Prospectus dated 11 September 2006

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

Utrecht, The Netherlands

3.125% Bonds 2006–2026 of CHF 200,000,000

– with reopening clause –

The outstanding long-term debt of the Issuer is rated "AAA" by Standard & Poor's Rating Group and "Aaa" by Moody's.

Issuer:	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Croeselaan 18, NL-3521 CB Utrecht, The Netherlands
Issue Price:	The Syndicate Banks named below have purchased the Bonds at the price of 100.98% (before commissions).
Placement Price:	According to supply and demand
Life:	20 years bullet
Form and Delivery:	The Bonds will be represented by a permanent global certificate. Holders of Bonds do not have the right to request the printing and delivery of definitive Bonds.
Denomination:	CHF 5,000 nominal and multiples thereof
Payment Date:	15 September 2006
Redemption Date:	15 September 2026
Early Redemption:	For tax reasons only, anytime at par following a notice period according to the terms and conditions of the Bonds.
Reopening:	Rabobank Nederland reserves the right to reopen this issue of Bonds according to the terms and conditions of the Bonds.
Assurances:	Pari passu clause, negative pledge clause and cross default clause
Listing:	The listing of the Bonds on the main segment of the SWX Swiss Exchange will be applied for. The Bonds have provisionally been admitted to trading as of 12 September 2006.
Law and Jurisdiction:	The Bonds and all contractual documentation are governed by and shall be construed in accordance with Swiss law. Place of jurisdiction will be the courts of Zurich 2.
Selling Restrictions:	United States of America and U.S. Persons, United Kingdom, Italy and European Economic Area

Swiss Security No.: 2662084 / ISIN: CH0026620846 / Common Code: 026432081

Joint Lead Managers

Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, Zurich Branch

Zürcher Kantonalbank

Senior Co-Lead Manager

Bank Sarasin & Co. Ltd.

Co-Lead Managers

Bank Coop AG, ABN AMRO Bank N.V., Zurich Branch, Bank Vontobel Ltd., Lombard Odier Darier Hentsch & Cie, Pictet & Cie, Swiss Union of Raiffeisen Banks, UBS Investment Bank

SELLING RESTRICTIONS

A) United States of America / U.S. persons

1. The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States of America (the "United States") or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

   The Syndicate Banks have not offered or sold the Bonds, and will not offer or sell the Bonds (i) as part of their distribution at any time or (ii) otherwise until 25 October 2006, except in accordance with Rule 903 of Regulation S under the Securities Act.

   Accordingly, neither the Syndicate Banks and their affiliates nor any persons acting on their behalf have engaged or will engage in any selling activities directed towards the United States with respect to the Bonds, and they have complied and will comply with the offering restrictions requirement of Regulation S. The Syndicate Banks agree that, at or prior to confirmation of any sale of Bonds, they will have sent to each distributor, dealer or person receiving a selling commission, fee or other remuneration that purchases Bonds from them during the Restricted Period (as defined below), a notice substantially to the following effect:

   "The Bonds covered hereby have not been registered under the U.S. Securities Act of 1933 as amended (the "Securities Act") and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 25 October 2006, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

   Terms used in this paragraph 1 have the meanings given to them by Regulation S under the Securities Act.

2. The Syndicate Banks represent and agree that they have not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Bonds except with its affiliates or with the prior written consent of the Issuer.

3. In addition,

   (1) except to the extent permitted under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (the "D Rules"),

      a) the Syndicate Banks represent and agree that they have not offered or sold and during the Restricted Period will not offer or sell Bonds to a person who is within the United States or its possessions or to a United States person, and that it will use reasonable efforts to sell the Bonds in Switzerland, and

      b) the Syndicate Banks represent and agree that they have not delivered and will not deliver within the United States or its possessions Bonds that are sold during the Restricted Period;

   (2) the Syndicate Banks represent and agree that they have and throughout the Restricted Period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bonds are aware that Bonds may not be offered or sold during the Restricted Period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

   (3) if the Syndicate Banks are a U.S. person, they represent that they are acquiring Bonds in bearer form for the purposes of resale in connection with the original issuance of Bonds and if they retain Bonds in bearer form for their own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6); and

Property and equipment are regularly submitted to impairment testing. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down immediately to the recoverable amount. Gains and losses on the disposal of items of property and equipment are determined in proportion to their carrying amounts and taken into account when determining the operating result. Repair and maintenance work is charged to profit and loss at the time the costs are incurred. Expenditures on extending or increasing the benefits from land and buildings compared with their original benefits are capitalised and subsequently depreciated.
Finance expenses incurred during the creation of an asset for use or sale are charged to profit and loss for the period in which they are incurred.

2.18 Investment properties

Investment properties, mainly office buildings, are held for their long-term rental income and are not used by Rabobank or its subsidiaries. Investment properties are recognised as long-term investments and included on the balance sheet at cost, net of accumulated depreciation.

2.19 Leases

2.19.1 Rabobank as lessee

Leases relating to property and equipment under which substantially all the risks and benefits of ownership are transferred to Rabobank are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the lease liability and the finance charges, so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding lease liabilities are included under other loans, after deduction of finance charges.
The interest components of the finance charges are recognised in profit and loss over the term of the lease. An item of property and equipment acquired under a lease agreement is depreciated over the useful life of the asset or, if shorter, the term of the lease.
Leases under which a substantial portion of the risks and benefits of ownership of the assets are retained by the lessor are classified as operating leases. Operating lease payments (less any discounts given by the lessor) are charged to profit and loss on a straight-line basis over the term of the lease.

2.19.2 Rabobank as lessor

Finance leases

If assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable under 'Due from other banks' or 'Loans to customers'. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

Operating leases

Assets leased under operating leases are included on the balance sheet under 'Property and equipment'. The assets are depreciated over their expected useful lives in line with those of comparable items of property and equipment. Rental income (less discounts granted to lessees) is recognised under 'Other income' on a straight-line basis over the term of the lease.

2.16 Goodwill and other intangible assets

2.16.1 Goodwill

Goodwill is the amount by which the acquisition price paid for a subsidiary or associate exceeds the fair value on the acquisition date of Rabobank's share of the net assets and the unconditional liabilities of the entity acquired. Goodwill on acquisitions made on or after 1 January 2004 is recognised on the balance sheet as an intangible asset net of any impairment losses. Goodwill on the acquisition of a subsidiary made before 1 January 2004 was charged directly to equity. Goodwill in such case has not been capitalised retrospectively, as allowed under IFRS.

2.16.2 Software development costs

Costs related to the development or maintenance of computer programs are recognised as an expense at the time they are incurred. Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and that will probably provide economic benefits exceeding the costs for longer than a year are recognised as intangible assets. Direct costs include the employee expenses of the software development team and an appropriate portion of the relevant overhead.
Expenditures that improve the performance of computer programs compared with their original specifications are added to the original cost of the software. Computer software development costs recognised as assets are amortised on a straight-line basis over a period not exceeding three years.

2.16.3 Insurance contracts acquired as part of a business combination or portfolio transfer

The fair value (present value of the expected future cash flows) of contractual insurance rights and obligations are capitalised as intangible assets and amortised over the term of the contract, which is generally between 2 and 5 years. The net asset undergoes an impairment test each year based on the expected future cash flows from the acquired insurance contracts. An impairment loss is recognised if the expected future profits do not justify the carrying amount of the asset.

2.16.4 Impairment losses on goodwill and other intangible assets

At each balance sheet date, Rabobank assesses whether there are indications of impairment losses on goodwill and other intangible assets. If such indications exist, impairment testing is carried out to determine whether the carrying amount of goodwill and other intangible assets are fully recoverable. An impairment loss is recognised if the carrying amount is greater than the recoverable amount.

2.17 Property and equipment

Equipment (for own use) is recognised at historical cost net of accumulated depreciation.
Property (for own use) represents mainly offices and is also recognised at cost less accumulated depreciation.
Straight-line deprecation is applied to these assets in accordance with the schedule below. Each asset is depreciated to its residual value over its estimated useful life.

- Land	Not depreciated
- Buildings	25-40 years
Equipment, including the following:	
- Computer equipment	1-3 years
- Other equipment and vehicles	3-8 years

Translation differences on debt securities and other monetary financial assets carried at fair value are included under foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are recognised as part of the fair value gains or losses. Translation differences on available-for-sale non-monetary items are included in the revaluation reserve reported under equity.

2.13 Interest

Interest income and expenses for all interest-bearing instruments are recognised in profit and loss according to the allocation principle, with the effective interest method being applied to the actual purchase price. Interest income includes coupons relating to fixed-interest financial assets and trading financial assets, as well as the cumulative premiums and discounts on government treasury securities and other cash equivalent instruments. If any loans suffer impairment losses, they are written down to their recoverable amounts and the interest income recognised henceforth is based on the discount rate for calculating the present value of the future cash flows used to determine the recoverable amounts.

2.14 Fees and commission

Income from asset management activities consists mainly of unit trust and fund management commission and administration fees. Fees are also received for insurance activities relating to pension management and employee healthcare. Income from asset management and insurance activities is recognised as earned when the services are provided.
Fees and commission are generally recognised according to the allocation principle. Fees and commission received for negotiating a transaction, or taking part in the negotiations, on behalf of third parties, for example the acquisition of a portfolio of loans, shares or other securities, or the sale or purchase of companies, are recognised at completion of the underlying transactions.

2.15 Loans to customers and due from other banks

Loans to customers and due from other banks are not derivative financial instruments with fixed or defined payments, not listed on active market, apart from such assets that Rabobank classifies as trading, at fair value on initial recognitions with changes recognised through profit and loss, or as available for sale. These loans and receivables are measured at amortised cost, including transaction costs.
A value adjustment, for losses on loans, is recognised if there is objective evidence that Rabobank will not be able to collect all amounts due under the original terms of the contract. The size of the reserve is the difference between the carrying amount and recoverable amount, which is the present value of the expected cash flows, including amounts recoverable under guarantees and sureties, discounted at the original effective rate of interest of the loans.
The reserve for loans includes losses if there is objective evidence that losses are attributable to some portions of the loan portfolio at the balance sheet date. These are estimated based on the historical pattern of losses for each separate portion and the credit ratings of the borrowers, and taken into account the actual economic conditions under which the borrowers conduct their activities. If a loan is not collectible, it is written off from the related reserve for losses on loans. Any amounts subsequently collected are included under the item 'Value adjustments' on the profit and loss account.

If a transaction does not meet the above conditions for derecognition, it is recognised as a loan for which security has been provided.
To the extent that the transfer of a financial asset does not qualify for derecognition, the transfer does not result in Rabobank's contractual rights being separately recognised as derivative financial instruments if recognition of these instruments and the transferred asset, or the liability arising on the transfer, were to result in double recognition of the same rights or obligations.
Gains and losses on securitisations and sale transactions depend partly on the previous carrying amounts of the financial assets involved in the transfer. The carrying amounts of the assets in question are allocated to the sold and retained interests based on the relative fair values of these interests at the date of sale. Any gains and losses are recognised at the time of transfer under 'Trading income'.
The fair value of the sold and retained interests is based on quoted market prices or calculated as the present value of the future expected cash flows, using pricing models that take into account various assumptions such as credit losses, discount rates, yield curves, payment frequency and other factors.
Rabobank decides for each securitisation transaction whether the securitisation instrument should be included in the consolidated financial statements. For this purpose, it performs an assessment by taking a number of factors into consideration, for example the activities of the SPE, decision-making powers and the allocation of the benefits and risks associated with the activities of the SPE.

2.11 Netting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is transferred to the balance sheet if a legal right to set off the recognised amounts exists and it is intended to settle the expected future cash flows on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Foreign currencies

2.12.1 Foreign entities

Items included in the financial statements of each entity in the Group are carried in the currency that best reflects the economic reality of the underlying events and circumstances that are relevant for the entity (the functional currency).
The consolidated financial statements are presented in euros, which is the parent company's functional currency.
Gains, losses and cash flows of foreign entities are translated into the presentation currency of Rabobank at the exchange rates on the transaction dates, which are approximately equal to the average exchange rates. For balance sheet purposes, they are translated at the exchange rates on 31 December. Translation differences arising on the net investments in foreign entities and on loans and other currency instruments designated as hedges of these investments are recognised in equity.
If a foreign entity is sold, any such translation differences are recognised in profit and loss as part of the gain or loss on the sale.
Goodwill and fair-value adjustments arising on the acquisition of a foreign entity are recognised as assets and liabilities of the foreign entity and are translated at the closing rate.

2.12.2 Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rates ruling at the transaction date. Translation differences arising on the settlement of such transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, unless they are recognised in equity as qualifying cash flow hedges.

All purchases and sales made in accordance with standard market conventions for available-for-sale financial assets are recognised at the transaction date. All other purchases and sales are recognised as forward derivative contracts until their dates of settlement.

2.8 Held-to-maturity financial assets

Financial assets with fixed terms are classified as held-to-maturity financial assets, provided management intends to keep them for their full terms and is in a position to do so. Management determines the appropriate classification for its investments on their acquisition dates.
Held-to-maturity financial assets are carried at amortised cost based on the effective interest method, net of provisions for impairment losses as necessary.
Interest earned on held-to-maturity financial assets is recognised as interest income.
All purchases and sales made in accordance with standard market conventions for held-to-maturity financial assets are recognised at the date of settlement. All other purchases and sales are recognised as forward derivative contracts until their dates of settlement.

2.9 Repurchase and reverse repurchase contracts

Financial assets that are sold subject to related sale and repurchase contracts are included in the financial statements under 'Trading financial assets' and 'Available-for-sale financial assets'. The liability to the counterparty is included under 'Due to other banks' and 'Due to customers' depending on the application.
Financial assets acquired under reverse sale and reverse repurchase contracts are recognised as:
- Due from other banks, or
- Loans to customers,

depending on the application. The difference between the selling and repurchasing price is recognised as interest income or expense over the term of the agreement, based on the effective interest method.

2.10 Securitisations and other derecognition constructions

Rabobank securitises, sells and carries various financial assets that it sometimes sells to special purpose entities, which then issue securities to investors. Rabobank has the option of retaining an interest in sold securitised financial assets in the form of subordinated interest-only strips, subordinated securities, spread accounts, servicing rights, and guarantees, put options and call options, and other constructions.
A financial asset (or a portion of a financial asset) is derecognised if:
- the rights to the cash flows from the asset expire;
- the rights to the cash flows from the asset and a substantial portion of the risks and benefits of ownership of the asset are transferred;
- a commitment to transfer the cash flows from the asset is presumed and a substantial portion of the risks and benefits are transferred;
- not all the risks and benefits are retained or transferred; however control over the asset is transferred.

If Rabobank retains control over the asset but does not retain a substantial portion of the rights and benefits, the asset is recognised in proportion to the continuing involvement of Rabobank. A related liability is also recognised to the extent of Rabobank's continuing involvement. The recognition of changes in the value of the liability corresponds to the recognition of changes in the value of the asset.

2.4 Trade liabilities

Trade liabilities are mainly negative fair values of derivative financial instruments and delivery obligations arising on short selling of securities. Securities are sold short to realise gains from short-term price fluctuations. The securities needed to settle the short selling are acquired through securities leasing or sale and repurchase contracts. Securities sold short are recognised at fair value at the balance sheet date.
Trade liabilities also include certain financial liabilities that Rabobank does not intend to sell, but which it designated as held for trading on initial recognition and recognised at fair value. Changes in the fair value of these financial liabilities are recognised in profit and loss for the period in which they arise.

2.5 Trading financial assets

Trading financial assets are acquired to realise gains from short-term fluctuations in the prices or margins of traders, or form part of a portfolio that regularly generates short-term gains. These assets are initially recognised at cost and subsequently revalued to fair value based on quoted bid prices. Any realised and unrealised gains and losses are included under 'Trading income'. Interest earned on trading financial assets is recognised as interest income. Dividends received on trading financial assets is recognised as dividend income.
All purchases and sales of trading financial assets that have to be delivered within a period prescribed by regulations or market convention are recognised at the transaction date. Other trading transactions are recognised as derivative financial instruments until the date of settlement.

2.6 Non-trading financial assets and liabilities at fair value through profit and loss

Rabobank has opted to classify financial instruments not acquired or entered into for realising gains from short-term fluctuations in traders' prices or margins at fair value through profit and loss. These financial assets are carried at fair value. Interest earned on assets with this classification is recognised as interest income and interest due on liabilities with this classification is recognised as interest expense. Dividends received on the financial assets are included under dividend income. Any other realised and unrealised gains and losses on revaluation of these financial instruments to fair value are included under 'Net income from non-trading financial assets and liabilities at fair value through profit and loss'.

2.7 Available-for-sale financial assets

Management determines the appropriate classification of a financial asset on its date of acquisition.
Financial assets that are intended to be held indefinitely or sold for liquidity purposes or in response to changes in interest rates, exchange rates or share prices are classified as available for sale.
Available-for-sale financial assets are initially recognised at costs (which includes transaction costs). These assets are subsequently revalued to fair value based on quoted bid prices or values derived from cash flow models. The fair values of unlisted equity instruments are estimated based on appropriate price/earnings ratios, adjusted to reflect the specific circumstances of the respective issuers. Any unrealised gains and losses from changes in the fair value of available-for-sale financial assets are recognised in equity unless they relate to amortised interest. If such financial assets are disposed of or suffer impairment losses, the adjustments to fair value are recognised in profit and loss as gains or losses on available-for-sale financial assets.
An impairment loss is recognised on a financial asset if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an instrument carried at fair value is the present value of the expected future cash flows, discounted at the current market rate of interest on a comparable financial asset.
If the fair value of securities cannot be reliably measured, they are carried at cost.

2.3.2 Instruments not used for hedging

Realised and unrealised gains and losses on derivative financial instruments classified by Rabobank as held-for-trading are recognised under 'Trading income'.

2.3.3 Hedging instruments

Rabobank also uses derivative financial instruments as part of balance sheet control to manage its interest rate risks, credit risks and foreign currency risks.
On the date of concluding a derivative contract, Rabobank can designate certain derivative financial instruments as (1) a hedge of the fair value of an asset or liability on the balance sheet (fair value hedge), as (2) a hedge of future cash flows attributable to an asset or liability on the balance sheet, an expected transaction or a non-current liability (cash flow hedge), or as (3) a hedge of a net-investment in a foreign entity (net investment hedge). Derivative financial instruments can be qualified as hedging instruments if certain criteria are met.
These criteria include:

- Preparation of formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy and the hedge relationship before applying hedge accounting;
- The hedge is expected to be highly effective (in a range of 80% to 125%) in offsetting changes in the hedged item's fair value or cash flows attributable to the hedged risks during the entire reporting period; and
- The hedge is continuously highly effective from inception onwards.

Changes in the fair value of derivative financial instruments that are designated as fair value hedges and are highly effective in relation to the hedged risks are recognised in profit and loss, together with the corresponding changes in the fair value of the assets or liabilities hedged against the risks in question.
If the hedge no longer meets the criteria for hedge accounting (according to the fair value hedge model), any adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised through profit and loss until the end of the hedged period. Any adjustment to the carrying amount of a hedged equity instrument is recognised under 'Profits and losses not disclosed in the profit and loss account' until disposal of the equity instrument.
Changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges and that are highly effective in relation to the hedged risks are recognised in the hedging reserve included under equity (see note 11). The non-effective part of the changes in the fair values of the derivative financial instruments are recognised in profit and loss. If the forecast transaction or non-current liability results in the recognition of an asset or a liability, any deferred gain or loss included in equity are restated to the initial carrying amount (cost) of the asset or liability. In all other cases, deferred amounts included in equity are taken to the profit and loss account and are classified as income or expenses in the periods in which the hedged non-current liability or forecast transaction had an effect on profit and loss.
Certain derivative contracts, although they are effective economic hedges in relation to the managed risk positions taken by Rabobank, do not qualify for hedge accounting under the specific IFRS rules. These contracts are therefore treated as derivative trading financial instruments, with the fair value of gains and losses being reported under 'Trading income'.
Rabobank hedges the credit risks of loan portfolios with economic hedges based on credit default swaps and does not apply hedge accounting to these instruments. However, if Rabobank recognises an impairment loss on a loan hedged with this type of economic hedge, the gain on the credit default swap is set off against expenses/gains related to credit losses.
The fair value of derivative financial instruments held for trading and hedging purposes is disclosed in note 11, 'Derivative financial instruments and other trade liabilities'.

2.2 Group financial statements

2.2.1 Subsidiaries

Subsidiaries and other entities (including special purpose entities) over which Rabobank exercises control, directly or indirectly, are consolidated. The assets, liabilities and results of these entities are consolidated in full.
Subsidiaries are consolidated from the date on which Rabobank obtains control, and cease to be consolidated on the date that this control ends. All intra-group transactions, balances and unrealised gains and losses on transactions between business units of Rabobank are eliminated as part of the consolidation.

2.2.2 Joint ventures

The interests of Rabobank in entities where control is shared are consolidated proportionally. With this method, Rabobank includes its share of the income and expenses, assets and liabilities, and cash flows of the various joint ventures in the relevant items of its financial statements.

2.2.3 Investments in associates

Investments in associates are recognised in accordance with the equity method. With this method, Rabobank's share of the profits and losses of an associate (after the acquisition) is recognised in profit and loss, and its share of the changes in reserves after the acquisition is recognised in reserves. The cumulative changes after acquisition are adjustments to the cost of the investment.
Associates are entities in which Rabobank holds between 20% and 50% of the voting rights and over which Rabobank has significant influence but does not exercise control. Unrealised gains on transactions between Rabobank and its associates are eliminated in proportion to the size of Rabobank's interest in the associates. Unrealised losses are also eliminated unless the transaction indicates that an impairment loss should be recognised on the asset transferred. Investments by Rabobank in associates include the goodwill acquired. If Rabobank's share in the losses of an associate equals or exceeds its interest in the associate, Rabobank will not recognise any more losses of the associate unless Rabobank has given undertakings or made payments on behalf of this associate.

2.3 Derivative financial instruments and hedging

2.3.1 General

Derivative financial instruments generally mean foreign currency contracts, currency and interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options (written as well as acquired).
Derivative financial instruments might be traded on an exchange or as over- the-counter (OTC) instruments between Rabobank and a client. All derivative financial instruments are recognised at inception on the balance sheet at cost and subsequently revalued to fair value. The fair value is determined using listed market prices, prices offered by traders, cash-flow discounting models and option valuation models based on current market prices and contracted prices for the underlying instruments, as well as the time value of money, yield curves and the volatility of the underlying assets and liabilities. All derivative financial instruments are included under assets if their fair value is positive and under liabilities if their fair value is negative.
Derivative financial instruments that are embedded in other financial instruments are treated separately if their risks and characteristics are not closely related to those of the underlying derivative contract and this contract is not classified at fair value through profit and loss.

Notes to the consolidated financial statements

This is the first official publication of the consolidated financial statements prepared under International Financial Reporting Standards (IFRS) in accordance with European Union regulations. The comparative figures have been restated accordingly.

1 Basis of consolidation

Rabobank Group ('Rabobank') comprises the local Rabobanks ('Members') in the Netherlands, the central cooperative Rabobank Nederland and other specialised subsidiaries. Together they form Rabobank Group and Rabobank Nederland, which advises the Members and assists them in the provision of their services. Rabobank Nederland also advises the Members on behalf of De Nederlandsche Bank (the Dutch central bank). Rabobank's cooperative structure has several executive levels, each with its own duties and responsibilities.
In IFRS terms, Rabobank Nederland exercises control over the local Rabobanks.
The consolidated financial statements of Rabobank include the financial information of Rabobank Nederland and that of the Members and the other group companies.

2 Accounting policies

The main accounting policies used in preparing these consolidated financial statements are explained below.

2.1 General

The consolidated financial statements of Rabobank have been prepared in accordance with International Financial Reporting Standards ('IFRS') as approved by the European Union.
Rabobank adopted IFRS with effect from 1 January 2005 and has therefore restated its figures already reported for 2004 to bring them into line with IFRS. The effect of the adoption of the standards is explained in note 3, 'Effect of changes in accounting policies due to first-time adoption of IFRS'.
The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, trading financial assets and liabilities, and derivative contracts. These items are recognised at fair value.
Unless otherwise stated, all amounts in these consolidated financial statements are in millions.

2.1.1 Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities and the reporting of contingent assets and liabilities at the date of the consolidated financial statements, as well as the amounts reported for income and expenses during the reporting period. Although management based their estimates on the most careful assessment of the current circumstances and activities, the actual results might deviate from these estimates.

	For the year ended 31 December	
In millions of euros	2005	2004
Cash flows from investing activities		
Acquisition of subsidiaries net of cash and cash equivalents acquired	(21)	(206)
Disposal of subsidiaries net of cash and cash equivalents disposed	2	4
Acquisition of property and equipment and investment properties	(456)	(568)
Income from sale of property and equipment	318	644
Acquisition of available-for-sale financial assets and held-to-maturity financial assets	(14,885)	(19,485)
Income from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets	10,286	8,848
Net cash flow from investing activities	(4,756)	(10,763)
Cash flows from financing activities		
Proceeds from issue of Rabobank Member Certificates	2,000	-
Proceeds from issue of Trust Preferred Securities	-	1,879
Proceeds from issue of subordinated debt instruments	1,000	1,927
Payment on Rabobank Member Certificates and Trust Preferred Securities	322	237
Repayment of subordinated debt	(774)	(15)
Net cash flow from financing activities	2,548	4,028
Net increase/(decrease) in cash and cash equivalents	(4,346)	91
Cash and cash equivalents at beginning of year	7,269	7,178
Cash and cash equivalents at end of year	2,923	7,269

The purchase of the interest in Eureko and the sale of the interest in Interpolis did not generate any cash flows.

The cash flows from interest are included in the net cash flow from operating activities.
The interest income and expense amounted:

Interest income	22,101	18,580
Interest expense	15,694	12,385

Consolidated cash flow statement

	For the year ended 31 December	
In millions of euros	2005	2004
Cash flows from operating activities		
Operating profit before taxation	2,682	2,566
Adjusted for:		
Non-cash items recognised in profit and loss and other adjustments		
Depreciation and amortisation	343	330
Value adjustments	517	479
Change in insurance liabilities (excluding Interpolis)	13	27
Result on sale of property and equipment	(12)	(9)
Share of (profit) of associates and result on sale of subsidiary	(218)	(65)
Fair value gains /losses on investment properties	1	(18)
Fair value gains /losses on available-for-sale financial assets reclassified to the income statement	(20)	90
Net gains /losses on trading financial assets	(373)	(333)
Net income from non-trading financial assets and liabilities at fair value through profit and loss	(38)	(27)
Net (increase)/decrease in operating assets		
Due from other banks	1,387	14,054
Trading financial assets	(5,741)	5,593
Derivative financial instruments	7,900	(4,555)
Net (increase)/decrease in non-trading financial assets at fair value through profit and loss	25,219	(18,534)
Loans to customers	(30,337)	(27,044)
Net increase/(decrease) in liabilities relating to operating activities		
Derivative financial instruments and other trade liabilities	(11,090)	5,596
Due to customers	8,956	17,541
Debt securities in issue	18,472	6,070
Other debts	(304)	(1,781)
Income tax paid	(634)	(680)
Other changes (mainly attributable to disposal of Interpolis)	(18,861)	7,526
Net cash flow from operating activities	(2,138)	6,826

In millions of euros	Equity of Rabobank Nederland and local Rabobanks	Rabobank Member Certificates	Trust Preferred Securities III to VI	Minority interests	Total equity
At 1 January 2005	14,018	3,840	1,877	3,269	23,004
Arising in the period:					
Available-for-sale financial assets - net fair value changes, after taxation	(179)	-	-	-	(179)
Available-for-sale financial assets - reclassified to net profit for the year, after taxation	(114)	-	-	-	(114)
Currency translation differences	22	-	215	-	237
Cash flow hedges - net fair value gains, after taxation	1	-	-	-	1
Total income and expense for the year recognised directly in equity	(270)	-	215	-	(55)
Net profit for the year	1,577	211	111	184	2,083
Total income and expense	1,307	211	326	184	2,028
Issue of Rabobank Member Certificates and Trust Preferred Securities	-	1,971	-	-	1,971
Payment on Rabobank Member Certificates and Trust Preferred Securities	-	(211)	(111)	-	(322)
Other	125	-	-	(457)	(332)
At 31 December 2005	15,450	5,811	2,092	2,996	26,349

Consolidated statement of changes in equity

In millions of euros	Equity of Rabobank Nederland and local Rabobanks	Rabobank Member Certificates	Trust Preferred Securities III to VI	Minority interests	Total equity
At 1 January 2004	12,501	3,853	-	3,325	19,679
Arising in the period:					
Available-for-sale financial assets - net fair value changes, after taxation	376	-	-	-	376
Currency translation differences	(57)	-	-	-	(57)
Available-for-sale financial assets - reclassified to net profit for the year, after taxation	(109)	-	-	-	(109)
Total income and expense for the year recognised directly in equity	210	-	-	-	210
Net profit for the year	1,392	217	20	164	1,793
Total income and expense	1,602	217	20	164	2,003
Issue of Rabobank Member Certificates and Trust Preferred Securities	-	(13)	1,877	-	1,864
Payment on Rabobank Member Certificates and Trust Preferred Securities	-	(217)	(20)	-	(237)
Other	(85)	-	-	(220)	(305)
At 31 December 2004	14,018	3,840	1,877	3,269	23,004

In millions of euros	Notes	2005	2004
Of which attributable to Rabobank Nederland and local Rabobanks	33	1,577	1,392
Of which attributable to holders of Rabobank Member Certificates	34	211	217
Of which attributable to Trust Preferred Securities III to VI	35	111	20
Of which attributable to minority interests	36	184	164
Net profit for the year		2,083	1,793

See the notes to the consolidated financial statements.

Consolidated profit and loss account

		For the year ended 31 December	
In millions of euros	Notes	2005	2004
Interest income	37	22,101	18,580
Interest expense	37	15,694	12,385
Interest	37	6,407	6,195
Fee and commission income	38	2,639	2,294
Fee and commission expense	38	422	422
Fees and commission	38	2,217	1,872
Income from associates	39	226	99
Trading income	40	373	333
Net income from non-trading financial assets and liabilities at fair value through profit and loss	41	20	(90)
Gains on available-for-sale financial assets	13	38	27
Income from Interpolis insurance business	42	353	214
Other	43	(271)	572
Income		9,363	9,222
Staff costs	44	3,880	3,683
Other administrative expenses	45	1,953	2,173
Depreciation and amortisation	46	331	321
Operating expenses		6,164	6,177
Value adjustments	47	517	479
Operating profit before taxation		2,682	2,566
Taxation	48	599	773
Net profit for the year		2,083	1,793

		At 31 December	
In millions of euros	Notes	2005	2004
Liabilities			
Due to other banks	20	109,749	96,347
Due to other banks at fair value through profit and loss	21	239	97
Due to customers	22	186,427	177,471
Due to customers at fair value through profit and loss	23	32	11
Debt securities in issue	24	115,992	97,520
Debt securities in issue at fair value through profit and loss	25	19,333	11,940
Derivative financial instruments and other trade liabilities	11	28,081	39,171
Other debts	26	7,346	7,650
Insurance liabilities		3	17,882
Other financial liabilities at fair value through profit and loss	27	7,341	7,090
Provisions	28	931	1,081
Deferred tax liabilities	29	329	223
Employee benefits	30	1,437	1,958
Subordinated debt	31	2,645	2,129
Total liabilities		479,885	460,570
Equity			
Equity of Rabobank Nederland and local Rabobanks	33	15,450	14,018
Rabobank Member Certificates issued by group companies	34	5,811	3,840
		21,261	17,858
Trust Preferred Securities III to VI issued by group companies	35	2,092	1,877
Minority interests	36	2,996	3,269
Total equity		26,349	23,004
Total equity and liabilities		506,234	483,574

Consolidated balance sheet

In millions of euros	Notes	At 31 December 2005	2004
Assets			
Cash and cash equivalents	7	2,923	7,269
Due from other banks	8	53,065	41,050
Trading financial assets	9	39,011	32,646
Other financial assets at fair value through profit and loss	10	14,871	32,498
Derivative financial instruments	11	24,135	32,035
Loans to customers	12	304,451	273,946
Available-for-sale financial assets	13	51,221	48,320
Held-to-maturity financial assets	14	1,908	2,207
Investments in associates	15	2,971	714
Goodwill and other intangible assets	16	252	204
Property and equipment	17	3,115	3,313
Investment properties	18	768	1,178
Deferred tax assets	29	1,236	1,076
Other assets	19	6,307	7,118
Total assets		506,234	483,574

Contents

General information

Rabobank Group ('Rabobank') is a cooperative organisation whose core comprises 248 local Rabobanks in the Netherlands. Rabobank comprises the local cooperative Rabobanks in the Netherlands, the central organisation Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) and a number of specialised subsidiaries. Rabobank provides services in the form of public sector lending, corporate and investment banking, and leasing in many countries throughout the world. Rabobank operates in 38 countries and employs 51,000 people.

Rabobank Nederland is a cooperative whose capital is divided into shares. It is largely the product of a merger on 1 December 1972 of the two largest Dutch cooperative entities at the time. Rabobank Nederland has its registered office in Amsterdam and is established under Dutch law for an indefinite period. Rabobank Nederland is registered at the Trade Registry of the Amsterdam Chamber of Commerce under number 30046259.

Membership of Rabobank Nederland is open to cooperative banks whose Articles of Association have been approved by Rabobank Nederland.

The activities of Rabobank Nederland can be roughly divided into two categories. First, its role as central bank for the local Rabobanks in which role it encourages the establishment, continuation and development of cooperative banks, and for its members in which role it concludes agreements with them, negotiates their rights and undertakes obligations on their behalf insofar as these obligations have the same consequences for all members. Second, Rabobank Nederland's own banking activities, which supplement and are independent of the activities of the local Rabobanks.

The majority of the members of the local Rabobanks are clients. At 31 December 2005, the local Rabobanks had approximately 1,550,000 members.

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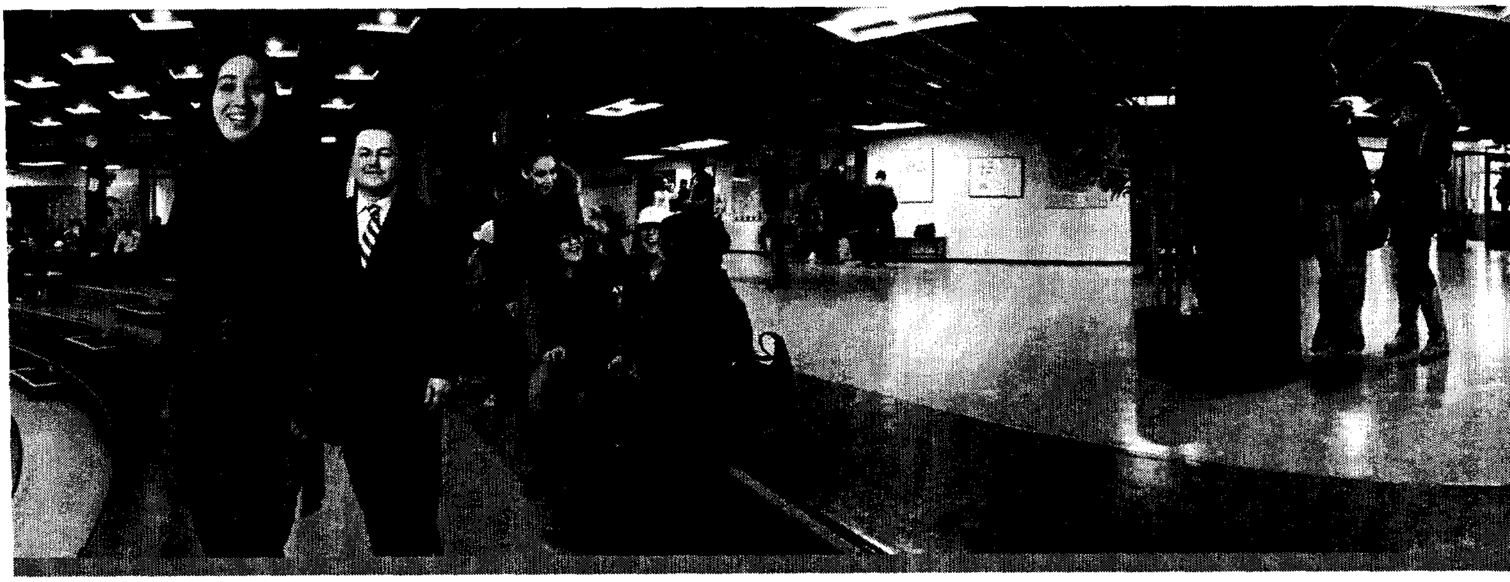
www.rabobank.com

Rabobank Group Consolidated Financial Statements 2005

This publication, the financial statements and the separate edition 'Rabobank Group Annual Report 2005' together form the annual report, the financial statements and other information of the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Rabobank



Rabobank Group

Consolidated Financial Statements 2005

prepared in accordance with International Financial Reporting Standards

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CONSOLIDATED FINANCIAL STATEMENTS 2005

19. Separability

If at any time any one or more of the provisions of the Terms of the Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

Every proposal submitted to a Bondholders' Meeting shall be decided upon by a poll.

17.9 Any resolution which is not an Extraordinary Resolution (as defined in the following Subsection) shall be deemed to be an Ordinary Resolution (an "Ordinary Resolution").

17.10 An Extraordinary Resolution (an "Extraordinary Resolution") shall be necessary to decide on the following matters at a Bondholders' Meeting:

- to postpone the maturity beyond the stated maturity of the principal of any Bond; or
- to reduce the amount of principal or premium (if any) payable on any Bond; or
- to change the date of interest payment of any Bond; or
- to change the rate of interest or the method of computation of interest of any Bond; or
- to change any provision for payment contained in the Terms of the Bonds or the place or the currency of repayment of the principal or payment of premium (if any) of any Bond or interest on any Bond; or
- to amend or modify or waive the whole or any parts of Sections 2,6,7,8 or 9 above or Subsections 17.7 through 17.10; or
- to create unequal treatment between holders of Bonds of the same class of an issue, or
- to convert the Bonds into equity, or
- to change the choice of law and the jurisdiction clause contained in Section 15 above.

The above-mentioned list of issues for which an Extraordinary Resolution shall be necessary is exclusive.

17.11 Any resolution approved at a Bondholders' Meeting held in accordance with this Section 17 shall be conclusive and binding on all present or future Bondholders whether present or not, and on all Couponholders.

Minutes of all resolutions and proceedings at a Bondholders' Meeting shall be prepared and signed by the Chairman pursuant to Section 17.4 above.

17.12 If no Bondholder or an insufficient number of Bondholders shall attend a Bondholders' Meeting, the right to decide on an early repayment of the Bonds or any other measures to protect the interests of the Bondholders shall revert to the absolute discretion of HVB. Any such decision of HVB shall be final and binding upon the Issuer and the Bondholders and Couponholders. Notice of any such decision shall be published in accordance with Section 14 above.

18. Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended from time to time by the agreement between the Issuer and HVB on behalf of the Bondholders and Couponholders, provided that in the sole opinion of HVB such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Bondholders and Couponholders.

Notice of any such amendment shall be transmitted as per Section 14 above.

Any such amendment shall be binding on the Bondholders and Couponholders in accordance with its terms.

inspection of the Bondholders during normal business hours at each of their respective head offices.

Notice of any resolution passed at a Bondholders' Meeting will be published by HVB on behalf and at the expense of the Issuer in compliance with Section 14 above not less than 10 days after the date of the meeting. Non-publication of such notice shall not invalidate such resolution.

17.4 All Bondholders' Meetings shall be held in Zurich. A chairman (the "Chairman") shall be nominated by HVB in writing. If no person has been so nominated or if the nominated person shall not be present at the Bondholders' Meeting within 30 minutes after the time fixed for holding the meeting, the Bondholders present shall choose one of their number to be the Chairman.

The Chairman shall lead and preside over the Bondholders' Meeting. Among others, it shall be his duty to determine the presence of persons entitled to vote and to inquire if the necessary quorum (as set forth below) is present. He shall instruct the Bondholders as to the procedure of the Bondholders' Meeting and the resolutions to be considered.

In the case of any equality of votes, the Chairman shall have a casting vote.

A declaration by the Chairman that a resolution has been carried or carried by a particular majority or rejected or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

17.5 Each person who produces a Bond or a certificate by a Manager in respect of such Bond relating to that Bondholders' Meeting is entitled to attend and to vote on the resolutions proposed at such Bondholders' Meeting. Couponholders are not entitled to attend or vote at Bondholders' meetings. Said certificate shall be dated before the date of the Bondholders' Meeting and confirm that the Bond is deposited with the Manager and will remain deposited with it until and including the date of the Bondholders' Meeting and that it has not issued any other such certificate with respect to such Bond.

17.6 The quorum necessary in order to vote on resolutions proposed at a Bondholders' Meeting shall be persons entitled under Subsections 17.5 above and 17.7 below holding or representing in the aggregate percentages (or more) of the aggregate principal amount of all outstanding Bonds:

each Ordinary Resolution:	25%
each Extraordinary Resolution:	66%.

The terms "Ordinary Resolution" and "Extraordinary Resolution" are defined in Subsections 17.9 and 17.10 below.

If within thirty minutes after the time appointed for any Bondholders' Meeting a sufficient quorum is not present, the Meeting shall be dissolved.

17.7 Voting rights shall be determined according to the principal amount of outstanding Bonds held. Each CHF 5,000 principal amount gives right to one vote.

Bonds held by or on behalf of the Issuer or any other natural person or legal entity (aa) which directly or indirectly owns or controls more than 50% of the equity share capital of the Issuer, or (bb) of which in the case of a legal entity more than 50% of the equity share capital is controlled by the Issuer directly or indirectly, or (cc) where the Issuer is in a position to exercise, directly or indirectly, a control over the decisions or actions of such natural person or legal entity or representative thereof, irrespective of whether or not the latter is affiliated to the Issuer, shall not be entitled to vote at such Bondholders' Meeting.

17.8 A resolution shall be validly passed if approved by the following percentages (or more) of votes cast at a duly convened Bondholders' Meeting held in accordance with this Section 17:

each Ordinary Resolution:	51%
each Extraordinary Resolution:	66%

14. Notices

All notices regarding the Bonds and/or the Coupons shall be published by HVB electronically on the website www.swx.com in accordance with the rules and regulations of SWX.

All notices to the Issuer by any Bondholder or Couponholder shall be transmitted through HVB exclusively.

15. Applicable Law and Jurisdiction

The Bonds and Coupons are governed by Swiss law.

Any dispute which might arise between the Bondholders and Couponholders on the one hand and the Issuer on the other hand regarding the Bonds or the Coupons shall fall within the jurisdiction of the ordinary courts of justice of the Canton of Zurich, place of venue being Zurich 2.

Solely for that purpose and for the purpose of the performance and enforcement of its obligations under these Terms of the Bonds, the Bonds and Coupons in Switzerland, the Issuer elects legal and special domicile (including pursuant to Article 50 of the Swiss Federal Act on Debt Enforcement and Bankruptcy) at the offices of HVB and appoints HVB as its agent for service of process. HVB shall forthwith notify the Issuer of any communication received under this Section.

The Bondholders and Couponholders are also at liberty to enforce their rights and to take legal action against the Issuer before the competent courts of the Netherlands, in which case Swiss law shall be applicable with respect to the Bonds or Coupons.

16. Currency Indemnity

If any payment obligation of the Issuer in favor of the Bondholders or Couponholders has to be changed from Swiss francs into a currency other than Swiss francs (to obtain a judgment, execution or for any other reason) the Issuer undertakes, as a separate and independent obligation, to indemnify the Bondholders or Couponholders for any shortfall caused by fluctuation of the exchange rates applied for such conversions.

17. Bondholders' Meeting

17.1 HVB or the Issuer may at any time convene a meeting of the Bondholders (a "Bondholders' Meeting").

In case of any event mentioned in Section 8 above, holders of Bonds who wish that a Bondholders' Meeting should be convened and who represent Bonds in the aggregate principal amount of at least 10% (ten percent) of the aggregate principal amount then outstanding and who are entitled to vote in accordance with Subsections 17.5 and 17.7 below may at any time require HVB to convene a Bondholders' Meeting, which shall convene such a meeting as soon as practicably possible upon receipt of such request.

17.2 A Bondholders' Meeting may consider any matter affecting the interests of the Bondholders (other than matters on which HVB has previously exercised its rights contained in Section 18 below), including any modification of or arrangement in respect of the terms and conditions of the Bonds and Coupons.

17.3 Notice convening a Bondholders' Meeting shall be given at least 20 days prior to the proposed date thereof. Such notice shall be given by way of one announcement in accordance with Section 14 above, at the expense of the Issuer. It shall state generally the nature of the business to be transacted at such meeting. If an Extraordinary Resolution (as defined below) is being proposed, the wording of the proposed resolution or resolutions shall be indicated. The notice shall specify the day, hour and place of the meeting and also the formal requirements referred to in Subsection 17.5 below. The Issuer and the Paying Agents will each make a copy of such notice available for

"Consolidated Equity" means the sum of:

a) the par value of the outstanding capital stock of all classes; plus

b) the amount of the consolidated surplus, whether capital or earned; plus

c) that minority portion of consolidated subsidiaries, if any, which for accounting purposes is consolidatable pursuant to general accepted accounting principles and practices in the relevant jurisdiction.

10. Replacement of Issuer

The Issuer may, without the consent of the Holders, at any time substitute for itself in respect of all rights and obligations arising under or in connection with the Bonds, any non-Swiss issuer of which 90% or more of the shares carrying voting rights are directly or indirectly held by the Issuer (the "New Issuer"), provided that:

a) the New Issuer is in the opinion of HVB in a position to fulfil all payment obligations arising from or in connection with the Bonds and Coupons in freely convertible and transferable legal tender of Switzerland without any need to deduct or withhold any taxes or duties at source and to transfer without restriction all amounts required to be paid under the Bonds and Coupons to HVB and the interests of the holders of Bonds and/or Coupons are adequately protected in the opinion of HVB;

b) the New Issuer has obtained to this effect all necessary authorisations of the country of its domicile or its deemed residence for tax purposes; and

c) the Issuer has issued its irrevocable and unconditional guarantee as per Art. 111 of the Swiss Federal Code of Obligations in respect to the obligations of the New Issuer under the Bonds and Coupons in form and content satisfactory to HVB.

Any substitution shall be published in accordance with Section 14. In the event of such substitution, any reference in the Agreement and Annexes and Terms of the Bonds to the Issuer shall be deemed to refer to the New Issuer and any reference to the Netherlands (as far as made in connection with the Issuer) shall be deemed to refer to the country in which the New Issuer has its domicile or is deemed resident for tax purposes.

11. Replacement of Bonds, Couponssheets and Coupons

If printed, Bonds, Couponssheets or Coupons which are mutilated, lost or destroyed may be replaced at the office of HVB against payment by the holder of the respective Bonds, Couponssheets or Coupons at such costs as may be incurred in connection therewith and on such terms as to evidence and guarantee as the Issuer and HVB may require and, in the case of mutilation, upon surrender of the mutilated Bonds, Couponssheets or Coupons.

12. Listing

Application will be made for the admission and listing of the Bonds on the main segment of SWX.

The Issuer will use reasonable endeavors to have the Bonds listed on SWX and to maintain such listing during the whole life of the Bonds.

13. Prescription

Claims for payment of principal and interest, respectively, cease to be enforceable by legal action in accordance with the applicable Statute of Limitations (presently after 10 years (in the case of principal) and 5 years (in the case of interest) from their relevant due dates).

d) any other indebtedness of the Issuer or any Material Subsidiary (as defined in the Section 9) either (i) becomes due and payable, exceeding Euro 35,000,000 or its counter-value prior to the due date for payment thereof by reason of default by the Issuer or a Material Subsidiary; or (ii) is not repaid at maturity as extended by the period of grace, if any, applicable thereto, or any guarantee or indemnity given by the Issuer or any Material Subsidiary in respect of indebtedness of any person is not honoured when due; or

e) the Issuer or any Material Subsidiary shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts, or shall make general assignment for the benefit of creditors; or

f) the Issuer or any Material Subsidiary shall commence any case, proceeding or other action or any case, proceeding or other action shall be commenced against the Issuer or any Material Subsidiary (which results in the entering of an order for relief against one of them which is not fully stayed within 30 days after the entering thereof or remains undismissed for a period of 30 days) seeking arrangement, adjustment, bankruptcy, dissolution or composition of any one of them or of the debts of any one of them under any law relating to bankruptcy, insolvency or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for any one of them or for all or any substantial part of the property of any one of them; or

g) the Issuer or any Material Subsidiary respectively shall take any corporate action to authorise any of the actions set forth above in paragraphs e) and f).

9. Sale or Transfer of Assets, Reorganisation, Liquidation or Merger

In case of:

a) sale or transfer of all or a substantial part of the assets of the Issuer or of a Material Subsidiary or liquidation or merger of a Material Subsidiary (for this purpose, a part of the assets shall be deemed to be substantial if, when aggregated with all previous disposals after the Payment Date of this Issue taken into account under the subparagraph, the value thereof amounts to 10 per cent, or more of the gross assets of such entity determined by reference to the latest available audited unconsolidated balance sheet of such entity); or

b) reorganization or the Issuer or a Material Subsidiary, unless in the opinion of HVB such reorganization includes adequate protection of the Bondholders; or

c) liquidation or merger of the Issuer, unless (i) the successor company (if any) assumes all obligations of the Issuer; and (ii) the ratio of Consolidated Equity of the successor company to consolidated total assets shall not be less than that before such liquidation or merger,

HVB has the right, but not the obligation, to declare on behalf of the Bondholders, all outstanding Bonds plus accrued interest, to be immediately payable at par 30 days after receipt of a written notice addressed to the Issuer by HVB.

"Subsidiary" means a corporation a majority of the outstanding voting stock of which is owned, directly or indirectly, by the Issuer or by one or more other Subsidiaries.

"Material Subsidiary" means any Subsidiary of the Issuer whose net profits after tax but before extraordinary items or whose net assets (in each case attributable to the shareholders of the Issuer) represent 10 per cent, or more of the consolidated net profits after tax but before extraordinary items or consolidated net assets (in each case attributable to the shareholders of the Issuer) of the Issuer and its Subsidiaries. A report of the auditors of the Issuer that in their opinion a Subsidiary of the Issuer is or is not a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

6.2 Early Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws or regulations prevailing in the Netherlands, which change or amendment becomes effective on or after 15 September 2006, or as a result of any application or official interpretation of such laws or regulations not generally known before that date, Withholding Taxes are or will be liable on payments by the Issuer to the Principal Paying Agent of principal or interest in respect of the Bonds which cannot be avoided and, by reason of the obligation to pay Additional Amounts as provided in paragraph 1 hereof, such Withholding Taxes are to be borne by the Issuer, the Issuer may redeem the Bonds in whole, but not in part, at any time, on giving not less than 60 days notice, at the Final Redemption Value, together with interest accrued to the date fixed for redemption. No such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to withhold or pay Withholding Taxes were a payment in respect of the Bonds or Coupons then made.

Any such notice shall be given by publication in accordance with Section 14. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

7. Status and Negative Pledge Clause

7.1 Status

The Bonds constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and with all other present or future unsecured and unsubordinated obligations of the Issuer, save for those preferred by mandatory provisions of law.

7.2 Negative Pledge Clause

So long as any of the Bonds remain outstanding, the Issuer undertakes not to secure any of its other indebtedness, whether present or future, which is both (a) represented by bonds, notes or other securities which have an initial life exceeding two years and which are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market and (b) not Domestic Indebtedness.

In this Condition 7.2, "Domestic Indebtedness" means the indebtedness as referred to under (a) above of the Issuer which is denominated or payable (at the option of any party) in euro unless 50 per cent. or more thereof in aggregate principal amount is initially offered or sold outside the Netherlands.

8. Events of Default

HVB has the right but not the obligation, on behalf of the Bondholders, to declare all the outstanding Bonds, plus accrued interest to the date of such payment, to be immediately repayable at their par value in case of:

a) non-payment of the principal of any of the Bonds as and when the same shall become due and payable and such default continues for a period of 30 days; or

b) non-payment of interest on or additional amounts payable under Section 6 on any of the Bonds as and when the same become due and payable and such default continues for a period of 30 days; or

c) failure on the part of the Issuer duly to observe or perform any other covenants or obligations under the Agreement or the Terms for a period of 15 days after the date on which written notice by HVB of such failure, requiring the Issuer to remedy the same, shall have been sent to the Issuer; or

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If printed, definitive Bonds must be presented and surrendered for payment at one of the above offices with all unmatured Coupons attached, if any. The total value of missing Coupons shall be deducted from the principal amount of the Bonds payable, but such Coupons shall be paid on presentation until such time as they become time-barred by virtue of the Statute of Limitations in accordance with Swiss law.

If, at any time during the life of the Bonds, HVB shall resign or become incapable of acting as Principal Paying Agent or shall be adjudged bankrupt or insolvent, HVB may be substituted as Principal Paying Agent by a duly licensed major Swiss bank or Swiss branch of a major foreign bank chosen by the Issuer. In the event of any replacement of HVB as Principal Paying Agent, all references to HVB shall be deemed to refer to such replacement. Notice of appointment of any substitute Principal Paying Agent shall be published in accordance with Section 14 of the Terms of the Bonds.

If the due date of any amount of principal or interest of any Bond or Coupon to be physically surrendered or presented for payment is not a Business Day (as defined in Section 2) in the place where the relevant Bond or Coupon, as the case may be, is physically surrendered or presented then the holder of such Bond or Coupon who physically surrenders or presents the Bond or Coupon on the next following Business Day in such place will not be entitled to any further interest or other payment in respect of any such delay.

6. Taxation

6.1 Payment of Additional Amounts

All payments of principal and interest on the Bonds by the Issuer to the Principal Paying Agent will be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf ot the Netherlands or by or on behalf of any political subdivision or authority therein having power to tax (hereinafter together called ("Withholding Taxes"), unless such deduction or withholding is required by law.

In the event that any Withholding Taxes on any such payments to the Principal Paying Agent must be withheld at source by the Issuer, the Issuer shall pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable in respect of the relevant Bonds and/or Coupons in the absence of such deduction or withholding. No such Additional Amounts shall, however, be payable on account of any taxes, duties or governmental charges which:

a) are payable otherwise than by deduction or withholding from payments of principal or interest under these Terms of the Bonds; or

b) are payable by reason of the Bondholder having, or having had, some personal or business connection with the Netherlands and not merely by reason of the holding of the Bond or Coupon; or

c) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with Section 14, whichever occurs later; or

d) no such additional amounts are payable where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to the Council Directive on taxation of savings income in the form of interest payments or the equivalent measures that Switzerland and/or Liechtenstein have agreed upon their negotiations with the EU Council because of this Directive or any law implementing or complying with, or introduced in order to conform to that Directive.

3. Redemption, Repurchase and Cancellation

3.1 Final Repayment

Unless previously redeemed (as per Subsection 3.2) the Issuer shall repay all outstanding Bonds at 100% of their principal amount (hereinafter called "Final Redemption Value") without further notice on 15 September 2026 (the "Maturity Date").

3.2 Redemption for Tax Reasons

The Bonds may be redeemed for tax reasons prior to the Maturity Date as provided in Section 6 hereof.

3.3 Purchase and Cancellation

The Issuer and any of its subsidiaries may at any time purchase Bonds, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including (without limitation) applicable stock exchange regulations. The Bonds so purchased, while held by or on behalf of the Issuer or any of its subsidiaries, shall not entitle their Holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders pursuant to Section 17.

Any Bonds purchased by the Issuer or any of its subsidiaries may be held, resold or surrendered to HVB for cancellation.

4. Transfer of Funds by the Issuer

The amounts required for the servicing of the Bonds or Coupons will be made available in good time for each due date in Swiss francs which will be placed at the free disposal of HVB, as Principal Paying Agent, on behalf of the Bondholders and/or Couponholders.

The Issuer shall pay without costs for the Bondholders and Couponholders, under all circumstances and notwithstanding any future transfer restrictions, irrespective of nationality or domicile of the Bondholders or Couponholders and without requiring any affidavit or the fulfillment of any other formality, except as required by law, any sums due pursuant to the Terms of the Bonds in freely disposable Swiss francs, outside of any bilateral or multilateral payment or clearing agreement which may exist on the due dates between the Netherlands and Switzerland, to HVB which shall act for this purpose as representative of the Bondholders and Couponholders.

The receipt by HVB of the funds from the Issuer shall release the Issuer from its obligations under the Bonds and Coupons for the payment of interest and principal plus premium, if any, to the extent of receipt of such payment. Upon receipt of the funds and under the same conditions as received, HVB will arrange payment to the Bondholders and Couponholders.

5. Payments of Funds to the Bondholders and Couponholders

Interest and principal will be paid against surrender of the Bonds and Coupons, as the case may be, in the lawful money of the Confederation of Switzerland without any charges at all offices in Switzerland of any of the following banks (the "Paying Agents"):

Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, Zurich Branch

Zürcher Kantonalbank
Bank Sarasin & Co. Ltd.
Bank Coop AG
ABN AMRO Bank N.V., Amsterdam, Zurich Branch
Bank Vontobel Ltd.
Lombard Odier Darier Hentsch & Cie

TERMS OF THE BONDS

The Terms of the CHF 200,000,000 3.125% Bonds 2006–2026 issued by Coöperatieve Centrale Raiffeisen – Boerenleenbank B.A. (Rabobank Nederland) (the "Issuer") are as follows:

1. Denomination, Form and Reopening

The Bonds are issued in denominations of CHF 5,000 and multiples thereof. The Bonds entitle the holder thereof to payment of interest and repayment of the Bonds. For the purpose of the interest the Bonds are furnished with annual interest coupons (hereinafter called the "Coupons").

The Bonds and all rights connected therewith are in bearer form and are represented by a Permanent Global Certificate (the "Global Permanent Certificate"). Each Holder retains a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Certificate to the extent of his claim against the Issuer. The Permanent Global Certificate will be deposited by Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, Zurich Branch ("HVB") with SIS SEGAINTERSETTLE AG, in Olten, Switzerland ("SIS") or any other securities clearing system (the "Depositories"), approved by the SWX Swiss Exchange ("SWX") until final redemption or printing of the Bonds.

Holders do not have the right to demand the printing of definitive Bonds and Coupons. If HVB deems the printing of definitive Bonds to be necessary or if, under Swiss or foreign law, the enforcement of obligations of the Issuer can only be ensured by means of definitive Coupons, e.g., in the case of bankruptcy, relief of debtors or reorganization of the Issuer, HVB shall provide, without any costs to Bondholders, for the printing and delivery of definitive Bonds and Coupons.

The Issuer reserves the right to reopen this issue without the consent of the Bondholders by the issue of additional Bonds which will be fungible with the Bonds (i.e., identical especially in respect of the Terms of the Bonds, security number, final maturity and interest rate). The term "Bonds" shall, in the case of such issue, also comprise such additionally issued Bonds.

2. Interest

The Bonds bear interest from 15 September 2006 to 15 September 2026 at the rate of 3.125% per annum, payable annually in arrears on 15 September of each year (the "Interest Payment Date"). For this purpose, each Bond is furnished with annual Coupons, the first of which will become due and payable on 15 September 2007.

Interest is computed on the basis of twelve 30-day months of a 360-day year.

Bonds repaid (as per Subsection 3.1) or redeemed (as per Subsection 3.2) shall cease to carry interest from the beginning of the day on which they become due for redemption or repayment.

If an Interest Payment Date (other than the Maturity Date as defined in Section 3 below) would otherwise be a day that is not a Business Day (as defined below), such Interest Payment Date will be the next succeeding day that is a Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal and interest will be made on the next succeeding Business Day, and no interest shall accrue for the period from and after such Maturity Date.

"Business Day" means any day (1) on which SIS is open for business, and (2) on which commercial banks are open for domestic business and foreign exchange (including dealings in Swiss francs) during the entire day in Zurich, Switzerland.

GENERAL INFORMATION

Authorization

Pursuant to a resolution of the appropriate internal body of Rabobank Nederland of 7 August 2006 and a Bond Purchase and Paying Agency Agreement dated 8 September 2006 among the Issuer and Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Zurich Branch and Zürcher Kantonalbank as well as the other Syndicate Banks listed on the front page hereof, the Issuer has decided to issue the 3.125% Bonds 2006–2026, due on 15 September 2026 of CHF 200,000,000.

Net Proceeds

The net proceeds of the issue of the Bonds, being the amount of CHF 199,335,000 will be used by the Issuer for general corporate purposes. None of the Syndicate Banks shall have any responsibility for or be obliged to concern itself with the application of the net proceeds of the Bonds.

Litigation

Except as disclosed herein and in the Prospectus of the Issuer dated 9 June 2006 relating to another recent issue, the Issuer is not involved in any court, arbitration, governmental or administrative proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the past 12 months a significant effect on the financial position of the Issuer.

No Material Adverse Change

Save as disclosed herein and in the Prospectus of the Issuer dated 9 June 2006 relating to another recent issue, there has been no material adverse change, nor any event involving a prospective material adverse change, in the assets and liabilities, financial position or prospects of the Issuer since December 31, 2005.

Representation

In accordance with Article 50 of the Listing Rules of the SWX Swiss Exchange Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, Zurich Branch has been appointed by the Issuer as representative to lodge the listing application with the Admission Board of the SWX Swiss Exchange.

Admission to Repo Business

Based on the judgement of the Swiss National Bank (SNB) the Bonds of the Issuer have been admitted to the SNB Basket for the repo business. This Issue complies with all criteria according to the information leaflet "The SNB basket".

Rabobank acquires two banks in Indonesia

On 13 July 2006, the Rabobank Group signed an agreement to acquire ownership of the holding companies that own two Indonesian banks, Bank Haga and Bank Hagakita, from individual sharehholders. Both banks focus primarily on serving owners of small and medium-sized businesses in the trading, manufacturing and business services sectors. The two banks have a combined total of 1,537 employees and a network of 78 branches, sub-branches and cash offices located in Java, Bali and southern Sumatra. The two banks had total assets of Rp. [3.97] trillion as of 31 December 2005. Rabobank Group's tier 1-ratio will decrease approximately 0.03 per cent as a result of this takeover.

Outlook 2006

The recovery of the Dutch economy, which commenced in the second half of 2005, is expected to continue and gather momentum in 2006.

The domestic banking operations could benefit from the economic growth, precisely because the sectors with a more domestic focus are now also contributing to the upturn. It is anticipated, however, that the fierce competition between banks in key market segments such as small and medium-sized enterprises and the market for mortgage loans, added to the continued low interest rate, will cause interest margins to remain under pressure in 2006.

Worldwide, Rabobank expects a favourable economic trend for 2006. These conditions will present good opportunities for Rabobank Group to expand its international operations, particularly in leasing, wholesale and international retail operations. By means of organic growth and selective (minor) acquisitions, Rabobank will further expand its operations abroad.

INFORMATION ON THE ISSUER

For information on the Issuer reference is made to the detailed prospectus in English dated 9 June 2006 prepared in connection with the issuance of CHF 500,000,000 2.875% Bonds 2006–2014 of the same Issuer (Swiss Security No. SIS 2554918). Copies of such prospectus are available at Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, Zurich Branch, P.O. Box, CH-8027 Zurich, or can be ordered by telephone (number +41 44 288 76 13), by fax (number +41 44 288 71 05) or by e-mail kap@hvbeurope.com.

This present Prospectus, jointly with the above mentioned prospectus dated 9 June 2006, is solely relevant for the admission of the Bonds of this issue to trading and listing on the SWX Swiss Exchange.

Since the publication of the above mentioned prospectus dated 9 June 2006 there has been no significant adverse change in the financial or trading position nor any material adverse change in the financial position or prospects of the Issuer.

Recent Developments

Acquisition of Central Coast Bancorp in California completed

With the completion in January 2006 of the acquisition of the NASDAQ-quoted holding company Central Coast Bancorp in California, which was announced in 2005, Rabobank became the owner of the banking subsidiary Community Bank of Central California ("CBCC"). CBCC operates an extensive branch network in California which has merged into Rabobank's existing operations.

Successful placing of Member Certificates

Member Certificates III in the amount of € 2.0 billion were placed with members in 2005. As with previous issues, the new certificates were in great demand and the issue was oversubscribed.

De Lage Landen acquires Athlon Car Lease

Following the acceptance of the outstanding shares offered during the acceptance period and the post-acceptance period and including the outstanding shares acquired via Euronext Amsterdam and the acquired cumulative preference shares, De Lage Landen International B.V. held 99.6% of Athlon's total issued and outstanding share capital on 21 July 2006. The total investment amounts to € 578 million. The combination of car leasing companies Athlon Car Lease and De Lage Landen Translease (the car leasing subsidiary of De Lage Landen) will result in a position as one of the market leaders in the Netherlands.

Sekerbank

In July 2005 Rabobank signed an agreement to acquire a 36.5% interest in Sekerbank which is active in the Turkish agricultural sector, and also offers financial services to private individuals and small and medium sized enterprises. After acquiring this interest Rabobank would be obliged to conduct a tender offer which should have increased the interest of Rabobank to at least 51%. On the instigation of the 36.5% shareholder of Sekerbank the court in Istanbul ruled in February 2006 that the price of the shares as agreed between Rabobank and Sekerbank had to be increased by 72% (from € 82 million to € 141 million). Rabobank filed an appeal against the ruling of the court.

Rabobank intends to acquire Bouwfonds

Rabobank announced on 31 July 2006 that it intends to acquire Bouwfonds' real estate development and asset management activities from ABN AMRO. The real estate financing activities (BPF) will, with the exception of Rijnlandse Bank, not be acquired. The acquisition will require an investment of EUR 845 million. Rabobank will leverage this acquisition to further crystallise its strategy aimed at achieving a stronger position in the field of real estate in the Netherlands. The group will operate under the name Rabo Bouwfonds.

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D) European Economic Area[1]

The Syndciate Banks have represented and agreed that they have not offered and will not offer any Bonds to persons in any Member State of the European Economic Area, except that it may offer Bonds in any Member State:

a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or

b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 all as shown in its last annual or consolidated accounts; or

c) in any circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "offer" in relation to any Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

E) General

The Bonds are only to be offered or sold by the Syndicate Banks and any offering material or other communication relating to the distribution of the Bonds is only to be distributed as far as such offer or sale or such distribution is consistent with the applicable law of any territory, jurisdiction and, without limitation, the selling restrictions set out above.

[1] In each EEA member state additional local selling restrictions might apply which must be complied with. No registration of securities offered nor a publication of a prospectus outside of Switzerland is intended.

(4) with respect to each affiliate that acquires from the Syndicate Banks Bonds for the purpose of offering or selling Bonds during the Restricted Period, the Syndicate Banks repeat and confirm the representations and agreements contained in clauses (1), (2) and (3) on its behalf.

Terms used in this paragraph 3 have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

The "Restricted Period" means that period expiring on 25 October 2006, except that any offer or sale of Bonds by the Syndicate Banks shall be deemed to be during the Restricted Period if the Syndicate Banks hold Bonds as part of an unsold allotment.

B) United Kingdom

Each of the Syndicate Banks represents, warrants and agrees that:

(a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and it 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 FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company.

C) Italy

The offering of the Bonds has not been cleared by CONSOB (the Italian Securities Exchange Commission) or the Bank of Italy pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

(a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended; or

(b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the Financial Services Act) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Bonds or distribution of copies of the Offering Circular or any other document relating to the Bonds in the Republic of Italy under paragraph (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September 1993 (the Banking Act); and

(ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, inter alia, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and

(iii) in compliance with any other applicable laws and regulations.

17 Property and equipment

In millions of euros	Land and buildings	Equipment	Total
Year ended 31 December 2005			
Net opening carrying amount	2,079	1,234	3,313
Foreign exchange differences	8	7	15
Purchases	104	246	350
Acquisition of subsidiaries	34	23	57
Disposals	(48)	(16)	(64)
Disposal of subsidiaries	(201)	(51)	(252)
Depreciation	(104)	(190)	(294)
Other	8	(18)	(10)
Net closing carrying amount	1,880	1,235	3,115
Cost	3,123	2,348	5,471
Accumulated depreciation	(1,243)	(1,113)	(2,356)
Net carrying amount	1,880	1,235	3,115

In millions of euros	Land and buildings	Equipment	Total
Year ended 31 December 2004			
Net opening carrying amount	2,099	1,198	3,297
Foreign exchange differences	(4)	(7)	(11)
Additions	38	447	485
Acquisition of subsidiaries	30	6	36
Disposals	(63)	(109)	(172)
Disposal of subsidiaries	(19)	(1)	(20)
Depreciation	(104)	(213)	(317)
Other	102	(87)	15
Net closing carrying amount	2,079	1,234	3,313
Cost	3,269	2,724	5,993
Accumulated depreciation	(1,190)	(1,490)	(2,680)
Net carrying amount	2,079	1,234	3,313

16 Goodwill and other intangible assets

In millions of euros	Goodwill	Software developed in-house	Insurance portfolio	Total
Year ended 31 December 2005				
Net opening carrying amount	112	76	16	204
Foreign exchange differences	(3)	-	-	(3)
Additions	42	85	3	130
Acquisition/disposal of subsidiaries	3	(37)	-	(34)
Other	-	7	-	7
Amortisation	-	(47)	(5)	(52)
Net closing carrying amount	154	84	14	252
Cost	154	213	45	412
Accumulated amortisation	-	(129)	(31)	(160)
Net carrying amount	154	84	14	252

In millions of euros	Goodwill	Software developed in-house	Insurance portfolio	Total
Year ended 31 December 2004				
Net opening carrying amount	-	32	14	46
Additions	96	67	9	172
Disposals	-	(2)	-	(2)
Acquisition/disposal of subsidiaries	(14)	1	-	(13)
Other	30	(4)	-	26
Amortisation	-	(18)	(7)	(25)
Net closing carrying amount	112	76	16	204
Cost	112	148	42	302
Accumulated amortisation	-	(72)	(26)	(98)
Net carrying amount	112	76	16	204

Rabobank makes limited use of fully amortised software and other intangible assets.

14 Held-to-maturity financial assets

	2005			2004		
In millions of euros	**Listed**	**Unlisted**	**Total**	Listed	Unlisted	Total
Government bonds	1,580	-	1,580	1,870	-	1,870
Other debt instruments	*328*	-	*328*	*337*	-	*337*
Total held-to-maturity financial assets	1,908	-	1,908	2,207	-	2,207

The changes in held-to-maturity financial assets can be broken down as follows:

In millions of euros	2005	2004
Opening balance	2,207	2,309
Additions	241	611
Disposals (sale and redemption)	(527)	(684)
Value adjustments	(13)	(29)
Closing balance	1,908	2,207

15 Investments in associates

In millions of euros	2005	2004
Opening balance	714	327
Purchases	2,376	256
Sales	(2)	(4)
Share of profit of associates before taxation	29	(1)
Share of income tax of associates	-	(15)
Dividends paid	(8)	(1)
Foreign exchange differences	1	(2)
Other	(139)	154
Total	2,971	714

At 31 October 2005, Rabobank acquired a 32% interest in Eureko in exchange for its interest in Interpolis.

13 Available-for-sale financial assets

	2005			2004		
In millions of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Loans granted	-	2,240	2,240	-	2,619	2,619
Short-term government securities	713	55	768	734	(18)	716
Government bonds	20,714	3,943	24,657	17,498	2,767	20,265
Other debt instruments	8,188	7,611	15,799	11,749	5,856	17,605
Equity instruments	155	7,038	7,193	1,351	4,122	5,473
Other available-for-sale financial assets	407	157	564	350	1,292	1,642
Total available-for-sale financial assets	30,177	21,044	51,221	31,682	16,638	48,320

Gains and losses on available-for-sale financial assets:

In millions of euros	2005	2004
Derecognised available-for-sale financial assets	38	27

The changes in available-for-sale financial assets can be broken down as follows:

In millions of euros	2005	2004
Opening balance	48,320	45,109
Translation differences on monetary assets	2,225	(1,011)
Additions	16,243	19,046
Disposals (sale and redemption)	(15,219)	(13,818)
Gains/(losses) from changes in fair value	88	536
Value adjustments	(120)	(1,309)
Other changes	(316)	(233)
Closing balance	51,221	48,320

Finance leases

Loans to customers also includes receivables from finance leases, which can be broken down as follows:

In millions of euros	2005	2004
Receivables from gross investment in finance leases:		
Shorter than 1 year	5,852	5,034
Longer than one year but not longer than five years	9,494	8,017
Longer than 5 years	394	305
Total receivables from gross investment in finance leases	15,740	13,356
Unearned deferred finance income from finance leases	1,450	1,353
Net investment in finance leases	14,290	12,003

In millions of euros	2005	2004
Net investment in finance leases can be broken down as follows:		
Shorter than 1 year	5,317	4,541
Longer than one year but not longer than five years	8,610	7,190
Longer than 5 years	363	272
Net investment in finance leases	14,290	12,003

The provision for finance leases included in value adjustments amounted to 189 at 31 December 2005 (141).

12 Loans to customers

	At 31 december	
In millions of euros	2005	2004
Loans initiated by Rabobank:		
Loans to government clients		
Leasing	7	8
Payables relating to securities transactions	1,459	2,564
Other	1,046	1,608
Loans to private clients:		
Overdrafts	9,280	9,299
Mortgages	200,701	183,207
Leasing	14,472	12,136
Payables relating to securities transactions	22,025	18,570
Other	57,818	48,571
Gross loans to customers	306,808	275,963
Less: changes in loans to customers	(2,357)	(2,017)
Total loans to customers	304,451	273,946

In millions of euros	2005	2004
Value adjustments in loans to customers		
Value adjustments in loans to customers can be broken down as follows:		
At 1 January	2,017	1,919
Additional value adjustment for credit losses	826	801
Reversal of value adjustment for credit losses	(251)	(319)
Defaulting loans written off during the year	(364)	(399)
Other changes	129	15
Total value adjustments in loans to customers	2,357	2,017

In millions of euros	Contract/ Notional amount	Fair value Assets	Fair value Liabilities
Equity instruments/index derivative financial instruments			
Unlisted tradeable contracts (OTC)			
Options	25	415	1,358
	25	415	1,358
Listed tradeable contracts			
Options	-	832	-
Total equity instruments/index derivative financial instruments	25	1,247	1,358
Other derivative financial instruments	-	187	-
Total derivative financial assets/liabilities held for trading	2,149,420	31,201	34,639
Derivative financial instruments held as hedges			
Derivative financial instruments classified as fair value hedges			
Currency options	392	-	-
Currency swaps	199	199	254
Interest rate swaps	13,617	564	3,741
Cross-currency interest rate swaps	18,156	64	509
Total derivative financial instruments classified as fair value hedges	32,364	827	4,504
Derivative financial instruments classified as cash flow hedges			
Interest rate swaps	50	7	28
Total derivative financial instruments classified as cash flow hedges	50	7	28
Total derivative financial assets/liabilities classified as hedges	32,414	834	4,532
Total derivative financial assets/liabilities recognised	2,181,834	32,035	39,171

In millions of euros	Contract/ Notional amount	Fair value	
		Assets	Liabilities
At 31 December 2004			
Derivative financial instruments held for trading			
Currency derivative financial instruments			
Unlisted tradeable contracts (OTC)			
Forward currency contracts	173,950	7,087	8,457
Currency swaps	3,665	6,056	7,604
OTC currency options	5,989	(444)	(278)
Listed tradeable contracts			
Currency futures	284	6	1
Options	-	1	1
Total currency derivative financial instruments	183,888	12,706	15,785
Interest rate derivative financial instruments			
Unlisted tradeable contracts (OTC)			
Interest rate swaps	1,267,761	13,403	14,530
Cross-currency interest rate swaps	56,959	2,011	2,060
Forward rate agreements	231,316	87	109
OTC interest rate options	93,774	790	385
Total OTC contracts	1,649,810	16,291	17,084
Listed tradeable contracts			
Interest rate futures	275,825	9	6
Interest rate options	2,708	-	-
Total interest rate derivative financial instruments	1,928,343	16,300	17,090
Credit derivative contracts			
Credit default swaps	18,166	544	270
Total return swaps	18,984	217	135
Total credit derivative financial instruments	37,150	761	405
Precious metals contracts			
Unlisted tradeable contracts (OTC)			
Forward contracts	14	-	1
Total precious metals contracts	14	-	1

In millions of euros	Contract/ Notional amount	Fair value	
		Assets	Liabilities
Equity instruments/index derivative financial instruments			
Unlisted tradeable contracts (OTC)			
Options	6,383	71	1,704
Listed tradeable contracts			
Futures	168	-	-
Options	2,927	1,656	-
Total equity instruments/index derivative financial instruments	9,478	1,727	1,704
Other derivative financial instruments	43	85	-
Total derivative financial assets/liabilities held for trading	2,029,668	23,588	23,771
Derivative financial instruments classified as fair value hedges			
Forward currency contracts	51	-	-
Currency swaps	1,129	-	7
Interest rate options	5,536	-	-
Interest rate swaps	29,762	448	3,951
Cross-currency interest rate swaps	7,246	98	352
Total derivative financial instruments classified as fair value hedges	43,724	546	4,310
Derivative financial instruments classified as cash flow hedges			
Interest rate swaps	36	1	-
Total derivative financial assets/liabilities classified as hedges	43,760	547	4,310
Total derivative financial assets/liabilities recognised	2,073,428	24,135	28,081

In millions of euros	Contract/ Notional amount	Fair value Assets	Fair value Liabilities
At 31 December 2005			
Derivative financial instruments held for trading			
Currency derivative financial instruments			
Unlisted tradeable contracts (OTC)			
Forward currency contracts	219,249	2,497	2,493
Currency swaps	4,326	362	424
OTC currency options	6,871	6	7
Listed tradeable contracts			
Options	51	-	7
Total currency derivative financial instruments	230,497	2,865	2,931
Interest rate derivative financial instruments			
Unlisted tradeable contracts (OTC)			
Interest rate swaps	1,128,741	14,582	15,500
Cross-currency interest rate swaps	63,340	2,040	1,383
Forward rate agreements	209,925	45	55
OTC interest rate options	120,935	1,688	1,738
Total OTC contracts	1,522,941	18,355	18,676
Listed tradeable contracts			
Interest rate swaps	226,942	7	13
Total interest rate derivative financial instruments	1,749,883	18,362	18,689
Credit derivative contracts			
Credit default swaps	25,452	398	321
Total return swaps	14,311	151	126
Total credit derivative financial instruments	39,763	549	447
Precious metals contracts			
Unlisted tradeable contracts (OTC)			
Forward contracts	4	-	-
Total precious metals contracts	4	-	-

A positive fair value represents the cost for Rabobank to replace all contracts on which it will be entitled to receive payment. Replacement would apply in the event of all counterparties remaining in default. This is the standard method in the industry for calculating the current credit risk exposure. A negative fair value represents the cost for Rabobank to replace all contracts on which it will have to make payment. Replacement would apply in the event of Rabobank remaining in default. The total of positive fair values and the total of negative fair values are disclosed separately in the balance sheet. Derivative financial instruments are favourable (if passive) or not favourable (if not passive) as a result of swings in market or exchange rates in relation to their contract values. The total contract or notional amount of derivative financial instruments held, the degree to which these instruments are favourable or not favourable, and hence the total fair value of the derivative financial assets and liabilities can sometimes fluctuate significantly.

The table below shows the notional amounts and the positive and negative fair values of Rabobank's derivative contracts (including those relating to closed derivative positions).

Derivative financial instruments held as hedges
Rabobank concludes various derivative contracts that are intended as fair value, cash flow or net investment hedges, and which accordingly qualify as such. Rabobank also concludes derivative contracts as hedges against economic risks. It does not apply hedge accounting to these contracts.

Fair value hedges
Most of Rabobank's fair value hedges are interest rate and cross currency swaps that provide protection against a potential decrease in the fair value of fixed-interest financial assets or a potential increase in the fair value of clients' time deposits in local as well as foreign currencies. The net fair value of these swaps at 31 December 2005 was 3,757 (3,622).
Rabobank hedges part of its currency risk exposure relating to available-for-sale shares with fair value hedges in the form of currency futures contracts. The net fair value of these forward currency contracts at 31 December 2005 was 7 (-54).

For the year ended 31 December 2005, Rabobank recognised a loss of 26 (21) on the portion of the fair value hedges classified as ineffective.

Cash flow hedges
Rabobank makes almost no use of cash flow hedges.

Net investment hedges
Rabobank uses forward currency contracts to hedge part of the translation risk on net investments in foreign entities.

At 31 December 2005, forward contracts with a total notional amount of 2,922 (2,371) were classified as net investment hedges. These contracts produced losses totalling 169 (gains totalling 65), which were recognised in equity. No deductions from equity were made during the year (-).

11.3 Notional amount and fair value
Although the notional amount of certain types of financial instruments provides a basis for comparing instruments that are included on the balance sheet, it does not necessarily represent the related future cash flows or the fair values of the instruments. Hence, it does not represent the exposure of Rabobank to credit or exchange risks. The notional amount is the value of the underlying asset or reference rate or index of a derivative financial instrument and forms the basis for measuring changes in the value of such instruments. It provides an indication of the volume of transactions executed by Rabobank; it is not a measure of risk exposure, however. Some derivative financial instruments are standardised in terms of notional amount or settlement date, having been designed for trading on active markets (i.e. on stock exchanges). Others are specifically constructed for individual clients and not for trading on an exchange, even though they can be traded at prices negotiated by buyers and sellers (OTC instruments).

11 Derivative financial instruments and other trade liabilities

11.1 Types of derivative financial instruments used by Rabobank

Forward currency and interest rate contracts are contractual obligations to receive or pay a net amount based on movements in exchange or interest rates, or to purchase or sell foreign currency or a financial instrument on a future date at a fixed specified price in an organised financial market. As collateral for forward contacts is provided in the form of cash, cash equivalents or marketable securities, and movements in the value of forward contracts are settled daily, the credit risk is negligible. **Forward rate agreements** are individually agreed forward interest rate contracts under which the difference between a contractually agreed interest rate and the market rate on a future date has to be settled in cash, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps entail an economic exchange of currencies or interest rates (such as a fixed rate for one or more variable rates, or a combination i.e., a cross-currency swap). Except for certain currency swaps, there is no transfer of the principal amount. The credit risk exposure of Rabobank represents the potential cost of replacing the swaps if the counterparties default. The risk is monitored continuously against current fair value, a portion of the notional amount of the contracts and the liquidity of the markets. As part of the credit risk management process, Rabobank employs the same methods for evaluating counterparties as it does for lending activities.

Currency and interest rate options are contracts under which the seller (known as the writer) gives the buyer (known as the holder) the right, entailing no obligation, to purchase (in the case of a call option) or sell (in the case of a put option) a specific amount of foreign currency or a specific financial instrument on or before an agreed date or during an agreed period at a price set in advance. As consideration for accepting the currency or interest rate risk, the writer receives a payment (known as a premium) from the holder. Options are traded on exchanges or between Rabobank and clients (OTC). Rabobank is exposed to credit risks only as option holder and only up to the carrying amount, which is equal to the fair value in this case.

Credit default swaps (CDSs) are instruments by means of which the seller of a CDS agrees to pay the buyer an amount equal to the loss that would be incurred by holding an underlying reference asset if a specific credit event were to occur (i.e. the materialisation of a risk). The buyer is under no obligation to hold the underlying reference asset. The buyer pays the seller a credit protection fee expressed in basis points, with the size of the fee depending on the credit spread of the reference asset.

11.2 Derivative financial instruments issued or held for trading

Rabobank trades in financial instruments to take positions in tradeable or OTC instruments, including derivative financial instruments, so that it can profit from short-term movements on share and bond markets and in exchange and interest rates. For this type of trading, Rabobank sets risk limits relating to market positions at the end of the day (overnight trades) as well as during the day (intraday trades). Apart from specific hedging rules, the currency and interest rate risks associated with these derivative financial instruments are usually offset by taking counter positions in order to manage the volatility in the net cash or cash equivalent amounts needed to liquidate the market positions.

9 Trading financial assets

	2005			2004		
In millions of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Purchased loans	-	2,255	2,255	-	2,124	2,124
Short-term government securities	275	-	275	1,140	-	1,140
Government bonds	10,436	262	10,698	17,276	702	17,978
Other debt securities	15,828	793	16,621	2,409	148	2,557
Venture capital	3	1	4	-	5	5
Equity instruments	2,349	2,342	4,691	7,451	48	7,499
Other financial assets	4,208	259	4,467	20	1,323	1,343
Total	33,099	5,912	39,011	28,296	4,350	32,646

10 Other financial assets at fair value through profit and loss

	2005			2004		
In millions of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Short-term government securities	-	41	41	-	-	-
Government bonds	794	299	1,093	2,218	-	2,218
Other debt securities	11,021	173	11,194	26,630	-	26,630
Venture capital	4	221	225	-	-	-
Equity instruments	2,236	-	2,236	3,438	5	3,443
Other trading financial assets	75	7	82	81	126	207
Total	14,130	741	14,871	32,367	131	32,498

7 Cash and cash equivalents

In millions of euros	2005	2004
Cash	675	689
Money market loans	67	13
Deposits at central banks other than mandatory reserve deposits	1,723	6,160
Cash and cash equivalents	2,465	6,862
Mandatory reserve deposits at central banks	458	407
Total cash and cash equivalents	2,923	7,269

Mandatory reserve deposits consist of deposits with De Nederlandsche Bank (the Dutch central bank) required under its minimum reserve policy. These deposits are not available to Rabobank for use in its daily business activities.

8 Due from other banks

In millions of euros	2005	2004
Deposits with other banks	13,387	12,001
Assets transferred under repurchase transactions	36,759	26,134
Loans	2,983	2,977
Less: value adjustments	(64)	(62)
Total due from other banks	53,065	41,050
Breakdown of value adjustments		
At 1 January	62	47
Additional value adjustment to due from other banks	6	15
Reversal of value adjustment to due from other banks	(5)	-
Value adjustments	1	15
Amounts written off during the year	-	(3)
Other changes	1	3
At 31 December	64	62

In millions of euros	Business unit assets	Business unit liabilities	Income from external clients	Additions to property, equipment and intangible assets	Contingent liabilities and obligations
At 31 December 2004					
The Netherlands	309,969	303,724	8,785	311	44,285
Other countries in Euro zone	24,092	9,764	907	(15)	4,326
Rest of Europe (excl. Euro zone)	77,272	65,375	723	9	6,333
North America	56,133	72,615	407	69	9,599
Latin America	4,612	2,081	232	5	367
Asia	7,869	13,861	(32)	2	1,524
Australia and New Zealand	26,268	12,795	229	5	2,464
Other and consolidation effects	19	(330)	(1,888)	21	-
Total	506,234	479,885	9,363	407	68,898

In millions of euros	Business unit assets	Business unit liabilities	Income from external clients	Additions to property, equipment and intangible assets	Contingent liabilities and obligations
At 31 December 2004					
The Netherlands	310,098	302,856	9,144	479	38,573
Other countries in Euro zone	8,375	3,343	335	76	1,592
Rest of Europe (excl. Euro zone)	94,286	82,752	678	(2)	6,281
North America	26,072	36,678	867	(6)	12,834
Latin America	3,335	1,463	188	1	382
Asia	22,083	17,636	7	-	1,211
Australia and New Zealand	13,864	12,688	174	3	1,994
Other and consolidation effects	5,461	3,154	(2,171)	(30)	-
Total	483,574	460,570	9,222	521	62,867

In millions of euros	Domestic retail banking	Wholesale and international retail banking	Asset Management and investments	Leasing	Real Estate	Other *	Total
For the year ended 31 December 2004							
External income	7,557	1,315	731	993	241	(1,615)	9,222
Income from other segments	(2,384)	946	(78)	(352)	(115)	1,983	-
Total income	5,173	2,261	653	641	126	368	9,222
Segment expense	4,001	1,476	467	449	32	231	6,656
Operating profit before tax	1,172	785	186	192	94	137	2,566
Income tax expense	415	230	48	38	30	12	773
Net profit for the year	757	555	138	154	64	125	1,793
Business unit assets	201,458	333,802	13,220	17,489	8,041	(91,150)	482,860
Investments in associates	17	194	128	-	14	361	714
Total assets	201,475	333,996	13,348	17,489	8,055	(90,789)	483,574
Business unit liabilities	188,037	326,001	12,776	16,211	7,514	(89,969)	460,570
Total liabilities	188,037	326,001	12,776	16,211	7,514	(89,969)	460,570
Additions to property and equipment	136	24	15	273	2	71	521
Depreciation and amortisation including amortisation of software	172	42	17	11	1	78	321
Value adjustments	247	119	1	86	-	26	479

* Including elimination between segments.

In millions of euros	Domestic retail banking	Wholesale and inter-national retail banking	Asset Management and investments	Leasing	Real Estate	Other *	Total
For the year ended 31 December 2005							
External income	7,719	1,399	784	1,073	302	(1,914)	9,363
Income from other segments	(2,288)	827	(66)	(354)	(152)	2,033	-
Total income	5,431	2,226	718	719	150	119	9,363
Segment expense	3,910	1,536	468	484	42	241	6,681
Operating profit before tax	1,521	690	250	235	108	(122)	2,682
Income tax expense	497	117	76	57	30	(178)	599
Net profit for the year	1,024	573	174	178	78	56	2,083
Business unit assets	219,777	368,147	14,179	20,757	9,101	(128,698)	503,263
Investments in associates	15	215	154	4	18	2,565	2,971
Total assets	219,792	368,362	14,333	20,761	9,119	(126,133)	506,234
Business unit liabilities	205,141	359,787	13,546	19,262	8,496	(126,347)	479,885
Total liabilities	205,141	359,787	13,546	19,262	8,496	(126,347)	479,885
Additions to property and equipment	115	40	16	10	4	222	407
Depreciation and amortisation including amortisation of software	164	40	13	15	1	98	331
Value adjustments	175	259	-	92	1	(10)	517

* Including elimination between segments.

6 Business segments

The business segments the Rabobank uses in its reporting are defined from a management viewpoint. This means they are the segments reviewed as part of Rabobank's strategic management and for the purpose of making business decisions.

Rabobank distinguishes five major business segments: Domestic retail banking, Wholesale and international retail banking, Asset management and investments, Leasing and Real Estate.

The other business activities of Rabobank comprise a variety of segments, none of which requires separate reporting.

Inter-segment transactions are conducted in accordance with normal commercial terms and market conditions.

Financial resources can be reallocated between segments, which leads to a reclassification of finance costs recognised in operating profit. The interest recognised on these financial resources is based on the cost of capital. No other material income or expense items arise between business segments. The assets and liabilities of a segment comprise operating assets and operating liabilities, in other words, a substantial part of the balance sheet, but excluding items relating to tax.

The accounting policies used for segment reporting are the same as those described in the section on the main accounting policies used in preparing the consolidated financial statements.

Rabobank's policy is to have all models used for valuing financial instruments validated by competent staff who are independent of the staff who determine the fair values of the financial instruments.

In determining market or fair values, various factors have to be considered, such as the time value of money, volatility, underlying options, warrants and derivative financial instruments. Other factors are liquidity and the creditworthiness of the counterparty. Modifications to assumptions might affect the fair value of held-for-sale and available-for sale financial assets and liabilities.

The table below summarizes the valuation methodes used in determining the fair value of financial assets and liabilities except from current financial instruments, receivables and payables arising in the normal course of business. Because of the relatively short time between their initial recognition and expected realisation, the carrying amounts of these items are a good approximation of their fair values.

Measurement of financial instruments				**At 31 december**
	2005		2004	
In millions of euros	**Fair value**	**%**	Fair value	%
Quoted market prices	**208,975**	**22%**	220,891	24%
Valuation methods based on assumptions fully supported by demonstrable market prices or rates	**750,319**	**78%**	685,576	76%

5.8 Trust activities

Rabobank provides fiduciary, trustee, corporate accounting, and asset management services, as well as advisory services to third parties, as part of which it has to make decisions on the allocation, purchase and sale of a wide variety of financial instruments. Assets held in connection with fiduciary activities are not disclosed in these financial statements. For some of the arrangements, Rabobank has agreed to achieve yield targets for the assets under its management. With these services, Rabobank could be exposed to the risk of being held liable for inadequate management or performance.

	2005		2004	
In millions of euros	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	2,923	2,946	7,269	7,269
Due from other banks	53,065	52,919	41,050	41,118
Trading financial assets	39,011	39,011	32,646	32,646
Other financial assets at fair value through profit and loss	14,871	14,871	32,498	32,498
Derivative financial instruments	24,135	24,135	32,035	32,035
Loans to customers	304,451	311,417	273,946	281,981
Available-for-sale financial assets	51,221	51,221	48,320	48,320
Held-to-maturity financial assets	1,908	2,054	2,207	2,401
Total assets	491,585	498,574	469,971	478,268
Liabilities				
Due to other banks	109,749	108,721	96,347	96,356
Due to other banks at fair value through profit and loss	239	239	97	97
Due to customers	186,427	185,514	177,471	178,125
Due to customers at fair value through profit and loss	32	32	11	11
Debt securities in issue	115,992	116,227	97,520	100,374
Debt securities in issue at fair value through profit and loss	19,333	19,333	11,940	11,940
Derivatives and other trade liabilities	28,081	28,081	39,171	39,171
Subordinated debt	2,645	2,573	2,129	2,125
Total liabilities	462,498	460,720	424,686	428,199

The figures stated here represent the best possible estimates by management, based on a range of methods and assumptions.

If a quoted market price is available, this is the best estimate of fair value. If no quoted market prices are available for fixed-term securities, equity instruments, derivative financial instruments and commodity instruments, Rabobank bases the fair value on the present value of the future cash flows, discounted at market rates corresponding to the credit ratings and terms to maturity of the investments. Alternatively, a model-based price can be used to determine a suitable fair value.

Trade liabilities: The fair value of trade liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from valuation models (such as discounted cash-flow models).

Other financial liabilities at fair value through profit and loss: The fair value of these liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from appropriate discounted cash-flow models and option valuation models. Other financial liabilities classified at fair value through profit and loss are immune to changes in Rabobank's credit rating.

Due to customers: Due to customers include current accounts and deposits. The fair value of savings and current accounts that have no specific termination date is assumed to be the amount payable on demand at the balance sheet date, i.e. their carrying amount at that date. The fair value of the deposits is estimated from the present value of the cash flows, based on current bid rates of interest for similar arrangements with terms to maturity that match the items to be measured. The carrying amount of variable-interest deposits is a good approximation to their fair value at the balance sheet date.

Debt and other instruments issued by Rabobank: The fair value of these instruments is calculated using quoted market prices. For notes for which no quoted market prices are available, a discounted cash flow model is used, based on a current yield curve appropriate for the term to maturity.

Other debts: The fair value of loans is estimated from the present value of the cash flows, based on current market rates for similar loans with terms to maturity that match the outstanding terms of the loans to be measured.

Off-balance-sheet instruments for obligations or guarantees: The fair value of off-balance-sheet instruments for obligations or guarantees is based on current fees for entering into such arrangements, taking into account the outstanding terms of the agreements and the creditworthiness of the counterparties.

Cash and cash equivalents: The fair value of cash and cash equivalents is assumed to be almost equal to their carrying amount. This assumption is also used for highly liquid investments and the current component of all other financial assets and liabilities.

Due from other banks: Due from other banks comprise interbank placings and items to be collected. The fair values of floating rate placings and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated using appropriate money market interest rates for debts with comparable credit risks and terms to maturity.

Financial assets and derivative financial instruments held for trading: Financial assets and derivative financial instruments held for trading are carried at fair value based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from appropriate discounted cash-flow models and option valuation models.

Other financial assets at fair value through profit and loss: These financial assets are carried at fair value based on quoted prices in active markets if available. If not, they are estimated from comparable assets on the market, or using valuation methods, including appropriate discounted cash-flow models and option valuation models.

Loans to customers: The fair value of issued loans is estimated from the present value of the cash flows, using current market rates for similar loans. For variable-interest loans that are reviewed often and do not vary significantly in terms of credit risk, the fair value is based on the carrying amount until maturity.

Available-for-sale financial assets and held-to-maturity financial assets: Available-for sale financial assets and held-to-maturity financial assets are carried at fair value based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from appropriate discounted cash-flow models and option valuation models.

Other financial assets: For almost all other financial assets, the carrying amount is a good approximation of the fair value.

Due to other banks: Due to other banks comprise interbank placings, items to be delivered and deposits. The fair values of floating rate placings and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated using ruling money market interest rates for debts with comparable credit risks and terms to maturity.

The liquidity requirements to meet payments under guarantees and stand-by letters of credit are substantially lower than the size of the liabilities, as Rabobank does not generally expect that the third party to such an arrangement will withdraw its resources. The total open position relating to contractual obligations to provide credit does not necessarily represent Rabobank's future cash resource needs, as many of these obligations will lapse or terminate without financing being required.

5.6 Market risk

Rabobank is exposed to market risk. A market risk arises on open positions in relation to interest rates, currencies and share-based products, all of which are subject to general and specific market movements. Rabobank employs a value-at-risk (VaR) method to estimate the market risk of positions it holds and the maximum expected losses. The method requires a number of assumptions to be made for different changes in market conditions. The Executive Board sets limits for the acceptable risks and these are monitored on a daily basis.

The criterion for the daily value that may be exposed to risk (VaR) is an estimate, at the 97.5% confidence level, of the potential losses that could occur when the existing positions are held unchanged for one trading day. The value for the criterion is selected in such way that daily losses exceeding the VaR should not occur more than once in 40 days on average. The actual results are assessed regularly to verify the validity of the assumptions, parameters and factors used in calculating the VaR.

As the VaR is an integral part of Rabobank's risk management processes for dealing with market risk, VaR limits are set for all trading activities. The actual exposures in relation to the limits together with a consolidated group VaR is tracked each day by management. The average daily VaR for Rabobank was 19 in 2005 (17). The highest and lowest VaR reported during the year were 25 (22) and 14 (11) respectively. This approach does not prevent losses exceeding these limits in the event of dramatic market swings.

5.7 Fair value of financial assets and liabilities

The table below shows the fair values of financial instruments based on the stated valuation methods and assumptions. This table is included because not all financial instruments are disclosed in the financial statements at fair value. The fair value is the amount for which an asset could be exchanged or a liability settled between two knowledgeable and willing parties in an arm's length transaction.

We use the market price as fair value if an active market exists (such as a stock market), as this is the best measure of the fair value of a financial instrument. However, market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. Hence, for financial instruments for which no market prices are available, the fair values shown in the table below have been estimated using the present value or the results of other estimation and valuation methods, based on the market conditions at the balance sheet date. The values produced using these methods are highly sensitive to the underlying assumptions used for the amounts as well as for the timing of future cash flows and the discount rates. The following methods and assumptions have been used:

Contract repayment date

In millions of euros	On demand	Less than 3 months	3 months to 1 year	1-5 years	More than 5 years	No repayment date	Total
At 31 December 2005							
Liabilities							
Due to other banks	7,068	88,762	7,187	5,436	1,242	54	109,749
Due to other banks at fair value through profit and loss	-	-	-	126	113	-	239
Due to customers	141,571	31,144	3,251	4,099	3,794	2,568	186,427
Due to customers at fair value through profit and loss	-	-	-	32	-	-	32
Debt securities in issue	4,112	50,862	12,643	35,672	12,700	3	115,992
Debt securities in issue at fair value through profit and loss	-	728	423	3,125	15,057	-	19,333
Derivative financial instruments and other trade liabilities	74	2,028	2,713	8,462	14,795	9	28,081
Other debts	697	1,757	1,114	298	105	3,375	7,346
Insurance liabilities	-	-	-	-	-	3	3
Other financial liabilities at fair value through profit and loss	591	317	339	3,570	2,517	7	7,341
Subordinated debt	-	-	-	64	2,547	34	2,645
Total liabilities	154,113	175,598	27,670	60,884	52,870	6,053	477,188
Net liquidity surplus/(deficit)	(129,247)	(70,364)	4,692	31,194	178,938	5,491	20,704
At 31 December 2004							
Total assets	36,686	78,260	36,836	98,136	213,684	13,487	477,089
Total liabilities	145,329	155,527	30,832	50,896	33,855	22,987	439,426
Net liquidity surplus/(deficit)	(108,643)	(77,267)	6,004	47,240	179,829	(9,500)	37,663

The above breakdowns were compiled on the basis of contract information, without taking into account the way the different balance sheet items change in practice. This is taken into account, however, for the day-to-day management of the liquidity risk. The regulations of the supervisory authority are also factored in. In relation to the liquidity criteria of De Nederlandsche Bank, Rabobank had a substantial liquidity surplus at 31 December 2005.

The terms of assets and liabilities and the ability to replace interest-bearing liabilities at acceptable costs when they fall due are major factors in assessing Rabobank's liquidity position and its exposure to movements in interest and exchange rates.

5.5 Liquidity risk

Rabobank is exposed to daily withdrawals from its available cash resources in the form of overnight deposits, current accounts, expiring deposits, early repayment of loans, guarantees, and out-of-the-margin and other calls on derivatives settled in cash. Rabobank holds no cash to meet these needs, as experience shows that a minimum level of reinvestment of maturing arrangements can be predicted with a high degree of probability. Rabobank uses a liquidity risk model that incorporates the trading and investment portfolios as a buffer for liquidity risk management. This is reflected in the balance sheet and the table below by the substantial items 'Trading financial assets', 'Available-for-sale financial assets' and 'Other financial assets at fair value through profit and loss'. In the event of a liquidity crisis, these assets can be utilised immediately to increase liquidity.

The table below shows Rabobank's assets and liabilities grouped by the liquidity period remaining between the balance sheet date and contractual repayment date.

Contract repayment date

In millions of euros	On demand	Less than 3 months	3 months to 1 year	1-5 years	More than 5 years	No repayment date	Total
At 31 December 2005							
Assets							
Cash and cash equivalents	1,990	253	18	-	-	662	2,923
Due from other banks	10,065	36,690	3,673	756	1,543	338	53,065
Trading financial assets	158	5,965	3,753	13,945	11,495	3,695	39,011
Other financial assets at fair value through profit and loss	-	8	104	1,955	10,344	2,460	14,871
Derivative financial instruments	12	2,542	2,591	7,777	11,212	1	24,135
Loans to customers	11,729	47,876	16,997	48,952	178,419	478	304,451
Available-for-sale financial assets	264	10,437	4,095	17,445	18,715	265	51,221
Held-to-maturity financial assets	-	230	635	1,019	24	-	1,908
Other assets	648	1,233	496	229	56	3,645	6,307
Total assets	24,866	105,234	32,362	92,078	231,808	11,544	497,892

Carrying amount in millions of euros

	EUR	GBP	USD	AUS	Other	Total
At 31 December 2005						
Liabilities						
Due to other banks	41,619	13,088	45,076	819	9,147	109,749
Due to other banks at fair value through profit and loss	-	-	239	-	-	239
Due to customers	157,756	8,834	16,075	1,070	2,692	186,427
Due to customers at fair value through profit and loss	11	21	-	-	-	32
Debt securities in issue	29,553	6,071	56,837	6,859	16,672	115,992
Debt securities in issue at fair value through profit and loss	10,731	247	6,143	507	1,705	19,333
Derivative financial instruments and other trade liabilities	20,208	541	5,584	286	1,462	28,081
Other debts	824	1,770	2,705	473	1,574	7,346
Insurance liabilities	2	-	-	1	-	3
Other financial liabilities at fair value through profit and loss	4,137	486	2,480	-	238	7,341
Provisions	883	14	5	22	7	931
Deferred tax liabilities	222	1	100	6	-	329
Employee benefits	1,400	18	19	-	-	1,437
Subordinated debt	1,162	-	1,483	-	-	2,645
Total liabilities	268,508	31,091	136,746	10,043	33,497	479,885
Net on-balance-sheet position	57,913	(8,157)	(21,280)	(1,241)	(886)	26,349
At 31 December 2004						
Total assets	343,963	18,540	65,438	13,150	42,483	483,574
Total liabilities	307,835	27,666	87,658	9,804	27,607	460,570
Net on-balance-sheet position	36,128	(9,126)	(22,220)	3,346	14,876	23,004

5.4 Currency risk

Rabobank is exposed to the effect of fluctuations in exchange rates on its financial position and cash flows. Just as for other market risks, the currency risk exposure of the trading books is managed using value-at-risk (VaR) limits set by the Executive Board. This risk is monitored on a daily basis. The non-trading books are exposed only to the translation risk on capital invested in foreign activities and on issues of Trust Preferred Securities not denominated in euros. To monitor and manage the translation risk, Rabobank follows a policy of protecting equity against exchange rate fluctuations. The following table shows the carrying amounts of Rabobank's assets and liabilities broken down by currency.

Carrying amount in millions of euros

	EUR	GBP	USD	AUS	Other	Total
At 31 December 2005						
Assets						
Cash and cash equivalents	1,493	12	22	51	1,345	2,923
Due from other banks	17,536	9,109	22,336	123	3,961	53,065
Trading financial assets	13,606	4,942	10,204	178	10,081	39,011
Other financial assets at fair value through profit and loss	5,314	1,210	7,316	-	1,031	14,871
Derivative financial instruments	15,932	177	5,866	238	1,922	24,135
Loans to customers	236,790	7,008	45,395	7,563	7,695	304,451
Available-for-sale financial assets	22,776	157	22,339	459	5,490	51,221
Held-to-maturity financial assets	1,908	-	-	-	-	1,908
Investments in associates	2,618	-	3	8	342	2,971
Goodwill and other intangible assets	183	-	2	-	67	252
Property and equipment	2,843	29	190	12	41	3,115
Investment properties	768	-	-	-	-	768
Deferred tax assets	830	33	343	30	-	1,236
Other assets	3,824	257	1,450	140	636	6,307
Total assets	326,421	22,934	115,466	8,802	32,611	506,234

5.3.3 Credit risk management methods

Rabobank further limits its exposure to credit risk by entering into master netting arrangements with counterparties for a significant volume of transactions. In general, master netting arrangements do not lead to the setting off of assets and liabilities included on the balance sheet as transactions are usually settled gross. The credit risk relating to favourable contracts is limited by master netting arrangements, however, to the extent that, if an event or cancellation occurs, all amounts involving the counterparty are frozen and settled net. Taking netting arrangements into account, the total fair value of the derivative contracts portfolio is a positive amount of 5,591 (7,116).

The total credit risk exposure of Rabobank from derivative financial instruments to which netting arrangements apply is highly sensitive to the closing of new transactions, lapsing of existing transactions and market movements in interest and exchange rates.

An additional method for managing the credit risk associated with derivative financial instruments and sale and repurchase contracts is the use of collateral arrangements.

5.3.4 Financial instruments not disclosed on the balance sheet

The main purpose of these instruments is to ensure that financial resources are available for clients when needed. Guarantees and stand-by letters of credit, which represent irrevocable commitments by Rabobank to make payments to third parties on behalf of clients if they are unable to fulfil their obligations, are exposed to the same risks as loans. Documentary and commercial letters of credit, which are written undertakings by Rabobank on behalf of clients authorising third parties to draw bills against Rabobank up to a preset amount subject to specific conditions, are backed by the delivery of the underlying goods to which they relate. Accordingly, the risk exposure of such an instrument is less than that of a direct loan.

Obligations to grant loans at specific rates of interest during a fixed period are included and recognised as derivative financial instruments, unless the obligations cease at the end of the period that appears to be required to carry out appropriate acceptance procedures. In that case, they are treated as transactions conforming to standard market conventions.

Promises to grant lending facilities represent unused partial authorisations to grant such facilities in the form of loans, guarantees or letters of credit. Regarding promises to grant credit facilities, Rabobank is potentially exposed to losses up to an amount equal to the unused commitments. However, the probable size of such losses is less than the total of the unused commitments, as most promises to grant credit facilities are made subject to the clients meeting certain conditions that apply to loans. Rabobank monitors the term to expiry of credit promises, as long-term commitments are generally associated with a higher risk than short-term commitments.

	At 31 december			
In millions of euros	2005		2004	
Total loans to customers	304,451		273,946	
of which:				
to government clients	1,053		1,616	
securities transactions due from government clients	1,459		2,564	
securities transactions due from private sector lending	22,025		18,570	
interest rate hedges (hedge accounting)	1,819		2,238	
Private sector lending	278,095		248,958	
This can be broken down geographically as follows:				
The Netherlands	218,363	78%	200,278	80%
Other countries in the Euro zone	24,681	9%	21,358	9%
North America	18,391	7%	13,892	6%
Latin America	3,620	1%	2,836	1%
Asia	2,764	1%	2,196	1%
Australia and New Zealand	10,219	4%	8,329	3%
Other countries	57	0%	69	0%
Total	278,095	100%	248,958	100%
Risk spread in the loan portfolio can be broken down by business segment as follows:				
Private individuals	146,512	53%	133,184	53%
Trade, industry and services	83,340	30%	76,321	31%
Food & agri	48,243	17%	39,453	16%
Total	278,095	100%	248,958	100%

5.3.2 Derivative financial instruments

Rabobank sets strict limits for open positions, in amounts as well as in terms. If ISDA (International Swaps and Derivatives Association) standards apply or a master agreement including equivalent terms has been concluded with the counterparty and the jurisdiction of the counterparty permits setting off, the open position is monitored. The amount exposed to credit risk is limited in each case to the fair value of the transactions plus an uplift for potential future risks for Rabobank (at the 97.5% confidence level). Regarding derivative financial instruments, this is only a fraction of the notional amount at which the open transactions are disclosed. This credit risk is managed as part of the general lending limits for clients. Substantial amounts of security or other guarantees are given for Rabobank's credit risk exposures in relation to these transactions.

The credit risk exposure represents the current fair value of all open derivative contracts showing a gain, taking into account master netting agreements enforceable by law.

5.3 Credit risk

The credit risk exposure is the loss that Rabobank would suffer if a counterparty or issuer were to default on all its contractual obligations. Credit risk is inherent in traditional banking products. Positions in tradeable assets such as bonds and shares are also subject to credit risk. Rabobank is exposed to credit risks. A credit risk is defined as the risk that a counterparty will be unable to make payments in full when they become due. Rabobank controls the size of its credit risk exposure by limiting the amount at risk in relation to a borrower, or a group of borrowers, and to countries. These risks are monitored cyclically and are subject to regular assessment. Rabobank uses an escalating authorisation system to make decisions on individual loans. Immediately below the Executive Board, the system takes the form of loan committees; at lower levels, assessments undergo a review by a 'second pair of eyes'.

Credit risks are managed by regularly analysing the financial capacity of borrowers and potential borrowers to pay the amounts they owe in interest and principal and by adjusting their credit limits as necessary. Credit risks are also partly managed through the use of covenants and/or the provision of security and business and personal guarantees. The credit risk exposure relating to each individual borrower is further restricted by the use of sub-limits to hedge amounts at risk, not all of which are disclosed on the balance sheet, and the use of daily delivery risk limits for trading items such as forward currency contracts. Most actual risks are assessed each day against the limits.

Approximately 53% of Rabobank's total loan portfolio represents loans to private customers (mainly mortgages) who have an extremely low risk profile. The remainder is a highly varied portfolio of loans to business clients in the Netherlands and abroad. The proportion of the total loan portfolio attributable to the food & agri sector was 17% in 2005. The proportion of the loan portfolio relating to trade, industry and services was 30% at year-end 2005 and is spread over a large number of clients in many sectors, mainly in industrialised countries.
The proposed BIS II regulations for credit risk distinguish between the standard approach and an approach based on internal ratings. The latter approach analyses the cause of actual losses in past years in order to calculate the risk of a borrower defaulting on his contractual obligations when a payment becomes due. The internal method distinguishes between a basic method and a more advanced method.

5.3.1 Loans

Apart from due from other banks (53 billion, or 10% of total assets), Rabobank's only significant risk concentration is among private sector lending, which accounts for 48% of all loans to customers. Loans to trade, industry and services and loans to the food & agri sector are both spread over a wide range of industries. None of them represents more than 10% of the total client loan portfolio.

The table below provides a summary of the average effective interest rates at 31 December for monetary financial instruments denominated in major currencies.

	EUR	GBP	USD	AUS	Other
	%	%	%	%	%
At 31 December 2005					
Assets					
Cash and cash equivalents	2.08	4.64	3.48	-	0.07
Due from other banks	2.81	4.72	3.80	5.85	1.16
Trading financial assets	2.78	5.26	3.08	4.22	2.02
Loans to customers	4.86	5.80	5.04	7.05	6.23
Available-for-sale financial assets	3.46	5.25	3.48	6.19	1.70
Held-to-maturity financial assets	3.37	-	-	-	-
Liabilities					
Due to other banks	2.66	4.59	3.49	5.54	2.63
Due to customers	2.21	4.71	3.16	5.16	4.34
Debt securities in issue	2.23	4.85	2.44	5.89	4.18
Other debts	3.90	-	2.65	-	-

	EUR	GBP	USD	AUS	Other
	%	%	%	%	%
At 31 December 2004					
Assets					
Cash and cash equivalents	2.54	4.33	2.34	-	0.06
Due from other banks	2.60	4.62	1.94	4.42	1.44
Trading financial assets	2.13	4.51	1.72	4.12	2.16
Loans to customers	4.98	5.39	3.33	7.27	4.86
Available-for-sale financial assets	3.52	4.78	4.41	4.98	2.61
Held-to-maturity financial assets	4.03	-	-	-	-
Liabilities					
Due to other banks	2.57	4.39	2.60	4.05	3.24
Due to customers	2.25	4.89	2.11	5.28	4.83
Debt securities in issue	2.01	4.55	1.66	5.69	3.78
Other debts	3.96	-	1.52	-	-

In millions of euros	Within 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest-bearing	Total
At 31 December 2004							
Assets							
Cash and cash equivalents	6,544	16	3	-	-	706	7,269
Due from other banks	23,096	10,950	3,125	802	2,765	312	41,050
Trading financial assets	3,064	4,471	5,211	9,383	7,712	2,805	32,646
Other financial assets at fair value through profit and loss	2,874	1,650	1,758	9,322	13,451	3,443	32,498
Loans to customers	60,550	24,900	36,259	87,230	63,207	1,800	273,946
Available-for-sale financial assets	1,435	2,563	7,292	18,658	16,848	1,524	48,320
Held-to-maturity financial assets	-	226	304	1,652	25	-	2,207
Other assets	251	500	555	169	663	4,980	7,118
Total assets	97,814	45,276	54,507	127,216	104,671	15,570	445,054
Liabilities							
Due to other banks	46,951	41,757	3,447	2,088	944	1,160	96,347
Due to other banks at fair value through profit and loss	-	-	-	-	97	-	97
Due to customers	137,443	24,754	3,942	5,015	5,589	728	177,471
Due to customers at fair value through profit and loss	-	11	-	-	-	-	11
Debt securities in issue	4,883	32,956	19,867	28,176	11,628	10	97,520
Debt securities in issue at fair value through profit and loss	4,256	396	650	3,451	3,187	-	11,940
Other debts	(4,941)	280	(960)	(8,644)	(2,574)	24,489	7,650
Insurance liabilities	-	-	595	1,978	15,302	7	17,882
Other financial liabilities at fair value through profit and loss	1,813	889	117	1,390	2,867	14	7,090
Subordinated debt	67	17	17	1,995	1	32	2,129
Total liabilities	190,472	101,060	27,675	35,449	37,041	26,440	418,137
Interest rate sensitivity gap	(92,658)	(55,784)	26,832	91,767	67,630	(10,870)	26,917

In millions of euros	Within 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest-bearing	Total
At 31 December 2005							
Assets							
Cash and cash equivalents	896	-	6	-	-	2,021	2,923
Due from other banks	32,976	13,847	3,902	542	1,343	455	53,065
Trading financial assets	5,333	2,991	3,836	12,645	9,564	4,642	39,011
Other financial assets at fair value through profit and loss	6	2	104	1,955	10,344	2,460	14,871
Loans to customers	72,123	34,815	36,572	92,737	67,352	852	304,451
Available-for-sale financial assets	4,110	11,365	4,333	16,173	14,866	374	51,221
Held-to-maturity financial assets	115	115	635	1,019	24	-	1,908
Other assets	533	854	470	162	64	4,224	6,307
Total assets	116,092	63,989	49,858	125,233	103,557	15,028	473,757
Liabilities							
Due to other banks	54,504	42,462	6,871	3,937	1,020	955	109,749
Due to other banks at fair value through profit and loss	-	239	-	-	-	-	239
Due to customers	164,902	8,912	3,503	3,303	3,496	2,311	186,427
Due to customers at fair value through profit and loss	-	-	21	11	-	-	32
Debt securities in issue	27,075	41,166	15,710	25,294	6,745	2	115,992
Debt securities in issue at fair value through profit and loss	3,286	4,897	6,843	1,238	3,069	-	19,333
Other debts	782	906	1,077	49	133	4,399	7,346
Insurance liabilities	-	-	-	-	-	3	3
Other financial liabilities at fair value through profit and loss	589	302	310	3,284	2,512	344	7,341
Subordinated debt	1,001	13	-	64	1,534	33	2,645
Total liabilities	252,139	98,897	34,335	37,180	18,509	8,047	449,107
Interest rate sensitivity gap	(136,047)	(34,908)	15,523	88,053	85,048	6,981	24,650

5 Risk exposure of financial instruments

5.1 Strategy for the use of financial instruments

Rabobank's activities are inherently related to the use of financial instruments, including derivative financial instruments. Rabobank accepts deposits from clients at fixed and variable rates of interest for a variety of terms and aims to earn above-average interest margins on these deposits by investing them in high-quality assets. Rabobank also aims to increase these margins by consolidating short funds and loans for longer terms at higher interest rates, at the same time keeping sufficient liquid resources to meet all payments that might become due.

A further objective of Rabobank is to increase its interest rate margins by obtaining above-average margins, after deduction of provisions, and by granting loans to commercial and retail borrowers with various credit ratings. These risks apply not only to loans recognised on the balance sheet, but also to guarantees given by Rabobank such as letters of credit and performance and other guarantee documents.

Rabobank also trades in financial instruments when it takes positions in tradeable and unlisted instruments (OTCs), including derivative financial instruments, in order to profit from short-term movements on the share and bond markets and in exchange rates, interest rates and commodity prices.

5.2 Interest rate risk

Rabobank is exposed to the risk of effects from fluctuations in market interest rates on its financial position and cash flows. As a result of such unexpected movements, interest rate margins can rise or fall. The Executive Board sets limits for the size of the permitted mismatch resulting from interest rate adjustments. The mismatch situation is monitored daily and monthly reports on it are sent to the respective risk management committees.

The following table gives a highly simplified picture of Rabobank's repayment schedule broken down by interest-rate type. It shows the carrying amounts of the assets and liabilities of Rabobank, classified by interest rate period or date of maturity. The schedule does not take into account assumptions about client behaviour. Assumptions regarding early repayment of mortgages are used for Rabobank's interest rate risk model. In addition, the model used for due to customers is a portfolio of money market and capital market items. The assumptions on behaviour have been agreed with De Nederlandsche Bank (the Dutch central bank). Moreover, the on-balance-sheet position is hedged with derivative financial instruments not included in the table.

Every quarter, reports generated by Rabobank's interest rate risk model are submitted to De Nederlandsche Bank.
The results of a stress scenario based on the assumption that the interest rate curve will make a 2% parallel shift upwards and downwards show that interest income will probably not fall by more than 1% in the first year. The expected limit for the second year is 3%.

4 Solvency

The main capital ratio requirements set by De Nederlandsche Bank (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 a bank's total capital (Tier I and Tier II) and core capital (Tier I) with the total risk-weighted assets and off-balance-sheet items and with the market risk exposure 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 table below shows the capital available to the Rabobank and the minimum capital required by the regulatory authorities.

With the market risk approach, the general market risk is hedged, as well as the risk of open positions in foreign currencies, debt, own equity instruments. Assets are weighted according to broad categories of notional risk, the weightings reflecting the deemed capital required to back them. Four risk weightings are used: 0%, 20%, 50% and 100%. For example, cash and money market instruments are assigned a weighting of 0%, which means that no capital is required to back the holding of these assets. Items of property and equipment are assigned a weighting of 100%, which means that capital equal to 8% of their carrying amount has to be held to back them.

Off-balance-sheet liabilities relating to loans, forward contracts, forwards and options based on derivative financial instruments have various categories of conversion factors applied to them in order to disclose these items at their balance-sheet equivalents. These equivalent amounts are then also assigned risk weightings.

Rabobank ratios

In millions of euros	2005	2004
Tier I and qualifying capital can be broken down as follows:		
Retained earnings and other reserves	15,172	13,469
Payment on Rabobank Member Certificates and Trust Preferred Securities	(322)	(237)
Rabobank Member Certificates	5,811	3,840
Trust Preferred Securities III to VI	2,092	1,877
Trust Preferred Securities I and II	1,483	1,927
	24,236	20,876
Part of minority interest treated as Tier I capital	749	637
Deductions	(125)	(109)
Tier I capital	24,860	21,404
Revaluation reserve	93	47
Deductions	(773)	(391)
Part of subordinated debt treated as qualifying capital	1,092	145
Qualifying capital	25,272	21,205
Risk-weighted assets	213,901	196,052
Ratio		
Core capital (Tier I ratio)	11.6	10.9
Qualifying capital (BIS ratio)	11.8	10.8

In billions of euros		
Equity at 31 December 2004 under Dutch GAAP		18.1
Difference at 1 January 2004 as accounted for above	4.2	
Minority interests	(0.1)	
Net profit for 2004	0.2	
Revaluation reserve relating to available-for-sale financial assets	0.5	
Other adjustments	0.1	
		4.9
Equity at 31 December 2004 under IFRS		23.0

The effect of the adoption of IFRS on equity reported at 31 December 2004 can be broken down as follows:

In millions of euros	At 31 December 2004 as reported	At 31 December 2004 after application of IFRS
Assets		
Cash and cash equivalents	7,204	7,269
Due from other banks	40,588	41,050
Trading financial assets	111,189	115,671
Derivative financial instruments	-	32,035
Loans to customers	276,170	273,946
Other assets	39,938	13,603
Total assets	475,089	483,574
Liabilities		
Due to other banks	96,266	96,444
Due to customers	192,123	177,482
Debt securities in issue	92,578	109,460
Derivative financial instruments and other trade liabilities	-	39,171
Other debts	46,761	7,873
Other financial liabilities at fair value	-	7,090
Provisions	20,752	20,921
Total liabilities	448,480	458,441
Equity and subordinated debt	26,609	25,133
Total equity and liabilities	475,089	483,574

Explanation:

In comparison with Dutch GAAP, total assets are 2% higher under IFRS at 483.6 billion. The increase is primarily due to the fact that under IFRS all derivative positions must be included on the balance sheet at market value, while under Dutch GAAP this only applies to trading positions. In addition, most of the items reclassified are liabilities.

On 31 December 2004, equity amounted to 23.0 billion under IFRS, compared with 18.1 billion under Dutch GAAP.

The difference can be accounted for as follows:

In billions of euros		
Equity at 1 January 2004 under Dutch GAAP		15.2
Reclassification of the fund for general banking risks as equity	1.7	
Other minority interests reclassified as equity	3.3	
Adjustment of the valuation of derivative financial instruments	(0.9)	
Adjustment of the valuation of buildings	(0.3)	
Adjustment of the valuation of interest-bearing securities	0.4	
Gain on swap transactions	0.2	
Tax effects	0.1	
Adjustment to provision for doubtful debts	(0.1)	
Adjustment to provision for pensions and healthcare	(0.2)	
Incremental cost of lending	(0.2)	
Other adjustments	0.2	
		4.2
Equity at 1 January 2004 under IFRS		19.4

The effect of the transition to IFRS on the consolidated profit previously reported for the year ended 31 December 2004:

In millions of euros	2004 result as reported	2004 result after first-time adoption of IFRS
Interest	6,249	6,195
Income from securities and associates	482	99
Commission	2,112	1,872
Results on financial transactions	312	270
Income from insurance business	-	214
Other income	900	572
Total income	10,055	9,222
Staff costs	4,029	3,683
Other administrative expenses	2,335	2,173
Depreciation and amortisation	368	321
Total operating expense	6,732	6,177
Value adjustments	514	479
Operating profit before tax	2,809	2,566
Income tax expense	957	773
Net profit for the year	1,852	1,793

The effects of the first-time adoption of the new reporting standards on the presentation of results and equity are explained briefly below.

Net profit for 2004 under IFRS amounted to 1,793, 59 lower than under Dutch GAAP. Although the change in net profit for the year was relatively small, the composition of net profit did change, however. In addition to the effect on the composition of net profit from the changes in accounting policies, there was also an effect from the different treatment of the insurance business results. The most significant change in the presentation of results due to the first-time adoption of IFRS relates to interest income and the consolidation of interests.

Ignoring the different treatment of results from the insurance business, interest income under IFRS is higher than under Dutch GAAP. Most of the difference is attributable to reclassifications. On the other hand, interest income fell due to the fact that swap results on the investment portfolio are no longer amortised. In accordance with IFRS, these results are recognised directly in profit and loss.

The interests in the Gilde funds and the majority participating interests of these funds are consolidated under IFRS. This caused income to increase by 279 and operating expenses by 259.

On 1 January 2004, the date of the transition to the new accounting standards, equity totalled 19.4 billion under IFRS, compared with 15.2 billion under Dutch GAAP. The difference can be accounted for as follows:

2.30 Cash and cash equivalents

Cash equivalents are highly liquid short-term investments held to meet current obligations in cash, rather than for investment or other purposes. Such obligations have outstanding terms of less than 90 days at inception. Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.31 Estimates and assumptions

The preparation of the consolidated financial statements requires Rabobank to make estimates and assumptions that affect the amounts reported for assets and liabilities and the reporting of contingent assets and liabilities at the date of the financial statements, as well as the amounts reported for income and expenses during the reporting period. The actual results can deviate from the above-mentioned estimates.

3 Effect of changes in accounting policies due to first time adoption of IFRS

The effect of the adoption of IFRS on equity reported at 1 January 2004 can be broken down as follows:

In millions of euros	At 1 January 2004 as reported	At 1 January 2004 after application of IFRS
Assets		
Cash and cash equivalents	7,117	7,178
Due from other banks	41,919	41,890
Financial assets	84,445	92,878
Derivative financial instruments	-	27,479
Loans to customers	250,797	248,039
Other assets	19,027	13,299
Total assets	403,305	430,763
Liabilities		
Due to other banks	82,856	83,117
Due to customers	172,571	159,930
Debt securities in issue	80,695	99,028
Derivative financial instruments and other trade liabilities	-	33,575
Other debts	24,420	9,431
Other financial liabilities at fair value	-	4,941
Provisions	19,177	19,087
Total liabilities	379,719	409,109
Equity and subordinated debt	23,586	21,654
Total equity and liabilities	403,305	430,763

2.23 Due to other banks, due to customers and debt securities in issue

These borrowings are initially recognised at cost, i.e. the proceeds received less directly attributable and non-recurring transaction costs. Loans are subsequently included at amortised cost. Any difference between the net proceeds and the redemption amount is recognised over the term of the loan, using the effective interest method.
If Rabobank repurchases one of its own debt instruments, it is derecognised, with the difference between the carrying amount of the liability and the consideration paid being recognised as income.

2.24 Rabobank Member Certificates

These are the Members Certificates issued in 2000, 2001, 2002 and 2005. Since the proceeds of the issue are available to Rabobank on a perpetual and highly subordinated basis (also subordinate to the Trust Preferred Securities) and since in principle no distribution is made if the consolidated profit and loss account of Rabobank shows a loss for any financial year, the issue proceeds, insofar as they have been lent on to Rabobank Nederland, are recognised under 'Equity' in proportion to the number of shares held by members and employees. As a result, distributions are accounted for in the profit appropriation.

2.25 Trust Preferred Securities

Trust Preferred Securities, which pay a non-discretionary dividend and are redeemable on a specific date or at the option of the holder, are classified as financial liabilities and included under 'Other loans'. The dividends on these preferred securities are recognised in profit and loss as interest expense based on amortised cost using the effective interest method.
The remaining Trust Preferred Securities are recognised as equity, as there is no formal obligation to repay the principal or to pay a dividend.

2.26 Financial guarantees

Financial guarantees are initially measured at cost and subsequently revalued to the amount that Rabobank would reasonably have to pay at the balance sheet date to settle the liability or transfer it to a third party.

2.27 Bills

Bills represent commitments by Rabobank to redeem bills issued to clients. Rabobank expects to redeem most bills at the time the clients receive payment. Bills are recognised as off-balance-sheet transactions and disclosed as contingent liabilities and obligations.

2.28 Trust activities

Assets and revenue involved in fiduciary activities, together with the related obligation to return the assets to the clients, are eliminated if Rabobank acts as nominee, trustee or agent.

2.29 Segment information

A segment is a distinguishable component of Rabobank that engages in providing products or services and is subject to risks and returns that are different from those of other segments. A segment in which most of the revenue is generated by sales to external clients, and the revenue, profit or assets account for 10% or more of all segments in aggregate is reported separately. Rabobank's primary segment reporting format is by business segment; the secondary format is by geographical segment.

2.21.2 Defined contribution plans

Under defined contribution plans, Rabobank pays contributions to publicly or privately managed insured pension plans on a compulsory, contractual or voluntary basis. Once the contributions have been made, Rabobank has no further payment obligations. The regular contributions are net period costs for the year in which they are due and are included on this basis under 'Staff costs'.

2.21.3 Other post-employment obligations

Some Rabobank units provide other post-employment benefits. To become eligible for such benefits, the usual requirement is that the employee remains in service until retirement and has been with the company a minimum number of years.
The expected costs of these benefits are accrued over the years of service, based on a system similar to that for defined benefit plans. The obligations are valued each year by independent actuaries.
Under the current collective labour agreement, employees who satisfy the age criteria can opt for early retirement at 60.
A provision has been formed for employees who will be eligible for early retirement under the plan in the future.
The provision is calculated actuarially, using an average market rate of interest for all employees who satisfy the criteria and who will probably opt to retire early under the plan.

2.22 Tax

Tax receivables and payables and deferred tax assets and liabilities are set off if they relate to the same taxation group, the same taxation authority, a legal right exists to set off tax items and simultaneous treatment or settlement is expected.
Provisions are formed in full for deferred tax liabilities, using the liability method, arising from temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
The main temporary differences relate to the depreciation of property and equipment, the revaluation of certain financial assets and liabilities, including derivative financial instruments, provisions for pensions and other post-employment benefits, provisions for losses on loans and other impairment and tax losses, and, in connection with business combinations, the fair values of the net assets acquired and their tax bases. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted at the balance sheet date.
Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.
Provisions are formed in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
The income taxation on profit is calculated in accordance with the tax legislation of the relevant jurisdiction and recognised in the period in which the profit is realised. The tax effects of the carry-forward of unused tax losses are recognised as an asset if it is probable that future taxable profits will be available against which the losses can be utilised.
Deferred tax items relating to the revaluation to fair value of available-for sale financial assets and cash flow hedges that are charged or taken to equity are subsequently recognised in profit and loss together with the respective gain or loss.

2.20 Provisions

Provisions are recognised if Rabobank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If Rabobank expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only if the reimbursement is virtually certain.

2.20.1 Restructuring

Restructuring provisions comprise penalties for premature termination of leases, payments under redundancy schemes and other costs directly attributable to restructuring programms. The costs are recognised in the period in which a legal or constructive obligation arises for Rabobank. No provisions are formed in advance for costs relating to continuing operations of Rabobank.

2.20.2 Leave and long-term employment

Leave entitlements of employees and leave relating to long-term employment are recognised at the time they are granted. A provision is formed for the estimated obligation for annual leave and leave relating to long-term service of employees, with the balance sheet date as reference point.

2.20.3 Legal issues

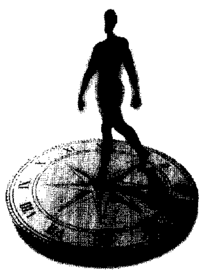
Legal issues provisions are formed for the amounts estimated at the balance sheet date as payable in connection with ongoing legal proceedings. The provisions include an estimate of legal costs and any payments to be made in the course of the legal proceedings.

2.21 Employee benefits

Rabobank provides different pension plans based on the local conditions and practices of the countries in which it operates. In general, the plans are financed by payments to insurance companies or trustee administered funds. The payments are calculated actuarially at regular intervals. A defined benefit plan is one that incorporates a promise to pay an amount of pension benefit, which is usually based on several factors such as age, number of years in service and remuneration.
A defined contribution plan is one under which Rabobank pays fixed contributions to a separate entity (a pension fund) and acquires no legal or constructive obligation if the fund has insufficient assets to pay all the benefits to employee-members of the plan in respect of service in current and past periods.

2.21.1 Pension obligations

The defined benefit liability is the present value of the defined benefit obligation at the balance sheet date, including adjustments for actuarial gains and losses and past service costs not yet recognised, reduced by the fair value of the fund. The defined benefit obligation is calculated by independent actuaries each year using the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows at rates of interest on government securities with terms approximating those of the related obligations. Most of the pension plans are average pay plans and the net costs after deduction of employees' contributions are included under 'Staff costs'. Actuarial gains or losses from adjustments due to actual developments, modified actuarial assumptions and plan changes are recognised using the corridor method in accordance with IFRS.



RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Rabobank Nederland

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Colophon

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Annual Reports
Rabobank Group publishes the following Annual Reports:

- Annual Report 2005 (in Dutch and in English)
- Consolidated Financial Statements 2005 (in Dutch and in English)
- Annual Sustainability Report 2005 (in Dutch and in English)
- Interim Report 2006 (in Dutch and in English)

For copies of these reports please contact Rabobank Nederland, Communications.

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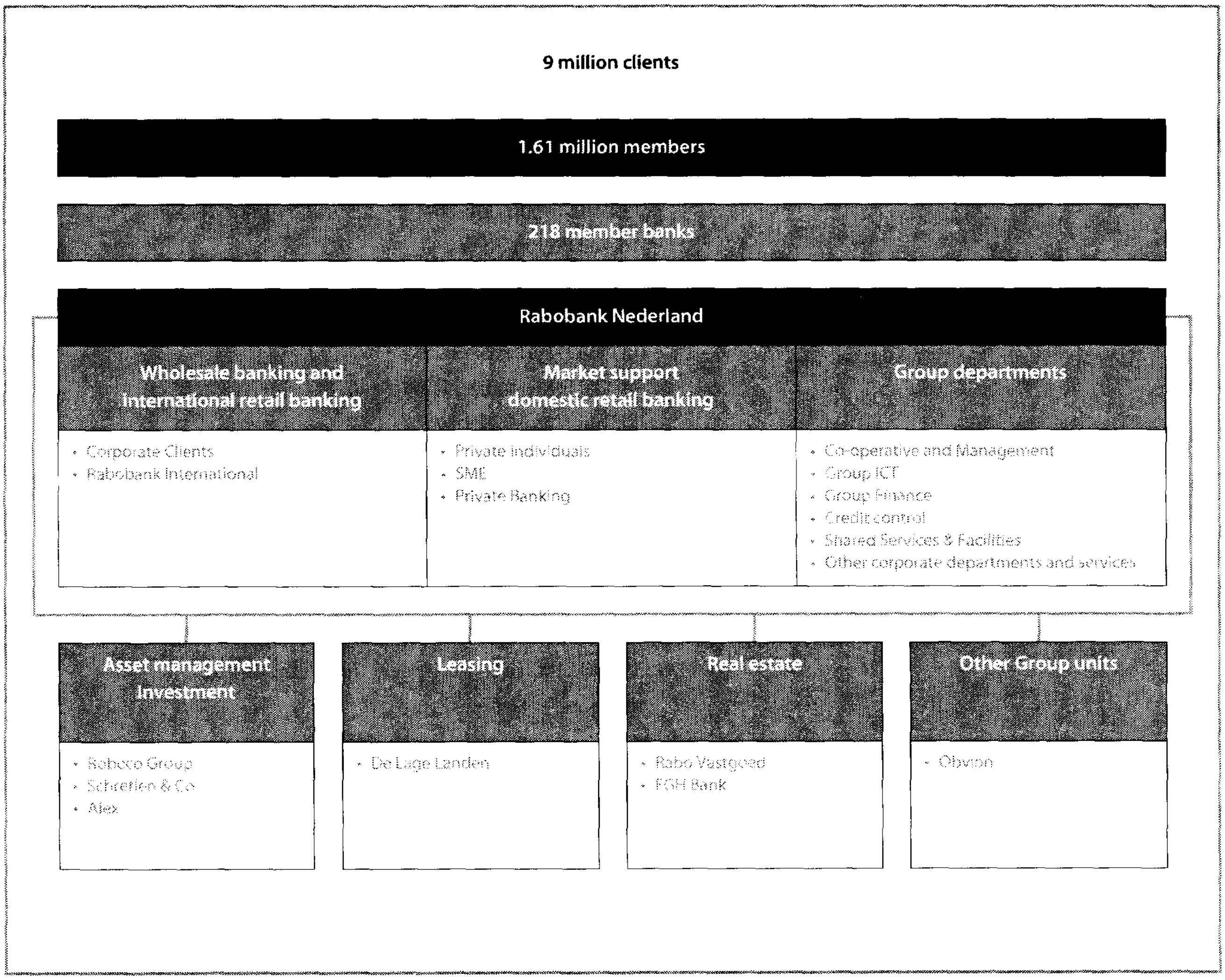
All Annual Reports are also available on the Internet:
www.rabobankgroep.nl/reports

Rabobank Group structure



Profile of Rabobank Group

Rabobank Group is a full-range financial services provider operating on the basis of co-operative principles. Its origins are in the local loan co-operatives that were founded in the Netherlands around 110 years ago by enterprising people who had virtually no access to the capital market. The local Rabobanks that evolved from this have a strong tradition in the agricultural sector and in small and medium-sized enterprises.

The Rabobank Group comprises 218 independent local co-operative Rabobanks in the Netherlands plus their central organisation Rabobank Nederland and its subsidiaries. Rabobank serves more than 9 million private individuals and corporate clients in the Netherlands and a growing number abroad. It employs 52,002 staff and is represented in 37 countries.
The Rabobank Group has the highest credit rating (Triple A), awarded by the well-known international rating agencies Moody's and Standard & Poor's. In terms of Tier I capital, the organisation is among the world's fifteen largest financial institutions.

The local Rabobanks and their clients form Rabobank Group's co-operative core business. The banks are members and shareholders of the supralocal co-operative organisation, Rabobank Nederland, which advises the banks and supports their local services.
Rabobank Nederland also supervises, on behalf of the Dutch central bank, the solvency, liquidity and administrative organisation of the local Rabobanks. Rabobank Nederland further acts as an (international) wholesale bank and as a bankers' bank to the Group and is the holding company of a large number of specialised subsidiaries.

Rabobank Group combines the best of two worlds: the local involvement and personal touch of the local Rabobanks with the expertise and economies of scale of Rabobank Nederland and its subsidiaries.

Ambition

Rabobank Group's ambition is to be the largest, best and most innovativ all-finance service provider in the Netherlands. With their co-operative structure and a current membership of more than 1.6 million, the local Rabobanks are firmly rooted in society. In the Netherlands, Rabobank may justifiably call itself committed, near-you and a leader.
In the international environment, Rabobank Group's ambition is to be the best food & agri bank, with a strong presence in the world's major food & agriculture countries. For this purpose, the Group will use the experience it has accumulated in the Netherlands over many years.

In addition, the Group aspires to be the most sustainable bank globally, as would befit its identity and position in society. In the years ahead, Rabobank Group will further integrate corporate social responsibility in its core activities.

Our values

Rabobank Group offers all the financial services needed by clients as the participate in an economy-driven modern society. The Group strives to ensure that its services are continually adjusted and updated so that they always meet the needs of both private individuals and businesses.

We believe that sustainable growth in prosperity and well being require careful nurturing of natural resources and the living environment.
We aim to contribute to this development with our activities. We respec the culture and traditions of the countries where we operate, insofar as these do not conflict with our own objectives and values.

In all our actions, we focus on our clients' best interests. We create customer value by:
- providing those financial services considered best and most appropriate by our clients;
- ensuring continuity in the services provided with a view to the long-term interests of the client;
- showing commitment to our clients and their environment, so that we can contribute to achieving their ambitions.

Review report

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ('Rabobank Group'[1]), Amsterdam, as at 30 June 2006 and the related interim condensed consolidated statements of income, changes in equity and cash flow statement for the six-month period then ended and explanatory notes (as set out on page 18 up to and including page 24 and further referred to as interim figures). The Executive Board of Rabobank Group is responsible for the preparation and presentation of these interim figures in accordance with International Financial Reporting Standards as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on these interim figures based on our review.

Scope of Review

We conducted our review in accordance with standards for review engagements generally accepted in the Netherlands ('ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity'). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards for auditing engagements generally accepted in the Netherlands and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim figures are not prepared, in all material respects, in accordance with IAS 34.

Utrecht, August 31, 2006

for Ernst & Young Accountants

N.M. Pul G.H.C. de Meris

1) Rabobank Group consists of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. in Amsterdam, its affiliated local Rabobanks, Robeco Group N.V. in Rotterdam, De Lage Landen International B.V. in Eindhoven, Schretlen & Co N.V. in Amsterdam, FGH Bank N.V. in Utrecht, Rabohypotheekbank N.V. in Amsterdam, Onderlinge Waarborgmaatschappij Rabobanken B.A. in Amsterdam and their group companies.

Notes to the half-year financial statements

The consolidated half-year financial statements of Rabobank Group have been prepared in accordance with International Financial Reporting Standards 2006 as approved by the European Union and are presented in conformity with IAS 34 Interim Financial Reporting. Unless otherwise stated, all amounts are in euros. The accounting policies used for the consolidated financial statements of Rabobank Group at 30 June 2006 are the same as those used for the consolidated financial statements at 31 December 2005 and the comparative figures at 30 June 2005. The comparative figures at 30 June 2005 have been restated to reflect the deconsolidation of Interpolis in the profit and loss account and the insights gained since their preparation.

The preparation of the consolidated half-year financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities and the reporting of contingent assets and liabilities at the date of the consolidated half-year financial statements, as well as the amounts reported for income and expenses during the reporting period. Although management based their estimates on the most careful assessment of the current circumstances and activities, the actual results might deviate from these estimates.

The profit of associates for the first half of 2006 is disclosed under other income and includes, among other items, the profit of Eureko attributabl to Rabobank Group. The profit of associates for the second half of 2005 is disclosed under other income and excludes the profit of Interpolis, which is presented separately as at 30 June 2005.

For the publication of its half-year financial statements, Rabobank Grou has opted for the alternative to present a condensed consolidated prof and loss account, a condensed consolidated statement of changes in equity and a condensed consolidated cash flow statement.

In the first half of the year, De Lage Landen made an offer for the share of Athlon Holding N.V., a car lease and repair company. The acquisition has now been completed. The intention is to sell the repair activities. As from the second half of this year, the Athlon activities will contribute to the results.

Rabobank intends to acquire the property development activities, the asset management activities and Rijnlandse Bank, all part of Bouwfond from ABN AMRO. The acquisition will mean a substantial increase in project development and asset management activities.

Business segments

In millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management and investment	Leasing	Real estate	Other (including profit of Eureko)	Total
For the half year ended 30 June 2006							
Segment income	2,794	1,287	385	363	78	47	4,954
Segment expense	1,985	814	257	250	19	156	3,481
Operating profit before taxation	809	473	128	113	59	(109)	1,473
Taxation	224	90	44	27	16	(129)	272
Net profit for the period	585	383	84	86	43	20	1,201
For the half year ended 30 June 2005							
Segment income	2,725	1,079	339	348	73	47	4,611
Segment expense	1,907	705	233	239	19	143	3,246
Operating profit before taxation	818	374	106	109	54	(96)	1,365
Taxation	266	81	36	28	15	(120)	306
Net profit for the period	552	293	70	81	39	24	1,059

Consolidated cash flow statement

In millions of euros	First half 2006	First ha 200
Operating profit before taxation	1,473	1,36
Non-cash items recognised in profit and loss and other adjustments	(363)	(4
Net (increase)/decrease in operating assets	(23,454)	(18,15
Net increase/(decrease) in liabilities relating to operating activities	23,438	21,35
Other changes	(1,922)	(91
Net cash flow from operating activities	(828)	3,60
Net cash flow from investing activities	(177)	(4,18
Net cash flow from financing activities	56	1,31
Net increase/(decrease) in cash and cash equivalents	(949)	73
Cash and cash equivalents at 1 January	2,923	7,26
Cash and cash equivalents at 30 June	1,974	8,00

Consolidated statement of changes in equity

In millions of euros	First half 2006	First half 2005
Retained earnings		
At 1 January	15,172	13,469
Net profit attributable to Rabobank Nederland and local Rabobanks	920	825
Other	(126)	(221)
At 30 June	15,966	14,073
Net unrealised gains/(losses)		
Foreign currency translation reserve		
At 1 January	93	71
Currency translation differences arising in the period	(19)	(41)
At 30 June	74	30
Revaluation reserve - Available-for-sale financial assets		
At 1 January	184	478
Net unrealised gains/(losses) from fair value changes	(335)	117
Net unrealised (gains)/losses from disposals and impairment losses	(16)	(93)
At 30 June	(167)	502
Revaluation reserve - Cash flow hedges		
At 1 January	1	-
Reclassification of gains and losses to profit and loss	(1)	-
At 30 June	-	-
Net unrealised gains/(losses) at 30 June	(93)	532
Equity of Rabobank Nederland and local Rabobanks	15,873	14,605
Rabobank Member Certificates issued by group companies		
At 1 January	5,811	3,840
Net profit attributable to holders of Rabobank Member Certificates	136	101
Issue of Rabobank Member certificates	-	11
Payments on Rabobank Member Certificates	(136)	(101)
At 30 June	5,811	3,851
Trust Preferred Securities III to VI issued by group companies		
At 1 January	2,092	1,877
Currency translation differences	(111)	198
Net profit attributable to Trust Preferred Securities	56	46
Payments on Trust Preferred Securities	(56)	(46)
At 30 June	1,981	2,075
Minority interests		
At 1 January	2,996	3,269
Net profit attributable to minority interests	89	87
Other	(75)	(326)
At 30 June	3,010	3,030
Equity at 30 June	26,675	23,561

Consolidated profit and loss account

	First half	First ha
In millions of euros	2006	200
Interest	2,886	2,78
Fees and commission	1,157	1,09
Income from Interpolis insurance business	-	15
Other	911	58
Income	4,954	4,61
Staff costs	1,984	1,84
Other administrative expenses	1,103	1,00
Depreciation and amortisation	167	15
Operating expenses	3,254	2,99
Value adjustments to financial assets	227	24
Operating profit before taxation	1,473	1,36
Taxation	272	30
Net profit for the period	1,201	1,05
Of which attributable to Rabobank Nederland and local Rabobanks	920	82
Of which attributable to holders of Rabobank Member Certificates	136	10
Of which attributable to Trust Preferred Securities III to VI	56	4
Of which attributable to minority interests	89	8
Net profit for the period	1,201	1,05

In millions of euros	**30-Jun-06**	31-Dec-05	30-Jun-05
Liabilities			
Due to other banks	**104,007**	109,749	94,335
Due to other banks at fair value through profit and loss	**221**	239	234
Due to customers	**195,917**	186,427	173,729
Due to customers at fair value through profit and loss	**17**	32	18
Debt securities in issue	**128,007**	115,992	120,508
Debt securities in issue at fair value through profit and loss	**19,084**	19,333	16,894
Derivative financial instruments and other trade liabilities	**24,901**	28,081	37,614
Other debts	**8,903**	7,346	9,993
Insurance liabilities	**11**	3	19,114
Other financial liabilities at fair value through profit and loss	**8,772**	7,341	6,804
Provisions	**990**	931	1,102
Deferred tax liabilities	**432**	668	921
Employee benefits	**1,020**	1,437	1,965
Subordinated debt	**2,510**	2,645	3,296
Total liabilities	**494,792**	480,224	486,527
Equity			
Equity of Rabobank Nederland and local Rabobanks	**15,873**	15,450	14,605
Rabobank Member Certificates issued by group companies	**5,811**	5,811	3,851
	21,684	21,261	18,456
Trust Preferred Securities III to VI issued by group companies	**1,981**	2,092	2,075
Minority interests	**3,010**	2,996	3,030
Total equity	**26,675**	26,349	23,561
Total equity and liabilities	**521,467**	506,573	510,088

Consolidated balance sheet

In millions of euros	30-Jun-06	31-Dec-05	30-Jun-0
Assets			
Cash and cash equivalents	1,974	2,923	8,00
Due from other banks	50,242	53,065	43,64
Trading financial assets	44,217	39,011	34,45
Other financial assets at fair value through profit and loss	22,466	17,449	29,84
Derivative financial instruments	21,300	24,135	33,32
Loans to customers	314,888	304,451	291,86
Available-for-sale financial assets	48,477	48,644	53,03
Held-to-maturity financial assets	1,577	1,908	2,16
Investments in associates	3,025	2,970	76
Goodwill and other intangible assets	429	252	26
Property and equipment	3,092	3,115	3,37
Investment properties	774	768	44
Deferred tax assets	1,466	1,575	1,72
Other assets	7,540	6,307	7,18
Total assets	521,467	506,573	510,08

Corporate social responsibility

In the first half of 2006, Rabobank Group commenced the integration of corporate social responsibility (CSR) in the management processes. The integration is being underpinned by the inclusion of CSR in the performance management for Rabobank's executives. The ultimate goal is the integration of CSR in the core processes in order to maintain our position as the international leader for CSR. Because we consider CSR so important, we refer to it explicitly in our strategic framework for 2005 to 2010.

CSR in the planning and control cycle

The Executive Board decided mid-2005 to accelerate the integration of CSR in the core business processes. To this end, each business unit of the Group included at least two targets in its annual plan for 2006. These targets are the basis for the CSR monitoring, which is being conducted quarterly for the first time this year. The corresponding progress reports to the Executive Board are an integral part of the period management reports.

Integration of CSR in core processes

The main example of the integration of CSR in the core processes in 2006 is the use of CSR criteria for assessing corporate loan applications. The loan assessment process will be amended accordingly in the second half of the year. The CSR criteria are based on social issues that are a concern in sectors important for Rabobank. In the first half of this year, we began drawing up a list of the key issues in countries with significant risk areas. Stakeholders will be consulted in the second half of 2006 on the Annual Sustainability Report 2005, including the underlying policy and issues that are important to Rabobank. In parallel with the integration in corporate client services, De Lage Landen is currently integrating CSR criteria in its client acceptance policy. By the end of the first half of the year, Robeco had already met its annual target of at least 10% of the inflow being in sustainably managed assets. Real estate operations, too, take CSR expressly into account. Rabo Vastgoed's policy is to be involved with the inner-city problems of large towns and take a sustainable approach to developing and carrying out projects. It lived up to this in the first half of the year in The Hague (redevelopment) and Amsterdam (student accommodation and tighter energy usage standards).

Employees and CSR

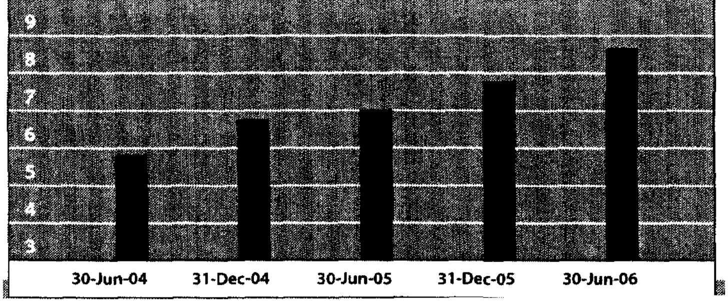
For our employees, working for Rabobank Group means working in a culture where CSR has a place. It is often the case that this escapes their attention. Awareness is essential for embedding CSR more firmly in our day-to-day activities and for expressing it to the outside world. To this end, the first half of 2006 saw the start of an in-house communication campaign in the form of CSR working conferences.

In the first half of the year, Rabo Vastgoed's order portfolio, comprising approved land and building projects, grew by 17% to EUR 4.4 (3.8) billion. The total area in the land order portfolio at 30 June 2006 was 2,411 (2,000) hectares, which represents an increase of 21%. The portfolio's potential is almost 50,000 houses, over 200,000 m^2 of commercial space and more than 270,000 m^2 of industrial space. In the first half of 2006, 803 (795) houses were sold.

Stronger real estate operation through partial Bouwfonds acquisition

The planned acquisition of a part of Bouwfonds means a significant strengthening of Rabobank's potential for providing real estate services. As a result, the Bank will become a leader for project development, as well as occupying a prominent position in the field of real estate asset management. The activities of Rijnlandse Bank fit well at Nederlandse Hypotheekbank, a business unit of FGH Bank.

Loans portfolio
in EUR billions



Real estate

The real estate division of Rabobank developed strongly in the first six months of the year. The financing activities of FGH Bank and the project development activities of Rabo Vastgoed both showed strong growth. Net profit rose by 10% to EUR 43 (39) million. With the partial acquisition of Bouwfonds, Rabobank will significantly strengthen its position on the real estate market.

Results (in EUR millions)	2006-I	2005-I	Change
Interest	48	45	7%
Other income	30	28	7%
Total income	**78**	**73**	**7%**
Staff costs	12	10	20%
Other operating expenses	7	9	-22%
Operating expenses	**19**	**19**	**0%**
Gross result	**59**	**54**	**9%**
Value adjustments	-	-	-
Operating profit before taxation	**59**	**54**	**9%**
Taxation	16	15	7%
Net profit	**43**	**39**	**10%**
Other data	30-Jun-06	31-Dec-05	
Loans portfolio (in EUR billions)	8.8	7.8	13%
Land portfolio (in hectares)	2,411	2,000	21%
FTEs	**360**	**331**	**9%**

Income up and expenses unchanged

Income was 7% higher at EUR 78 (73) million. Despite the pressure on the margin, interest rose by 7% to EUR 48 (45) million. Thanks to improved results on projects and an increase in the income from associates, other income was 7% higher at EUR 30 (28) million.

Operating expenses remained stable at EUR 19 (19) million. The increase in staff costs was offset by a decrease in other operating expenses. The number of FTEs at 360 (301) was 20% higher than in the same period of the previous year.

Strong growth in lending and order portfolio

The real estate market benefited in the first half of 2006 from the healthier economic climate and the stronger consumer and producer confidence. In all sections of the commercial real estate market, the volume of transactions grew substantially. The volume of investments for the first six months exceeded the level for the same period of 2005. This increase is reflected in the growth of FGH Bank's portfolio. The loans portfolio expanded by 13% in the first six months of the year to reach EUR 8.8 (7.8) billion. The value of new production was over EUR 1.8 billion. The repayments amounted to EUR 0.6 billion. The greater part of the portfolio, 81%, relates to investment financing.

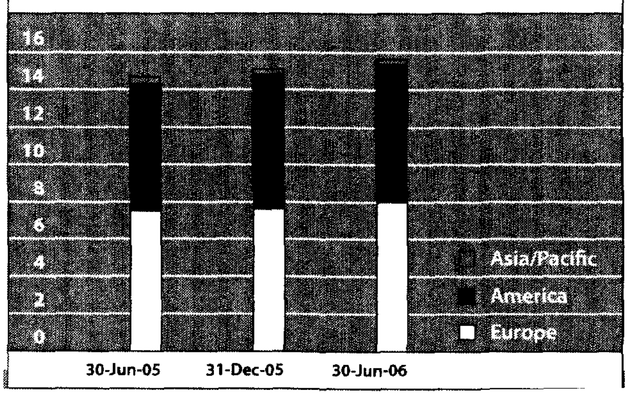
Falling US dollar limits lease portfolio growth

During the first six months of 2006, the lease portfolio grew by 3% to EUR 15.8 (15.4) billion, with De Lage Landen's European portfolio expanding by 6% to EUR 8.0 (7.5) billion. The growth was predominantly in the financial institutions and food & agri sectors. The American lease portfolio contracted by 1% to EUR 7.5 (7.6) billion owing to depreciation of the US dollar. Expressed in US dollars, however, the portfolio expanded by 7%. The office equipment sector showed a steep increase in America from the acquisition of a portfolio. Operations in the Asia Pacific region performed according to expectations, reporting growth of 8%.

Athlon acquisition strengthens position on car lease market

In the first half of the year, De Lage Landen made an offer for the shares of Athlon Holding N.V., a car lease and repair company. The acquisition has now been completed. The intention is to sell the repair activities. The car lease activities, on the other hand, make a good fit with those of Translease. The back office activities are being fully integrated.
The acquisition has established a strong position for De Lage Landen on the Dutch car lease market. As from the second half of this year, the Athlon activities will contribute to the results.

Lease portfolio
in EUR billions



Leasing

The net profit of De Lage Landen, Rabobank Group's leasing subsidiary, grew by 6% in the first half of 2006 to EUR 86 (81) million. Lower margins exerted pressure on income, however.

Results (in EUR millions)	2006-I	2005-I	Change
Interest	257	248	4%
Fees and commission	25	24	4%
Other income	81	76	7%
Total income	**363**	**348**	**4%**
Staff costs	137	116	18%
Other operating expenses	74	76	-3%
Operating expenses	**211**	**192**	**10%**
Gross result	**152**	**156**	**-3%**
Value adjustments	39	47	-17%
Operating profit before taxation	**113**	**109**	**4%**
Taxation	27	28	-4%
Net profit	**86**	**81**	**6%**
Risk-related costs (in basis points)	**50**	**68**	**-26%**
	30-Jun-06	31-Dec-05	
Lease portfolio (in EUR billions)	**15.8**	**15.4**	**3%**
Europe	8.0	7.5	6%
America	7.5	7.6	-1%
Rest of the world	0.3	0.3	8%
FTEs	**3,168**	**3,045**	**4%**

Income up thanks to lease portfolio growth

The 4% increase in total income to EUR 363 (348) million is almost entirely attributable to the growth in interest. Through the expansion of the leasing portfolio, De Lage Landen increased its interest to EUR 257 (248) million, a rise of 4%. This was achieved despite shrinking margins. The rising short-term interest rates depressed margins in Europe and America.

Total operating expenses were 10% higher at EUR 211 (192) million, the increase fully explained by the rise in staff costs. The expansion of activities and more regulations caused the number of FTEs in the previous 12 months to grow by 9% to 3,168 (2,906). Staff costs also went up owing to regular salary increases and higher social security charges. Staff costs at EUR 137 (116) million were 18% above the figure for the same period of the previous year.

Reduction in risk-related costs

Value adjustments were 17% down at EUR 39 (47) million, the reduction reflecting the improved economic climate. Compared with first half of 2005, risk-related costs fell by 18 basis points to 50 (68) basis points of the average lease portfolio.

in equities, 35% in fixed-income securities and 10% in structured products, hedge funds and private equity. Other, mainly in cash and cash equivalents, accounts for 8%.

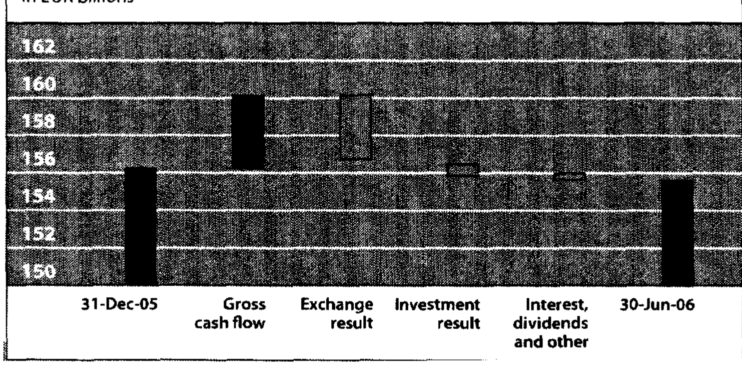
Performance Robeco on target

During the first half of 2006, Robeco achieved an average return of 0.1% above the benchmark, with the Rotterdam equity products outperforming the benchmark by an average of 0.5% in this period. The Robeco fund and Rolinco outperformances were 0.5% and 2.6% respectively. Harbor Capital Advisors and Robeco Investment Management - both American subsidiaries of Robeco - turned in underperformances of 0.8% and 2.7% respectively. For Robeco as a whole, the outperformance on equities for the previous 12 months was 2.7%. During the first half of the year, fixed-income securities contributed an average of 0.6% to the outperformance. Rorento's outperformance was 0,6% and Lux-o-rente's 1,6%. Over the previous 12-month period, the average outperformance of the fixed-income funds was 1.3%. Alternative products present a mixed picture. Over the first six months, Robeco Absolute Return achieved a return of 3.4%, while that of Private Equity was 5.4%. During the same period, the return based on the MSCI world equity index, a frequently used benchmark, was -1.9%. Transtrend's return of -2.8% was not a good performance.

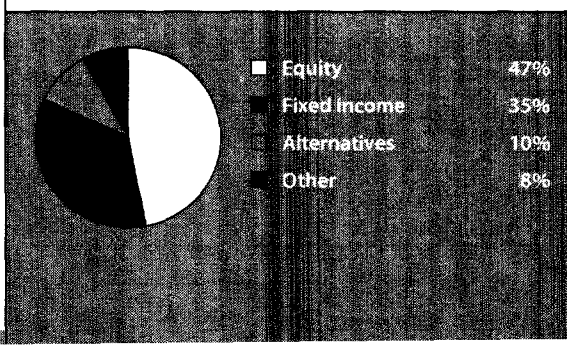
Steep rise in number of orders

In the first half of 2006, the number of securities and in-house fund orders at 4.1 (2.8) million was 47% higher than in the same period of the previous year. At the local Rabobanks, the number of in-house fund orders went up (by 25%) as well as the number of securities orders (by 44%). Alex also reported a huge leap in the number of orders, the increase being 71%.

Assets managed and held in custody for clients
in EUR billions



Assets managed and held in custody for clients mid-2006
by investment type



Asset management and investment

Asset management and investment operations - comprising Robeco Groep, Schretlen & Co, Alex and International Private Banking & Trust - achieved a net profit of EUR 84 (70) million, equivalent to a 20% increase. The growth of assets managed and held in custody coupled with the increase in the number of orders resulted in higher income.

Results (in EUR millions)	2006-I	2005-I	Change
Fees and commission	313	292	7%
Other income	72	47	53%
Total income	**385**	**339**	**14%**
Staff costs	156	135	16%
Other operating expenses	101	98	3%
Operating expenses	**257**	**233**	**10%**
Gross result	**128**	**106**	**21%**
Value adjustments	-	-	-
Operating profit before taxation	**128**	**106**	**21%**
Taxation	44	36	22%
Net profit	**84**	**70**	**20%**
Number of orders in the Netherlands			
(in EUR millions)	**4.1**	**2.8**	**46%**
	30-Jun-06	31-Dec-05	
Assets managed and held in custody			
(in EUR billions)	**228**	**224**	2%
For clients	156	156	0%
Investment portfolio	73	68	7%
FTEs	**1,909**	**1,798**	**6%**

Improved investment climate lifts income

Total income rose by 14% to EUR 385 (339) million thanks to the growth of assets managed and held in custody and an increase in the number of orders. At Robeco, the growth of assets managed and the shift towards equity funds both ensured higher management fees. As Robeco launched fewer alternative investment products in the first half of 2006, the related income was down. Alex handled substantially more orders in the first six months of 2006 than in the same period of the previous year. The effect was a rise in income of 56%. Schretlen & Co also reported an increase in assets managed, resulting in higher income.
Operating expenses on asset management and investment activities were 10% higher at EUR 257 (233) million owing to an increase in staff costs. More FTEs, higher costs for temporary staff and regular salary increases pushed staff costs up by 16% to EUR 156 (135) million.

Cash flow up EUR 4 billion

The assets managed and held in custody by Rabobank Group grew by 2% to EUR 228 (224) billion, of which EUR 73 (68) billion represents Rabobank's investment portfolio and EUR 156 (156) billion assets managed and held in custody for clients. The inflow of new assets increased. The gross cash flow reached almost EUR 4 billion in the first half of 2006, mainly attributable to asset inflows at Harbor Capital Advisors - an American subsidiary of Robeco - and Robeco Asset Management. Despite these inflows, the volume of assets managed and held in custody for clients remained essentially unchanged. The fall in the US dollar virtually wiped out the positive cash inflow. The sluggish stock markets and lower bond prices together resulted in slightly negative investments returns. Of total assets managed and held in custody for clients, 47% are

The integration of CBCC resulted in an additional expense in the first half of 2006. More project costs were incurred for compliance with Basel II and Sarbanes Oxley. Partly owing to the acquisition of CBCC and the increase in regulations, other operating expenses were EUR 85 million higher at EUR 305 (220) million.

Risk-related costs fall

In the first half of 2006, value adjustments were 4% lower at EUR 103 (107) million, the effect of healthy growth by the global economy in conjunction with an improvement in the quality of the portfolio. Risk-related costs amounted to 37 (49) basis points of the average risk-weighted assets, pushing expenses down below the long-term average.

Direct banking grows successfully

In February 2006, Rabobank expanded its direct banking network by opening its third foreign Internet bank, in New Zealand. Within five months, nearly 8,000 clients in New Zealand have begun using the Internet bank RaboPlus. At the end of June 2006, the foreign direct banking operations had 76,000 clients in aggregate, compared with 51,000 at year-end 2005. In the intervening six months, savings grew by 48% to EUR 2.3 (1.6) billion.

Falling exchange rates slow lending growth

The lower US, Australian and New Zealand dollar exchange rates put a severe brake on the growth of lending. Private sector lending increased by 4% in the first six months of the year to EUR 56.4 (54.2) billion, with loans to the food & agri sector growing by 5% to EUR 24.3 (23.1) billion. The result is that this sector now accounts for 43% of total lending. More than 30% of total lending is attributable to foreign retailing operations. Of the increase in total lending, a substantial part was generated by agri country banking activities. Growth in all agri country banking regions pushed lending up by 16% to EUR 10.7 (9.2) billion, despite the falling dollar. After years of growth, lending generated by the universal country banking activities contracted by 3% to EUR 6.3 (6.5) billion.

Wholesale banking and international retail banking

With an increase in net income of 31%, the wholesale banking and international retail banking operations made a handsome contribution to the Group's results. Net income went up by EUR 90 million to EUR 383 (293) million.

Results (in EUR millions)	2006-I	2005-I	Change
Interest	642	617	4%
Fees and commission	168	166	1%
Other income	477	296	61%
Total income	**1,287**	**1,079**	**19%**
Staff costs	406	378	7%
Other operating expenses	305	220	39%
Operating expenses	**711**	**598**	**19%**
Gross result	**576**	**481**	**20%**
Value adjustments	103	107	-4%
Operating profit before taxation	**473**	**374**	**26%**
Taxation	90	81	11%
Net profit	**383**	**293**	**31%**
Risk-related costs (in basis points)	37	49	-24%
Efficiency ratio	55.2%	55.4%	
Balance sheet (in EUR billions)	30-Jun-06	31-Dec-05	
Total assets	377.1	368.4	2%
Private sector lending	56.4	54.2	4%
Risk-weighted assets	55.0	53.1	4%
FTEs	**6,571**	**5,960**	**10%**

Income up 19%

Total income was 19% higher at EUR 1,287 (1,079) million, with income from wholesale banking operations climbing by 21% to EUR 1,044 (862) million. The main contributors to the rise were Global Financial Markets and the investments in the Gilde funds, the former's income growing by 12%. The income at Rabo Participaties and the Gilde funds showed a steep rise thanks to improved results on exits and revaluations. Leveraged Finance, part of Corporate Finance, made a substantial contribution to results, thus offsetting the slight fall in income from Structured Finance. The growing demand for finance for acquisitions drove up the income at Leveraged Finance by 30%. The margin on lending by the wholesale banking operations was under pressure during the first half of the year. International retailing activities contributed some 20% of the total income, accounting for the 12% rise to EUR 243 (217) million. Following three years of strong growth by ACCBank, lending showed a slight fall in the first half of 2006, which put income under pressure. By contrast, the income from the agri country banking operations climbed by 36%, the result of organic growth and the acquisition of Community Bank of Central California (CBCC). CBCC is consolidated in the figures of Rabobank Group as from February 2006.

Operating expenses up 19%

Operating expenses rose by 19% to EUR 711 (598) million, which meant they kept in step with the growth in income. The expansion of activities caused the number of FTEs for the previous 12 months to increase by 15% to 6,571 (5,711). Approximately 260 FTEs are from the former CBCC. This addition led to staff costs rising by 7% to EUR 406 (378) million.

Risk-related costs fall

Value adjustments were 21% lower at EUR 86 (109) million, mainly thanks to the favourable economic climate. Risk-related costs dropped to 13 (17) basis points of the average risk-weighted assets.

Lending up through mortgage growth

In the first half of the year, private sector lending went up by 5% to EUR 211.0 (200.7) billion. Of this amount, 71%, or EUR 148,9 (141,7) billion, represents loans to private individuals, particularly in the form of a mortgage. Mortgages increased by 6% to EUR 145.6 (137.8) billion. The share of the mortgage market held by the domestic retail banking operation grew by 1 percentage point to 24% (23%) at 31 December 2005. Early this year, the local Rabobanks launched the mortgage action programme, with the stated aims of greater contact with clients and more client-centredness. The success of the programme is also demonstrated by the increase in market share, which for the local Rabobanks reached 19.4% (18.9%). Obvion successfully launched the Obvion Basic mortgage. The simple structure of this product makes it possible to offer a lower rate of interest. Since March 2006, clients have taken out Obvion Basic mortgages amounting to over EUR 500 million. The success of the product helped increase Obvion's market share from 4.1% to 4.6%. In the first six months of 2006, corporate lending grew by 5% to EUR 62.1 (59.1) billion. Lending to the trade, industry and services sector was 5% higher at EUR 39.4 (37.5) billion, partly thanks to the steep growth in loans to the construction and transport sectors. Lending to the food & agri sector rose by 5% to EUR 22.6 (21.5) billion, a relatively large part of the increase was attributable to the dairy-farming sector.

Insurance activities

In 2006, the local Rabobanks in collaboration with Eureko notched up success with the new Interpolis Zorg Actief policy. By June 2006, 102,5 individuals were covered by this insurance. Apart from this new policy the Interpolis Alles in één Polis® policy and the Interpolis Bedrijven Compact policy also produced good results. The number of Alles in éé Polis® policies in force has risen to 1,187,000 (1,163,000) so far this year Under these policies, clients took out cover for more risks on average. During the first half of 2006, the percentage of clients with three or more types of cover grew from 48% to over 49%. During the first half of 2006, the local Rabobanks sold 32% more travel insurance policies than in the previous period. Significantly more homeowners insurance policies were also sold. Since more mortgages were granted, the numb of life insurance policies taken out went up as well. The volume of Interpolis Bedrijven Compact polices issued rose to 170,000 (168,000), with the number of clients among small and midsize companies rising by 3% in the first half of 2006. The additional focus on start-ups produc an increase of 15% in the number of insured clients in this target grou Thanks to the expansion of activities at the local Rabobanks, insurance commission rose by 5% to EUR 192 (182) million.

To widen its focus, Eureko set up the Bancaire Distributie division in July 2006 to specifically target Rabobank. It is one of the seven divisio in the new organisation of Eureko. The Bancaire Distributie division is a business partner in the area of insurance, pensions, social security and healthcare for all units of Rabobank Group.

Domestic retail banking

The net profit from domestic retail banking operations, comprising the local Rabobanks and Obvion, amounted to EUR 585 (552) million. Fierce competition put income under pressure, with further laws and regulations requiring an increase in FTEs. Despite this, net profit rose by 6%. The share of the mortgage market increased to 24% (23%).

Results (in EUR millions)	**2006-I**	**2005-I**	**Change**
Interest	2,143	2,095	2%
Fees and commission	645	590	9%
Other income	6	40	-85%
Total income	**2,794**	**2,725**	**3%**
Staff costs	1,002	924	8%
Other operating expenses	897	874	3%
Operating expenses	**1,899**	**1,798**	**6%**
Gross result	**895**	**927**	**-3%**
Value adjustments	86	109	-21%
Operating profit before taxation	**809**	**818**	**-1%**
Taxation	224	**266**	**-16%**
Net profit	**585**	**552**	**6%**
Risk-related costs (in basis points)	13	17	-24%
Efficiency ratio	68.0%	66.0%	
Balance sheet (in EUR billions)	30-Jun-06	31-Dec-05	
Total assets	234.6	219.8	7%
Private sector lending	211.0	200.7	5%
Savings	79.7	77.7	3%
Risk-weighted assets	138.4	132.8	4%
FTEs	**29,083**	**28,909**	**1%**
Market share			
Mortgages	24%	23%	
Savings	39%	39%	

Higher income through increased lending

Income rose 3% to EUR 2,794 (2,725) million, the result of an increase in interest and higher commission income. Despite fierce competition on the mortgage market, interest rose by 2% to EUR 2,143 (2,095) million, although penalty interest was down on the previous year's figure.
The growth in lending over the past 12 months (an increase of 9%) made up for the lower margin. The demand for mortgages remained high, despite the interest rate increase in the first half of the year. The first six months saw clients placing significantly more investment orders with Rabobank, which, despite lower transaction costs for clients, generated a rise in securities commission income. This was partly responsible for commission growing by 9% to EUR 645 (590) million. Income in the form of insurance commission and fees for payments services also went up. The increase in commission income was partly offset by a decrease in other income.

Rise in operating expenses from higher staff costs.

Operating expenses rose in the first six months of 2006 by 6% to EUR 1,899 (1,798) million. Staff costs increased 8% to EUR 1,002 (924) million because of the growth in FTEs. Additional staff were required to handle the impact of new laws and regulations. Projects relating to the Identification (Financial Services) Act and the Disclosure of Unusual Transactions Act also resulted in higher expenses. Other operating expenses rose by 3% to EUR 897 (874) million.

Credit risk

Rabobank follows a prudent credit risk policy, manifested, in amongst others, by the portfolio's favourable risk profile. The table below shows the change in bad debt expenses recognised in profit and loss, expressed in amounts and in basis points of average private sector lending.
All business units reported a drop in bad debt expenses from the level in the first half of 2005. In the case of domestic retail banking operations, a major factor was the favourable economic climate. The low risk profile of mortgages to private individuals, which account for a large part of retail banking operations, is a major factor in keeping bad debt expenses low. In the case of wholesale banking and international retail banking operations, the healthy growth of the world economy played a key role in reducing these expenses. An improvement in the quality of the por folio was also a factor, allowing a partial release of the provisions form previously. The improvement in the risk profile is also attributable to th further growth of international retail banking operations. The leasing portfolio is spread over a large number of countries, most of them in America and Europe. Leasing also reported lower bad debt expenses, partly thanks to favourable economic developments.
Impaired loans, for which provisions are formed, amounted to EUR 4,8 million at 30 June 2006 (4,814 at 31 December 2005). The provision fo loan losses was EUR 2,529 (2,438) million, representing coverage of 52 (51%). As a percentage of private sector loans, impaired loans represent 1.7% (1.7%).

Bad debt expenses (in EUR millions)	2006-I	2005-I	Change
Domestic retail banking	86	109	-21%
Wholesale banking and international retail banking	103	107	-4%
Leasing	39	47	-17%
Other	(1)	(14)	
Rabobank Group	**227**	**249**	**-9%**
Bad debt expenses (in basis points)			
Domestic retail banking	8	12	-33%
Wholesale banking and international retail banking	37	45	-18%
Leasing	55	77	-29%
Rabobank Group	**16**	**19**	**-16%**

Effective tax rate down

Income tax for the first six months of 2006 came to EUR 272 (306) million, equivalent to an effective tax rate of 18.5%, compared with 22.4% for the same period of 2005. Part of the decrease is due to the reduction in the Dutch corporate income tax rate from 31.5% to 29.6%. The effective tax rate also fell because of the increase in the tax exempt results of Eureko and the Gilde funds.

Net profit up 13%

Net profit climbed by 13% to EUR 1,201 (1,059) million. After deduction of the portion attributable to minority interests and payments on Member Certificates and Trust Preferred Securities, to the extent that they are classified as equity, the sum remaining is EUR 920 (825) million.

Financial targets

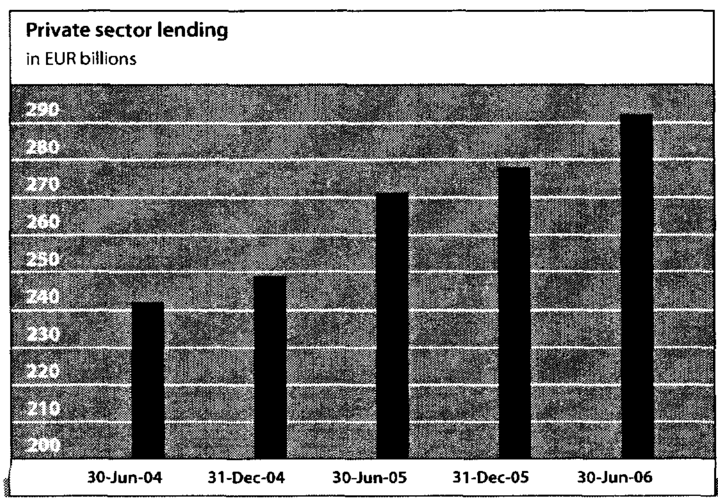
Achieving a 13% increase in net profit means that Rabobank exceeded its target of 12%. In the second half of 2005, Rabobank issued Member Certificates to the value of EUR 2.0 billion, which had a net effect of lifting the Tier I ratio and pushing down the return on equity. At 30 June 2006, the Tier I ratio was 11.4 (10.9), well above the target of 10. The return on equity came to 9.1% (9.2%), compared with the required figure of 10%.

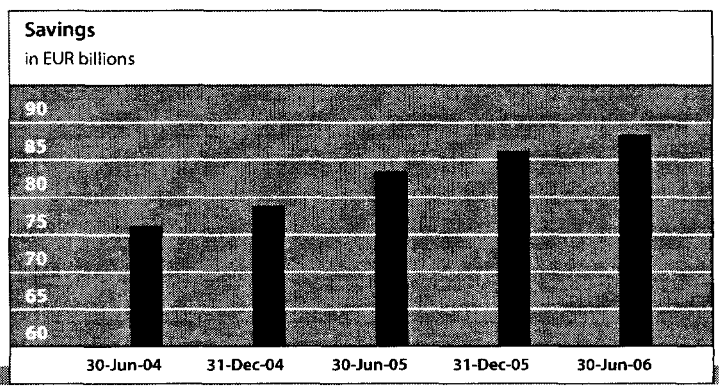
Private sector lending up 5%

Loans to customers grew in the first half of 2006 by 3% to EUR 314.9 (304.5) billion. By far the largest part, EUR 291.7 (278.1) billion, was in the form of private sector lending, representing an increase of 5%. Private sector lending comprises 53% to private individuals, 30% to the trade, industry and services sector, and 17% to the food & agri sector. The increase in lending to the private sector is explained by the growth in mortgage business, which expanded by 6% to EUR 151.3 (143.1) billion to private individuals.

Savings up 3%

Amounts due to customers grew by 5% in the previous six months to EUR 195.9 (186.4) billion, with savings increasing by 3% to EUR 88.5 (86.2) billion. At 30 June 2006, Rabobank's share of the Dutch savings market was 39% (31 December 2005: 39%). Partly from the expansion of the international direct banking operations, Internet savings as a percentage of total savings climbed from 46% to 50%. This was offset, however, by a decline in telesavings. The growth of the amount due to customers was mainly the result of an increase in current account balances.





"The Dutch economy picked up again in 2005, the recovery becoming firmer in 2006. The favourable changes are likely to continue for the rest of this year and into 2007. Important in this connection is the significantly greater consumer spending of the past few quarters. Thanks to the strengthening of the labour market and incomes, consumption will probably continue to help fuel the economic growth. Investments and exports should also remain healthy. The favourable economic developments boost Dutch banking activities as well. The interest rate margin will probably also remain under pressure throughout the second half of 2006 owing to the unrelenting competition on the mortgage market. The growth of the European economy picked up recently and the signs are that this will carry on at a reasonable speed in 2007. The US economy is cooling down because of the series of interest rate hikes made by the Federal Reserve."

Income up 7%

In the first half of 2006, income rose by 7% to EUR 4,954 (4,611) million, which includes a 4% increase in interest to EUR 2,886 (2,784) million. The growth of the loans portfolio offset the tighter interest rate margin. In the Netherlands, a fierce competitive struggle raged throughout the mortgage market. Thanks to the improved investment climate, the number of securities orders handled as well as assets managed and held in custody both grew. This led to an increase in securities commission income and higher custodial fees, the main driver of the 6% growth in commission income to EUR 1,157 (1,090) million. The improvement in the result achieved on the investment in Eureko and the higher results of the Gilde funds were the main factors behind the EUR 174 million increase in other income to EUR 911 (737) million.

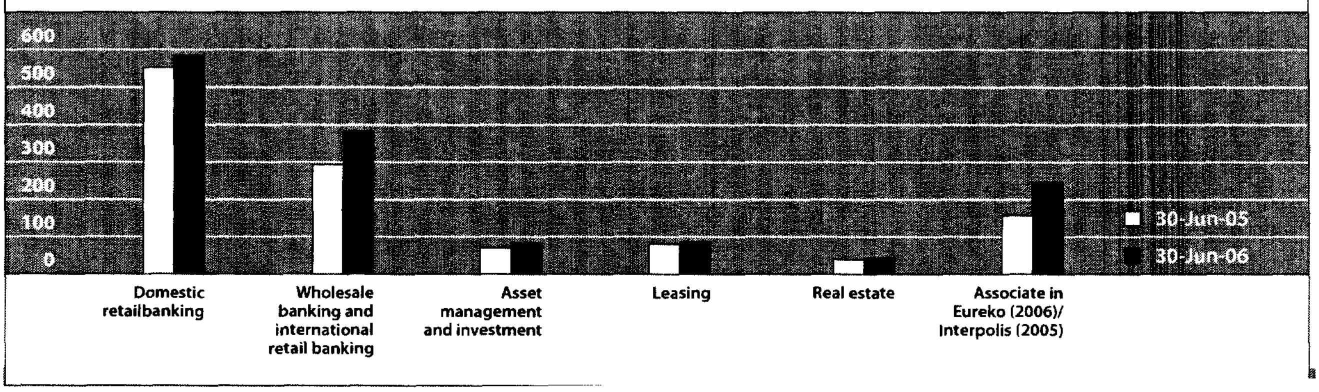
Expenses up 9%

Expenses were 9% higher at EUR 3,254 (2,997) million. The growth in activities, more regulations and the acquisition of Community Bank of Central California (including approximately 260 FTEs) were responsible f raising the staffing level, which, coupled with standard salary increases caused employee expenses to go up by 8% to EUR 1,984 (1,841) millio Other operating expenses were 10% higher at EUR 1,270 (1,156) millio the increase being partly attributable to the growth of the wholesale banking and international retail banking operations. Moreover, additior costs were incurred for compliance with laws and regulations.

Reduction in risk-related costs

The favourable economic climate and the improvement in the quality the loans portfolio resulted in value adjustments contracting by 9% to EUR 227 (249) million. This was mainly due to lower risk-related costs c the domestic retail banking and leasing operations. Risk-related costs amounted to 21 (25) basis points of the average risk-weighted assets, which is below the long-term average of approximately 25 basis point

Net profit from commercial operations
in EUR millions



Rabobank Group net profit up 13% in first half year

Profit target exceeded

- Income up 7%
- Expenses up 9%
- Private sector lending up 5%
- Savings up 3%
- Tier I ratio of 11.4
- Return on equity of 9.1%

Chairman's statement

Bert Heemskerk: "In the first half of 2006, Rabobank Group increased its net profit by 13% to EUR 1,201 (1,059) million. Lending grew strongly, mainly thanks to the high demand for mortgages. Despite competition on the mortgage market, interest rose by 4% to EUR 2,886 (2,784) million. The improved investment climate boosted commission income, which grew 6% to EUR 1,157 (1,090) million. The decisive factor for the rise in other income was the excellent result on the associate in Eureko.
The growth in activities together with more laws and regulations caused operating expenses to climb by 9% to EUR 3,254 (2,997) million. Projects relating to Basel II, Sarbanes Oxley, the Identification (Financial Services) Act and the Disclosure of Unusual Transactions Act required the deployment of additional staff. The favourable economic climate and the improvement in the risk profile of the loans portfolio led to a reduction in risk-related costs. The lower tax rate and exempt profits from Eureko helped keep the effective tax rate down. Partly through the fall in risk-related costs and the reduction in the effective tax rate, the net profit rose by 13%. This means we achieved a fine first-half result, even exceeding our own target. All group units reported an increase in net profit. Nevertheless, we will have to keep a careful eye on the ratio of the mortgage business margin to operating expenses. Strategically, Rabobank's domestic and foreign operations are on track. We succeeded in reinforcing our leasing and real estate operations by acquiring Athlon and part of Bouwfonds. Rabobank intends to grow outside the Netherlands organically, as well as through selective acquisitions."

Results (in EUR millions)	**2006-I**	**2005-I**	**Change**
Interest	2,886	2,784	4%
Fees and commission	1,157	1,090	6%
Other income	911	737	24%
Total income	**4,954**	**4,611**	**7%**
Staff costs	1,984	1,841	8%
Other operating expenses	1,270	1,156	10%
Operating expenses	**3,254**	**2,997**	**9%**
Gross result	**1,700**	**1,614**	**5%**
Value adjustments	227	249	-9%
Operating profit before taxation	**1,473**	**1,365**	**8%**
Taxation	272	**306**	**-11%**
Net profit	**1,201**	**1,059**	**13%**
Risk-related costs (in basis points)	**21**	**25**	**-16%**
Ratio's			
Efficiency ratio	65.7%	65.0%	
Return on equity	9.1%	9.2%	
Balance sheet (in EUR billions)	**30-Jun-06**	**31-Dec-05**	
Total assets	521.5	506.6	3%
Private sector lending	291.7	278.1	5%
Savings	88.5	86.2	3%
Risk-weighted assets	222.6	213.9	4%
Capital ratios			
BIS ratio	11.6	11.8	
Tier 1 ratio	11.4	11.6	
FTEs	**46,510**	**45,580**	**2%**

Key figures

	30-Jun-06	31-Dec-05	30-Jun-05	31-Dec-04	30-Jun-
Volume of services (in EUR millions)					
Total assets	**521,467**	506,573	510,088	483,574	461,5
Private sector lending	**291,658**	278,095	267,123	248,958	242,3
Due to customers	**195,934**	186,459	173,747	177,482	167,3
Assets managed and held in custody	**228,100**	224,200	217,100	223,400	195,9
Financial position and solvency (in EUR millions)					
Equity	**26,675**	26,349	23,561	23,004	20,7
Tier I capital	**25,394**	24,860	22,712	21,404	19,4
Qualifying capital	**25,736**	25,272	23,478	21,205	19,8
Risk-weighted assets	**222,631**	213,901	208,138	196,052	190,4
Solvency requirement	**17,810**	17,112	16,651	15,684	15,2
Tier I ratio	**11.4**	11.6	10.9	10.9	1
BIS ratio	**11.6**	11.8	11.3	10.8	1

	2006-I	2005-II	2005-I	2004-II	200
Profit and loss account (in EUR millions)					
Total income	**4,954**	4,752	4,611	4,748	4,4
Operating expenses	**3,254**	3,167	2,997	3,078	3,0
Value adjustments	**227**	268	249	307	1
Operating profit before taxation	**1,473**	1,317	1,365	1,363	1,2
Net profit	**1,201**	1,024	1,059	837	9
Ratios					
Return on equity	**9.1%**	8.9%	9.2%	8.5%	9.
Efficiency ratio	**65.7%**	66.6%	65.0%	64.8%	69.

	30-Jun-06	31-Dec-05	30-Jun-05	31-Dec-04	30-Jun-
Nearby					
Local Rabobanks	**218**	248	269	288	3
Offices:					
- branches	**1,229**	1,249	1,263	1,299	1,3
- contact points	**3,093**	3,031	2,959	2,965	2,9
Cash dispensing machines	**3,109**	3,116	3,098	3,062	3,0
Foreign offices	**289**	267	247	244	2
Employees					
- total number	**52,002**	50,988	56,396	56,324	56,7
- full-time equivalents	**46,510**	45,580	50,294	50,216	50,5
Client data					
Members (x 1,000)	**1,609**	1,551	1,494	1,456	1,4
Membership/customer ratio	**18.2%**	17.7%	17.2%	16.7%	16.
Rating					
Standard & Poor's	**AAA**	AAA	AAA	AAA	A
Moody's Investor Service	**Aaa**	Aaa	Aaa	Aaa	A

General: due to consolidation effects, the sum of 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.

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Rabobank

Rabobank Group

Interim Report 2006

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CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER AS OF 30 JUNE 2006 (INTERIM REPORT 2006)

Colophon

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This publication, the financial statements and the separate edition 'Rabobank Group Annual Report 2005' together form the annual report, the financial statements and other information of the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Filing
After they have been adopted, the annual report 2005, the financial statements 2005 and other information will be filed at the offices of Trade Registry of the Chamber of Commerce and Industries under number 30.046.259.

Disclaimer
This report is a translation of the Dutch report. In the event of any conflict in interpretation, the Dutch original takes precedence.

Annual Reports
Rabobank Group publishes the following annual/interim reports:

- Annual Report 2005 (in Dutch and English);
- Consolidated Financial Statements 2005 (in Dutch and English);
- Annual Sustainability Report 2005 (in Dutch and English);
- Interim Report 2006 (in Dutch and in English, to be published in September 2006).

For copies of these reports please contact Rabobank Nederland, Communications.

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All Annual Reports are also available on the internet:
www.rabobankgroep.nl/jaarverslagen

Auditors' report

Introduction

We have audited the consolidated financial statements for the year 2005 which are part of the financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland). These consolidated financial statements are the responsibility of the Executive Board of Rabobank Nederland. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Board of Rabobank Nederland, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fa view of the financial position of the company as at December 31, 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore we have established to the extent of our competence tha the annual report is consistent with the consolidated financial statements.

Utrecht, 8 March 2006

for Ernst & Young Accountants

N.M. Pul Chr.J. Westerman

55 Events after the balance sheet date

Untill now no events after the balance sheet date have occurred.

The publication of these consolidated financial statements was approved by the Executive Board on 8 March 2006.

Executive Board
Bert Heemskerk (H.), chairman
Rik baron van Slingelandt (D.J.M.G.)
Hans ten Cate (J.C.)
Bert Bruggink (A.)
Piet van Schijndel (P.J.A.)
Piet Moerland (P.W.)

Supervisory Board
Lense Koopmans (L.), chairman
Antoon Vermeer (A.J.A.M.), deputy chairman
Sjoerd Eisma (S.E.), secretary
Leo Berndsen (L.J.M.)
Bernard Bijvoet (B.)
Marinus Minderhoud (M.)
Paul Overmars (P.F.M.)
Hans van Rossum (J.A.A.M.)
Herman Scheffer (H.C.)
Martin Tielen (M.J.M.)
Aad Veenman (A.W.)
Arnold Walravens (A.H.C.M.)
Teun de Boon (T.)

53 Reverse repurchase and securities borrowing contracts

Reverse repurchase and securities borrowing contracts concluded by Rabobank are included under 'Due from other banks' and 'Loans to customers'. At 31 December, they amounted to:

In millions of euros	2005	2004
Due to other banks	36,758	26,134
Loans to customers	23,484	21,134
Total reverse repurchase and securities borrowing contracts	60,242	47,268

Under the terms of the reverse repurchase and securities borrowing contracts, Rabobank receives collateral that it can pledge or sell to third parties. The total fair value of the securities received under the terms of the contracts was 61,391 at 31 December 2005 (48,481). In accordance with the contract terms, collateral with a total fair value of 12,445 was pledged or sold in 2005 (13,978).

54 Repurchase agreements and security lending contracts

Repurchase and securities lending contracts concluded by Rabobank are included under 'Due from other banks' and 'Due to customers'. At 31 December, they amounted to:

In millions of euros	2005	2004
Due to other banks	20,496	22,898
Due to customers	5,392	3,907
Total repurchase and securities leasing contracts	25,888	26,805

At 31 December 2005, interest-bearing securities with a carrying amount of 26,382 had been provided as collateral for repurchase and similar contracts (27,493). In general, the counterparty has the right to resell or repledge the securities.

52 Principal subsidiaries and associates

Subsidiaries

Name	Share	Voting rights
Netherlands		
De Lage Landen International B.V.	100%	100%
FGH Bank	100%	100%
Gilde International B.V.	100%	100%
O.W.M. Rabobanken B.A.	100%	100%
Obvion N.V.	50%	70%
Rabohypotheekbank N.V.	100%	100%
Rabobank Ledencertificaten N.V. I to III	100%	100%
Rabo Merchant Bank N.V.	100%	100%
Rabo Vastgoed B.V.	100%	100%
Rabo Wielerploegen B.V.	100%	100%
Raiffeisenhypotheekbank N.V.	100%	100%
Robeco Groep N.V.	100%	100%
Schretlen & Co N.V.	100%	100%
Other Euro zone countries		
ACCBank Plc	100%	100%
North America		
Rabobank Capital Funding LCC I & II	100%	100%
Rabobank Capital Funding Trust II to VI	100%	100%
Utrecht America Holdings Inc.	100%	100%
Australia and New Zealand		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%

Associates

Name	Share	Voting rights
Netherlands		
Eureko B.V.	37%	37%
Rest of Europe		
Bank Sarasin & Cie S.A.	28%	28%
BGZ S.A.	35%	35%

51 Supervisory Board and Executive Board

The members of the Supervisory Board and the Executive Board are listed on page 93 of these consolidated financial statements. The benefits for members and former members of the Executive Board came to 7.9 in 2005 (8.7). This amount is included under staff costs. It can be broken down as follows:

In millions of euros	2005	2004
Salaries	5.4	5.3
Pension contributions	0.6	0.5
Performance related benefits	1.4	1.8
Other	0.5	1.1
Total	7.9	8.7

The total benefits for current and former members of the Supervisory Board amounted to 1.2 (1.2).

At year-end 2005, loans and advances granted to members of the Supervisory Board and the Executive Board totalled 1.4 (1.9) respectively 3.4 (3.8).

50 Transactions with related parties

Two parties are considered related if one exercises control or has significant influence over the other party (regarding finance or operating decisions). In the normal course of business, Rabobank conducts a wide variety of transactions with related entities, involving different types of loans, deposits and transactions in foreign currencies. Transactions between related parties also include transactions with subsidiaries, associates, joint venture entities, shareholders and senior management, as well as transactions between subsidiaries. All these transactions were at arm's length. In accordance with IAS 24:4, intragroup transactions are eliminated in the preparation of the consolidated financial statements.

In the normal course of Rabobank's business operations, banking transactions are carried out with related parties. These involve loans, deposits and transactions in foreign currencies. All these transactions were at arm's length and against market prices. The volumes of related party transactions, year-end outstanding balances and the corresponding income and expenses during the year are given below:

	Associates		Other related parties	
In millions of euros	2005	2004	2005	2004
Loans				
- outstanding at beginning of the year	1,023	1,013	6	2
- granted during the year	-	205	28	9
- repaid during the year	(990)	(195)	(12)	(5)
Loans outstanding at end of the year	33	1,023	22	6
Due to other banks and due to customers				
- outstanding at beginning of year	1,002	668	1	-
- recognised during the year	5,311	346	-	1
- repaid during the year	(344)	(12)	(1)	-
Deposits at 31 December	5,969	1,002	-	1
Other liabilities	66	67	145	-
Credit liabilities and other guarantees issued by Rabobank	1,054	982	2,036	1,786

	Acquisitions			Disposals		
		Joint			Joint	
In millions of euros	Subsidiaries	ventures	Total	Subsidiaries	ventures	Total
At 31 December 2005						
Liabilities						
Due to other banks	18	-	18	564	-	564
Due to customers	-	-	-	1,022	-	1,022
Insurance liabilities	-	-	-	19,157	-	19,157
Derivative financial instruments and other trade liabilities	-	-	-	6	-	6
Other debts	-	-	-	740	-	740
Other liabilities	1	-	1	-	-	-
Provisions	-	-	-	49	-	49
Current tax	1	-	1	129	-	129
Deferred tax liabilities	-	-	-	175	-	175
Liabilities relating to employee benefits	-	-	-	50	-	50
Total liabilities	20	-	20	21,892	-	21,892
Net assets acquired/disposed of	2	-	2	2,019	-	2,019

	Acquisitions			Disposals		
		Joint			Joint	
In millions of euros	Subsidiaries	ventures	Total	Subsidiaries	ventures	Total
At 31 December 2005						
Gain/(loss) from disposal (after tax relating to Interpolis and Stroeve)	-	-	-	102	-	102
Total acquisition fee/gain on sales	5	-	5	-	-	-
Less: Cash and cash equivalents acquired/disposed of	(1)	-	(1)	-	-	-
Total	4	-	4	102	-	102

49 Acquisitions and disposals

Acquisitions and disposals of subsidiaries and joint ventures

The disposals relate to Interpolis and Stroeve.

The assets and liabilities acquired and disposed of, as well as the corresponding goodwill and fees, can be broken down as follows:

	Acquisitions			Disposals		
In millions of euros	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
At 31 December 2005						
Assets						
Cash and cash equivalents	1	-	1	-	-	-
Due from other banks	18	-	18	7,127	-	7,127
Trading financial assets	-	-	-	1	-	1
Other financial assets at fair value through profit and loss	-	-	-	9,144	-	9,144
Derivative financial instruments	-	-	-	82	-	82
Loans to customers	-	-	-	1,043	-	1,043
Available-for-sale financial assets	-	-	-	4,356	-	4,356
Investments in associates	-	-	-	33	-	33
Goodwill and other intangible assets	-	-	-	34	-	34
Property and equipment	3	-	3	252	-	252
Investment property	-	-	-	395	-	395
Other assets	-	-	-	1,444	-	1,444
Total assets	22	-	22	23,911	-	23,911

48 Taxation

In millions of euros	2005	2004
Current income tax		
- year under review	634	694
- *prior years*	(9)	43
Deferred tax	(26)	51
Share of income tax expense of associates	-	(15)
Taxation	599	773

The taxation on operating profit of Rabobank differs from the theoretical amount based on Dutch standard tax rates. The reconciliation between the two amounts is shown below.

In millions of euros	2005	2004
Profit before taxation	2,682	2,566
Tax exempt income and income to which tax treaties apply	(623)	(203)
Income from Interpolis insurance business	(353)	(214)
Non-deductible expenses	114	51
Other	58	(28)
Tax losses not recognised in prior years	(151)	(10)
Taxable income	1,727	2,162
Income tax expense based on a rate of 31.5% (34.5%)	544	745
Effect of change in tax rates	39	63
Effect of different tax rates in other countries and miscellaneous effects	16	(35)
Taxation	599	773

In 2005, the Dutch government reduced the standard rate of income tax from 34.5% to 31.5%.

45 Other administrative expenses

This item includes office supplies, IT expenses, postage, advertising, rent, maintenance of buildings, etc.

In millions of euros	2005	2004
Other administrative expenses	1,953	2,173

46 Depreciation and amortisation

In millions of euros	2005	2004
Depreciation and amortisation	331	321

47 Value adjustments

In millions of euros	2005	2004
Due from other banks	1	15
Loans to customers	575	481
Receipts less write-offs	(41)	(64)
Credit related liabilities	(11)	19
Available-for-sale financial assets	-	27
Other assets	(7)	1
Total value adjustments	517	479

The risk expenses related to lending were at an all-time low in 2004, while in 2005 they were slightly above the long-term average. This is mainly the result of a number of large new provisions formed abroad.

42 Income from Interpolis insurance business

In millions of euros	2005	2004
Income from Interpolis insurance business	353	214

On 31 October 2005, the interest in Interpolis was transferred in order to obtain an interest in Eureko. This did not generate any cash flows. The normal profit of Interpolis for the period 1 January to 31 October 2005 inclusive was 308 (214). Profit before tax for the same period was 429 (income 1,023, expense 594) (303 (income 999, expense 696)). The income tax expense on this profit came to 121 (89). The gain realised on the disposal was 78 before tax and 45 after tax. From 1 January to 31 October 2005, Interpolis generated the following cash flows: 900 from operating activities, minus 860 from investing activities and minus 40 from financing activities.

43 Other

As well as rent from real estate investments and income from operating leases, other includes the results on effects that cannot be allocated to individual categories of the profit and loss account. The adoption of IFRS has led to a sharp increase in the volatility of this portion of other income. The change in other income is almost entirely explained by this.

44 Staff costs

In millions of euros	2005	2004
Wages and salaries	2,637	2,569
Social security contributions and insurance costs	212	214
Pension costs for defined contribution plans	29	18
Pension costs for defined benefit plans	620	413
Other post-employment benefits	(197)	26
Other employee costs	579	443
Total staff costs	3,880	3,683

Expressed in FTEs, the average number of employees was 47,876 (50,533).

39 Income from associates

In millions of euros	2005	2004
Profit of associates	226	99

Of the profit of 226 (99), 128 (-) relates to discontinuation/disposal of interests.

Key figures of associates are as follows:		
Total assets at year end	98,285	20,507
Total liabilities at year end	87,756	17,308
Total income	3,749	4,039
Net result	306	297
Interest of Rabobank in associates	98	99

40 Trading income

In millions of euros	2005	2004
Foreign currencies	31	25
Debt instruments and interest rate derivative financial instruments	247	238
Equity instruments	89	71
Other trading income	6	(1)
Total trading income	373	333

The trading income also includes gains and losses on spot and forward contracts, options, futures and assets and liabilities denominated in foreign currencies.

41 Net income from non-trading financial assets and liabilities at fair value through profit and loss

In millions of euros	2005	2004
Net income	20	(90)

38 Fees and commission

Fee and commission income

In millions of euros	2005	2004
Asset management	721	605
Insurance commission	371	361
Lending	210	245
Purchase and sale of other financial assets	370	389
Payment services	407	374
Custodial fees and securities services	38	37
Other transactions involving financial instruments	108	104
Other commission income	414	179
Total fee and commission income	2,639	2,294

Fee and commission expense

In millions of euros	2005	2004
Asset management	186	149
Insurance commission	-	2
Purchase and sale of other financial assets	109	72
Payment services	7	13
Custodial fees and securities services	10	9
Other commission expense	110	177
Total fee and commission expense	422	422
Net fees and commission	2,217	1,872

37 Interest

In millions of euros	2005	2004
Interest income		
Cash and cash equivalents	96	106
Due from other banks	2,333	1,513
Trading financial assets	1,369	1,034
Other financial assets at fair value	269	215
Derivative financial instruments	613	227
Loans to customers	14,837	13,432
Available-for-sale financial assets	1,994	1,982
Held-to-maturity financial assets	69	85
Other	521	(14)
Total interest income	22,101	18,580
Interest expense		
Due to other banks	4,425	3,482
Trading financial assets	15	-
Due to customers	4,567	3,919
Debt securities in issue	3,464	2,379
Derivative financial instruments	2,239	1,642
Other debts	221	402
Other	763	561
Total interest expense	15,694	12,385
Net interest	6,407	6,195

A distribution becomes due on the Trust Preferred Securities issued in 1999 and 2003 included under subordinated loans if:

(i) the most recently audited and adopted consolidated financial statements of Rabobank Nederland show that Rabobank Group realised a net profit (after tax and extraordinary expenses) in the previous year; or

(ii) a distribution is made on securities that are more subordinated (such as Rabobank Member Certificates and Rabobank Member Certificates II) or on securities of equal rank (pari passu); subject to the proviso that no distribution becomes due should the De Nederlandsche Bank object (for example, if Rabobank's solvency ratio is below 8%).

The condition stated under (i) does not apply to Trust Preferred Securities issued in 2004. The other conditions do apply. If Rabobank Group realises a profit, Rabobank Nederland can make a distribution on these securities at its own discretion.

Trust Preferred Securities

In millions of euros	2005	2004
Changes during the year:		
Opening balance	1,877	-
Issued	-	1,879
Revaluation	215	(2)
Closing balance	2,092	1,877

36 Minority interests

This item relates to shares held by third parties in subsidiaries and other group companies.

In millions of euros	2005	2004
Opening balance	3,269	3,325
Currency translation differences	328	(152)
Other changes	(601)	96
Closing balance	2,996	3,269

Rabobank Member Certificates

In millions of euros	2005	2004
Changes during the year:		
Opening balance	3,840	3,853
Rabobank Member Certificates issued and cancelled during the year	1,971	(13)
Closing balance	**5,811**	3,840

35 Trust Preferred Securities III to VI issued by group companies

In 2004, four tranches of non-cumulative variable-interest shares were issued.

- Rabobank Capital Funding Trust III, Delaware, a group company of Rabobank Nederland, issued 1.50 million non-cumulative Trust Preferred Securities. The expected distribution is 5.254% until 21 October 2016. For the period 21 October 2016 to 31 December 2016 inclusive, the expected distribution is equal to the USD LIBOR interpolated for the period, plus 1.5900%. The trust has the right not to make a distribution. Thereafter, the expected distribution is equal to the three-month USD LIBOR plus 1.5900%. The total proceeds from this issue amounted to USD 1,500 million. As from 21 October 2016, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from De Nederlandsche Bank.
- Rabobank Capital Funding Trust IV, Delaware, a group company of Rabobank Nederland, issued 350 thousand non-cumulative Trust Preferred Securities. The expected distribution is 5.556% until 31 December 2019, after which the expected distribution is equal to the six-month GBP LIBOR plus 1.4600%. The trust has the right not to make a distribution. The total proceeds from this issue amounted to GBP 350 million. As from 31 December 2019, these Trust Preferred Securities can be repurchased on each distribution date (which is once every half-year) after prior written approval is received from De Nederlandsche Bank.
- Rabobank Capital Funding Trust V, Delaware, a group company of Rabobank Nederland, issued 250 thousand non-cumulative Trust Preferred Securities. The expected distribution is equal to the three-month BBSW plus 0.6700% until 31 December 2014 inclusive, after which the expected distribution is equal to the three-month BBSW plus 1.6700%. The trust has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. As from 31 December 2014, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from De Nederlandsche Bank.
- Rabobank Capital Funding Trust VI, Delaware, a group company of Rabobank Nederland, issued 250 thousand non-cumulative Trust Preferred Securities. The expected distribution is 6.415% until 31 December 2014, after which the expected distribution is equal to the three-month BBSW plus 1.6700%. The trust has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. As from 31 December 2014, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from De Nederlandsche Bank.

In millions of euros	2005	2004
Hedging reserve for cash flow hedges		
Opening balance	-	-
Gains/(losses) from fair value changes	1	-
Closing balance	1	-
Retained earnings		
Opening balance	13,469	12,162
Net profit	2,083	1,793
Payment on Rabobank Member Certificates and Trust Preferred Securities	(322)	(237)
Other	(58)	(249)
Closing balance	15,172	13,469
Total reserves and retained earnings	15,450	14,018

34 Rabobank Member Certificates issued by group companies

Members' capital relates to the Member Certificates issued in 2000, 2001, 2002 and 2005. In 2000, Rabobank Ledencertificaten N.V. (RLC), a group company of Rabobank Nederland, issued 40 million shares. The total proceeds from 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. In 2005, RLC III issued an additional 40 million shares. The total proceeds of this issue amounted to 2,000. In 2005, RLC III granted Rabobank Nederland a 1,999 deep-subordinated loan with a term of 35 years.
At year-end 2005, the number of shares held by members and employees was 98,576,672 (98,388,376) with a net asset value of 2,530 (2,528), 16,277,476 (16,361,759) shares with a net asset value of 1,713 (1,725) and 39,478,422 shares with a net asset value of 1,974.
Subject to the prior written approval of De Nederlandsche Bank, the loan may be repaid ahead of schedule on 29 June 2006 and every subsequent 29 June. The loan granted by RLC II can be repaid ahead of schedule on 29 December 2012. The loan granted by RLC III can be repaid early on 29 September 2035 and on the 29th of the third month of every quarter thereafter.
Since the proceeds of the issue are available to Rabobank on a perpetual and highly subordinated basis (also subordinate to the Trust Preferred Securities) and since in principle no distribution is made if the consolidated profit and loss account of Rabobank shows a loss for any financial year, the issue proceeds, insofar as they have been lent on to Rabobank Nederland, are recognised in equity in proportion to the number of shares held by members and employees.
The distribution per certificate in 2005 was 1.25 for RLC I, 4.5 for RLC II and 0.3 for RLC III. RLC has the right not to make a distribution.

Payments receivable from operating leases

Rabobank has taken on various operating lease contracts as lessor. The future net minimum lease payments receivable from non-cancellable operating leases can be broken down as follows:

In millions of euros	2005	2004
Earlier than 1 year	277	226
Later than one year but not later than five years	795	647
Later than 5 years	99	81
Total payments receivable from operating leases	1,171	954

33 Equity

Equity of Rabobank Nederland and local Rabobanks

In millions of euros	2005	2004
Foreign currency translation reserve	93	71
Revaluation reserve for available-for-sale financial assets	184	478
Hedging reserve for cash flow hedges	1	-
Retained earnings	15,172	13,469
Total reserves and retained earnings at year end	15,450	14,018
Foreign currency translation reserve		
Opening balance	71	127
Currency translation differences emerging during the year	22	(56)
Closing balance	93	71
Revaluation reserve available-for-sale financial assets		
Opening balance	478	212
Net gains/(losses) from fair value changes	(174)	491
Deferred tax assets and liabilities	12	(121)
Losses reclassified under profit as a result of impairment losses	-	2
Net (gains)/losses reclassified under profit at disposal	(132)	(111)
Other	-	5
Closing balance	184	478

32 Contingencies and commitments

Credit related liabilities

Credit granting liabilities represent the unused portions of funds authorised for the granting of credit in the form of loans, guarantees, letters of credit and other lending related financial instruments. Rabobank's credit risk exposure from credit granting liabilities consists of potential losses amounting to the unused portion of the authorised funds. The total expected loss is lower than the total unused funds, however, as credit granting liabilities are subject to the clients in question continuing to meet specific standards of creditworthiness. Guarantees represent irrevocable undertakings that, provided certain conditions are met, Rabobank will make payments on behalf of clients if they are unable to meet their financial obligations to third parties. Rabobank also accepts credit granting liabilities in the form of credit facilities made available to ensure that clients' liquidity requirements can be met, but which have not yet been drawn upon.

In millions of euros	2005	2004
Guarantees	7,021	6,550
Credit granting liabilities	60,636	55,075
Letters of credit	1,223	1,199
Contingent liabilities	18	43
Total credit related and contingent liabilities	68,898	62,867

Liabilities relating to operating leases

Rabobank has taken on various operating lease contracts as lessee. The future net minimum lease payments under non-cancellable operating leases can be broken down as follows:

In millions of euros	2005	2004
Shorter than 1 year	7	7
Longer than one year but not longer than five years	13	17
Longer than 5 years	-	1
Total liabilities relating to operating leases	20	25

31 Subordinated debt

In millions of euros	2005	2004
Subordinated debt	2,645	2,129

This subordinated debt includes loans relating to Trust Preferred Securities I and II, Rabobank Nederland, ACCBank and FGH Bank N.V.

In millions of euros	2005	2004
Trust Preferred Securities I and II		
At 1 January	1,927	2,037
Revaluation and other adjustments	206	(110)
Repayments	(650)	-
At 31 December	1,483	1,927

In 1999, 26 million non-cumulative Trust Preferred Securities with an expected distribution of 7% were issued by Rabobank Capital Funding Trust, Delaware, a group company of Rabobank Nederland. The total proceeds from this issue amounted to 650. As from 31 December 2004, Rabobank Capital Funding Trust has the right, after receiving prior written approval from De Nederlandsche Bank, to repurchase these Trust Preferred Securities on each distribution date (once a quarter). The trust exercised this right in the year under review to repay the loan.
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 distribution is 5.26% until 31 December 2013, after which the expected distribution 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 distribution date (which is once a quarter) after prior written approval is received from De Nederlandsche Bank.

Rabobank Nederland issued a variable interest rate loan of 1,000 in 2005, with the rate subject to review every three months.

The subordinated loan of ACCBank is a loan of 63 bearing interest at a variable rate. The loan matures in 2008. The interest expense recognised in 2005 was 1.9.

The subordinated loan of FGH Bank NV consists of five loans. Two loans of 7.5 and 5 respectively, each bearing a variable rate of interest and repayable in 2011. A loan of 10 bearing a current interest rate of 6.25%, increasing to 6.75% after five years. The loan matures in 2012. A loan of 40 bearing a fixed rate of interest of 6% and repayable in 2012. A further loan of 0.7 bearing a variable rate of interest and repayable in 2012.

30.2 Other post-employment benefits

Besides pension plans, Rabobank has a number of other post-employment benefit plans. The recognition method and measurement frequency are the same as for the defined benefit plans.

In addition to the assumptions used for the pension plans, the principal actuarial assumption used is a 4% increase in healthcare costs.

In millions of euros	2005	2004
Present value of liabilities not administered by funds	87	293
Unrecognised actuarial gains/(losses)	(13)	(17)
Net liabilities	74	276

The amounts recognised in consolidated profit and loss are as follows:

In millions of euros	2005	2004
Costs based on employment period during the year	15	13
Interest on liabilities	14	13
Actuarial result	36	-
Release of provision	(262)	-
Total costs	(197)	26

In millions of euros	2005	2004
Present value of liabilities administered by funds		
Present value of entitlements at 1 January	8,593	8,137
Interest	353	391
Increase in entitlements during the year	355	392
Benefits paid	(126)	(128)
Pension plan changes	309	-
Deconsolidation effects	(992)	-
Expected present value of entitlements at 31 December	8,492	8,792
Actuarial result	1,184	(199)
Present value of entitlements at 31 December	9,676	8,593
Fair value of plan assets		
Fair value of assets at 1 January	7,820	6,961
Expected income from investments	376	387
Premiums	947	316
Benefits paid	(126)	(128)
Deconsolidation effects	(904)	-
Expected fair value of assets at 31 December	8,113	7,536
Actuarial result	626	284
Fair value of assets at 31 December	8,739	7,820
Actual income from investments		
Expected income from investments	376	387
Actuarial result	626	284
Actual income from investments	1,002	671

The amounts recognised in consolidated profit and loss for the year are as follows:

In millions of euros	2005	2004
Costs based on period of employment during the year	355	392
Interest on liabilities	353	391
Expected income from plan assets	(376)	(387)
Pension plan changes	271	-
Gains and losses on discounts, settlements and costs	17	17
Total cost for defined benefit plans	620	413

30 Employee benefits

In millions of euros	2005	2004
Pension plans	838	1,247
Other post-employment benefits	74	276
Other employee benefits	525	435
Total pension liabilities	1,437	1,958

30.1 Pension plans

Rabobank has implemented several pension plans covering a significant percentage of its employees. Most of the plans are average pay defined benefit plans, some of which are administered by pension funds. The assets of the fund-administered plans are held independent of Rabobank assets and are managed by the trustees of the funds. These plans are valued each year by independent actuaries using the method prescribed by IFRS. The most recent actuarial valuations were carried out at the end of 2005.

The weighted average of the principal actuarial assumptions used in the valuation of the provision for defined benefit plans at 31 December (% per annum) are:

	2005	2004
Discount rate	4	4.5
Expected salary accrual rate	3	3
Consumer price inflation (indexation)	2	2
Expected return on investments	5	5.25

In millions of euros	2005	2004
Present value of liabilities administered by funds	9,676	8,593
Fair value of plan assets	(8,739)	(7,820)
	937	773
Present value of liabilities not administered by funds	1	8
Unrecognised actuarial gains/(losses)	(62)	466
Unrecognised backservice costs	(38)	-
Net liabilities	838	1,247

In millions of euros	2005	2004
Deferred tax assets		
Pensions and other post-employment benefits	497	683
Value adjustments	47	41
Other provisions	161	66
Hedged client deposits	176	337
Carry-forward losses	374	104
Property and equipment	(11)	(16)
Other temporary differences	(8)	(139)
Total deferred tax assets	1,236	1,076
Deferred tax liabilities		
Pension and other post-employment benefits	(2)	8
Value adjustments	1	1
Other provisions	-	1
Cash flow hedges	11	1
Carry-forward losses	5	20
Other temporary differences	314	192
Total deferred tax assets	329	223

The deferred tax expense relates to the following temporary differences:

In millions of euros	2005	2004
Property and equipment	5	2
Pension and other post-employment benefits	1	(5)
Value adjustments	4	(10)
Other provisions	18	3
Carry-forward losses	(34)	(2)
Other temporary differences	(20)	63
Deferred tax expense	(26)	51

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax items relate to the same taxation authority.

Maturity of the Rabobank provisions (excluding provisions for employee benefits and doubtful debts)

In millions of euros	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
At 31 December 2005					
Maturity of the provisions	223	618	73	17	931

29 Deferred tax

Deferred tax assets and liabilities are measured for all temporary differences using the 'liability' method and an effective tax rate of 29.1% (30.0%). Changes in the deferred income tax account can be broken down as follows:

In millions of euros	2005	2004
Deferred tax assets		
Opening balance	1,076	1,046
(Charged)/taken to profit and loss		
- in respect of rate changes	(44)	(64)
- other	65	12
Available-for-sale financial assets		
- remeasurement of fair value	28	-
Foreign exchange differences	58	(8)
Acquisition/(disposal) of subsidiary	2	(9)
Other	51	99
Closing balance	1,236	1,076
Deferred tax liabilities		
Opening balance	223	211
(Charged)/taken to profit and loss		
- in respect of rate changes	(5)	(1)
Available-for-sale financial assets		
- remeasurement of fair value	51	57
Cash flow hedges		
- remeasurement of fair value	10	-
Foreign exchange differences	12	(8)
Acquisition/(disposal) of subsidiary	(175)	(11)
Other	213	(25)
Closing balance	329	223

28 Provisions

Rabobank recognised the following provisions during the year:

In millions of euros	2005	2004
Restructuring provision	343	326
Leave and long-term employment provision	1	2
Legal issues provision	227	264
Other	360	489
Total	931	1,081
Restructuring provision		
Opening balance	326	273
Additional provisions recognised in profit and loss	161	164
Used during the year	(144)	(111)
Closing balance	343	326
Leave and long-term employment provision		
Opening balance	2	2
Additional provisions recognised in profit and loss	-	1
Used during the year	(1)	(1)
Closing balance	1	2
Legal issues provision		
Opening balance	264	264
Additional provisions recognised in profit and loss	65	56
Used, or released during the year	(102)	(56)
Closing balance	227	264
Other		
Opening balance	489	255
Additional provisions recognised in profit and loss	19	365
Used, or released during the year	(148)	(131)
Closing balance	360	489
Total provisions	931	1,081

Other includes provisions for loss-making contracts, credit guarantees and tax claims.

25 Debt securities in issue at fair value through profit and loss

	2005			2004		
In millions of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Bonds	17,672	-	17,672	11,300	-	11,300
Other debt securities	1,661	-	1,661	640	-	640
Total debt securities	19,333	-	19,333	11,940	-	11,940

26 Other debts

In millions of euros	2005	2004
Payables	3,439	1,967
Dividends payable	69	38
Income tax expense	283	291
Accrued interest	2,242	2,773
Other	1,313	2,581
Total other debts	7,346	7,650

27 Other financial liabilities at fair value through profit and loss

In millions of euros	2005	2004
Short share positions	923	2,567
Short bond positions	6,418	4,523
Total	7,341	7,090

22 Due to customers

In millions of euros	2005	2004
Savings	86,181	78,325
Current accounts/settlement accounts	48,240	43,376
Time deposits	36,162	35,377
Repurchase contracts	5,392	3,907
Other due to customers	10,452	16,486
Total due to customers	186,427	177,471

At year-end, client accounts included deposits amounting to 8 (4) that were held as collateral for irrevocable commitments in connection with letters of import credit.

23 Due to customers at fair value through profit and loss

This item relates to time deposits.

24 Debt securities in issue

	2005			2004		
In millions of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Certificates of deposit	-	21,814	21,814	-	21,738	21,738
Commercial paper	-	38,071	38,071	-	29,301	29,301
Bonds	50,627	3,453	54,080	40,298	3,245	43,543
Other debt securities	1,468	559	2,027	2,494	444	2,938
Total debt securities	52,095	63,897	115,992	42,792	54,728	97,520