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- A Panel of external valuers has been established. The Panel Agreement includes provision for any internal appraisal to be forwarded to the valuer for their check opinion.
- There is an established 4-eyes protocol for all valuations and appraisals relating to collateral. These 4- eyes consist of 2-eyes in the front office and an independent 2-eyes in Credit. There is mandatory compliance with this 4-eyes protocol i.e. it covers all new valuations/appraisals and any subsequent amendments (whether increase, decrease or no change) to those valuations/appraisals. Credit may request any internal appraisal to be forwarded to a Panel Valuer for their opinion on any security property (as above).

Further controls are embedded in the 4-eyes approach as follows:

- An additional 2-eyes in front office (i.e. 6-eyes in total) for appraisals completed by managers with <12-months experience in a specific geographic area.
  - The establishment of regional Credit ‘hubs’ around Australia where Credit approval staff (the second set of eyes) now have an improved capacity to oversight/challenge appraisals on the basis of their closer proximity to the ‘coalface’.
  - Creation of the HOV role has meant a further check both through providing an avenue for difficult or contentious appraisals/valuations to be evaluated and also through the routine hindsight of valuations/appraisals completed by the HOV.
- The possibility of an over-valuation is significantly mitigated by the continued maintenance of the bank’s preferred max LVR of 50% on rural properties. So that even in the event of an over-valuation the ratio remains within manageable risk limits.
- Valuation Policy includes provisions for Credit/HOV to order collateral value reviews at any time in the event of evidence of a systemic or industry-wide adjustment. The evidence utilised to trigger such a review includes commodity-based and/or regional assessments of collateral value trends as indicated by reports commissioned by the bank and undertaken by external valuers. The nation-wide review of viticultural property values completed in mid-2011 is an example of such an assessment. As a result of this report all such collateral asset values were immediately reviewed and updated (and where required, remedial actions implemented to mitigate the impact of any change to values).

Rabobank believes these actions ensure sufficient independence in the collateral valuation process.

#### **Finding 9 – AMR/CR Valuation due date maintenance**

With the implementation of CMS+ in October 2011 automatic system reminders were introduced to ensure that valuations are obtained at least every three years.

The system will trigger an electronic notification to the Account manager and also the Account Delegate 6 weeks before the due date for each of the:

- Expiring security inspection
- Expiring security valuation



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During 2012 a new system report will be introduced to enable a secondary mechanism for managing the monitoring of both the inspection date and valuation date. This report will also be available to management to undertake a supervisory overview.

**Finding 10 – AMR/CR Review due date maintenance**

With the implementation of CMS+ in October 2011 system controls were implemented as follows:

CR Review date – May only be amended by a Credit Approver

CR Extended Review Date - May only be amended by a Credit Approver

AMR Review date – May be amended by the Front Office

AMR Extended Review Date - May only be amended by a Credit Approver.

**Finding 14 – Centralized electronic storage of significant documents:**

We commenced investigations regarding the practicality of centralized electronic storage of significant documents and in early 2011 found it appropriate. During 2011 we completed the scanning of significant documents for our Queensland, Victoria and Tasmania locations (approximately 40% of the total). The estimated date for full completion of the remaining states is by the end of 2012.

If you require any further information regarding any of the above or would like to discuss our responses, please contact me.

Yours sincerely



Arnaud Roux de Bezieux  
Chief Risk Officer