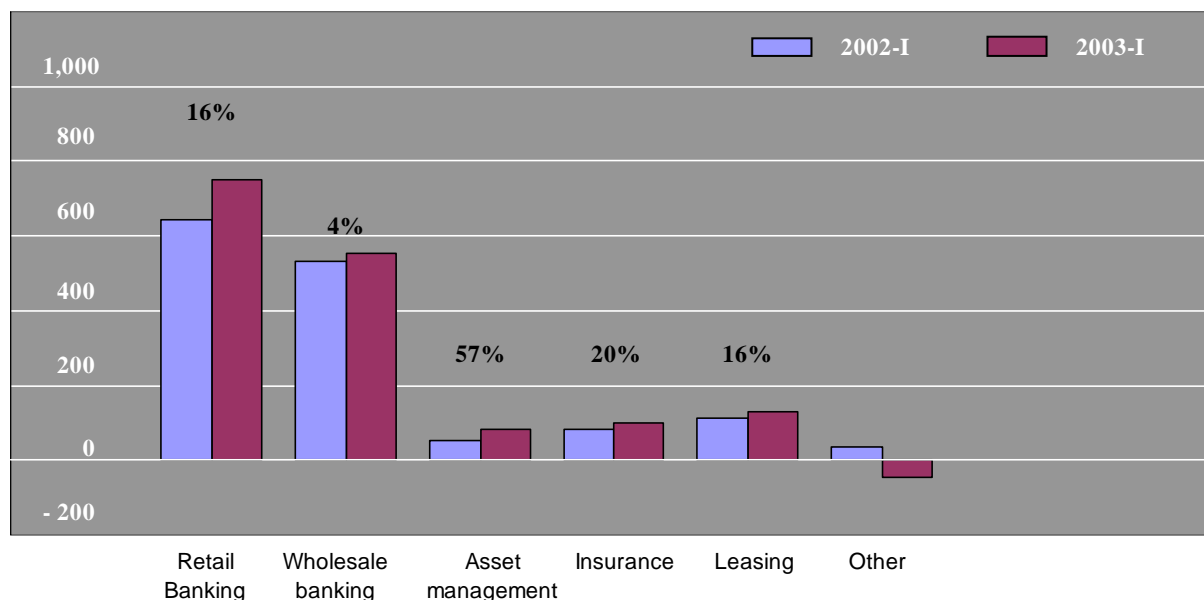
## Leasing

De Lage Landen increased its operating profit by 16% to EUR 129 (111) million.

## Other units

The combined result of the Group units included under Other fell by EUR 82 million to produce a loss of EUR 45 million. The difference can be fully explained by the gain on the sale of International Private Banking activities in 2002.

### Operating result by Group unit (in EUR million)



## Value adjustments to receivables

This item is used to account for loan losses. These rose in the first half of 2003 by EUR 12 million to EUR 275 million. Given the economic conditions and the size of the loan portfolio, both the increase in this item and its size are relatively small.

**Value adjustments to financial fixed assets**

Value adjustments to financial fixed assets were EUR 69 (27) million. This was due to unrealised price losses on the Interpolis share portfolio and downward value adjustments to temporary other investments. At this end of June, the revaluation reserve amounted to EUR 237 million.

**Net profit up 8%**

The tax burden was 29%. Third-party interests increased by EUR 7 million to EUR 125 million. Net profit was up EUR 53 million to EUR 748 million, a rise of 8%.

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**A\$250,000,000**

**Rabobank Capital Funding Trust VI**

**Noncumulative Guaranteed Trust Preferred Securities  
(Liquidation Preference Amount of A\$1,000 per  
Trust Preferred Security)**

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**OFFERING MEMORANDUM**

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**Merrill Lynch International**

**Rabo Corporate Finance & Securities Pty Limited  
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**Westpac Banking Corporation  
(ABN 33 007 457 141)**

**Credit Suisse First Boston**

**TD Securities**

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**October 27, 2004**