



**COÖPERATIEVE RABOBANK U.A.**

(incorporated in the Netherlands with its statutory seat in Amsterdam  
and registered in the Commercial Register of the Chamber of Commerce under number 30046259)

**€25,000,000,000 Covered Bond Programme  
guaranteed as to payments of interest and principal by**

**RABO COVERED BOND COMPANY B.V.**

(incorporated in the Netherlands with its statutory seat in Amsterdam and registered in the Commercial Register of the Chamber of Commerce under number 67959687)

Under this €25,000,000,000 covered bond programme (the "**Programme**"), Coöperatieve Rabobank U.A. (the "**Issuer**" or "**Rabobank**") may from time to time issue covered bonds with an extendable maturity date in global or definitive and in bearer or registered form (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

Rabo Covered Bond Company B.V. (the "**CBC**") will as an independent obligation irrevocably undertake to pay scheduled interest and scheduled principal payable under the Covered Bonds pursuant to a guarantee issued under the Trust Deed (as defined below) and will pledge to Stichting Security Trustee Rabo Covered Bond Company (the "**Trustee**") the Transferred Assets (as defined below) and certain other assets as security therefor. Recourse against the CBC under its guarantee will be limited to the Transferred Assets and such other assets.

The aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €25,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to any increase as described herein.

The Covered Bonds may be issued on a continuing basis to purchasers thereof, which may include any Dealer(s) appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"). Such appointment may be for a specific issue or on an ongoing basis. The Dealer(s) who (intend to) subscribe an issue of any Covered Bonds is or are (as the case may be) collectively referred to as the "**relevant Dealer(s)**" in respect of those Covered Bonds.

The minimum denomination of Covered Bonds offered by the Issuer will be (i) such denomination as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (as defined below) and (ii) in respect of Covered Bonds which will be offered to the public within a member state of the European Economic Area or for which the Issuer will seek their admission to trading on a regulated market (as defined in Directive 2014/65/EU (as amended, "**MiFID II**")) situated or operating within such a member state, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive (as defined below), €100,000 (or its equivalent in any other currency at the date of issue of the Covered Bonds).

This Base Prospectus has been approved by the Stichting Autoriteit Financiële Markten ("**AFM**") as competent authority under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), implementing Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU (the "**Prospectus Directive**") during the period of 12 months from the date of this Base Prospectus (such date, the "**2018 Programme Date**"). Application may be made for Covered Bonds issued under the Programme to be admitted to listing on (i) Euronext in Amsterdam ("**Euronext Amsterdam**"), (ii) the official list of the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange Official List**") and admitted to trading on the regulated market of the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange**") or (iii) such other or further stock exchange(s) or market as may be agreed between the Issuer, the CBC, the Trustee and the relevant Dealer(s). Each of Euronext Amsterdam and the Luxembourg Stock Exchange Official List is a regulated market for the purposes of MiFID II. The Issuer may also issue unlisted and/or privately placed Covered Bonds. The relevant final terms to this Base Prospectus (the "**Final Terms**") in respect of the issue of any Covered Bonds will specify whether such Covered Bonds will be listed on Euronext Amsterdam or the Luxembourg Stock Exchange Official List (or any other stock exchange) or whether the Covered Bonds will be unlisted. References in this Base Prospectus to Covered Bonds being "listed" (and all related references) shall mean that such Covered Bonds have been admitted to trading and have been listed on Euronext Amsterdam, the Luxembourg Stock Exchange Official List and the regulated market of the Luxembourg Stock Exchange or such other or further stock exchange(s) or market which may be agreed between the Issuer, the CBC, any Dealer and the Trustee.

Notice of the aggregate nominal amount of the relevant Covered Bonds, interest (if any) payable in respect of such Covered Bonds, the issue price of such Covered Bonds and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under *Section 1.3 Terms and Conditions of Covered Bonds* below) of such Covered Bonds will be set out in the Final Terms substantially in the form as set out herein, which, with respect to such Covered Bonds to be listed on Euronext Amsterdam, the Luxembourg Stock Exchange Official List or on such other or further stock exchange(s) or market(s) as may be agreed and specified in the applicable Final Terms, will be delivered to Euronext Amsterdam, the Luxembourg Stock Exchange or on such other or further stock exchange(s) or market(s) on or before the date of issue of such Tranche.

The Issuer and the CBC may agree with any Dealer and the Trustee that Covered Bonds will be issued in a form not contemplated by the Conditions (as defined below) of the Covered Bonds set out herein, in which event a supplement, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

The Covered Bonds of each Tranche shall be either in bearer form or in registered form. Bearer Covered Bonds will (unless otherwise specified in the applicable Final Terms) initially be represented by a Global Covered Bond. Global Covered Bonds will be deposited on or about the issue date thereof either (i) with a common safekeeper of Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and/or with a safekeeper or depository for any other agreed clearing system or (ii) with Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. ("**Euroclear Netherlands**"). Registered Covered Bonds will either be issued (i) to each holder by way of a Registered Covered Bonds Deed or (ii) in respect of any Series which contains one or more Tranches offered or sold in reliance on Rule 144A, by way of a Registered Global Covered Bond certificate (all as defined herein). See *Section 1.1 Form of Covered Bonds* below.

The Covered Bonds are expected on issue to be assigned an Aaa rating by Moody's Investors Service Ltd. ("**Moody's**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency (as defined in *Section 2. Asset Backed Guarantee* below). Moody's is established in the European Economic Area and registered under the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**").

This Base Prospectus (as defined below) is to be read in conjunction with any supplement hereto and any Final Terms and with all documents which are deemed to be incorporated in it by reference (see *Section D.1 Incorporation by reference* below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated into, and form part of, this Base Prospectus.

Investing in Covered Bonds issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the CBC to fulfil their respective obligations under the Covered Bonds as well the principal risk factors associated with the Covered Bonds themselves are discussed under *Section B. Risk Factors* below.

This Base Prospectus supersedes and replaces the base prospectus dated 10 May 2017 in respect of a €25,000,000,000 Covered Bond programme (which was supplemented on 17 August 2017, 3 January 2018, 15 February 2018 and 4 April 2018).

**Arranger and Dealer for the Programme  
Rabobank**

The date of this Base Prospectus is 4 June 2018

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## IMPORTANT NOTICES

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

Neither the Arranger nor any Dealer(s) (except for Rabobank in its capacity as Issuer) nor the Trustee nor any of their respective affiliates has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealer(s) or the Trustee or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer and the CBC in connection with the Programme. Neither the Arranger, nor any Dealer(s) (except for Rabobank in its capacity as Issuer) nor the Trustee nor any of their respective affiliates accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer and the CBC in connection with the Programme.

No person is or has been authorised by the Issuer, the CBC, the Arranger, any Dealer or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the CBC, the Arranger, any Dealer or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds should be considered as a recommendation by the Issuer, the CBC, the Originators (as defined in *Section C.2 Principal Transaction Parties* below), the Arranger, any Dealer or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds shall be taken to have made its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the CBC. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer, the CBC, the Originators, the Arranger, any Dealer or the Trustee to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the CBC since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealer(s) and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the CBC or the Originators during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention. Neither the Issuer nor the CBC has any obligation to update this Base Prospectus, except when required by and in accordance with the Prospectus Directive.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the CBC, the Originators, the Arranger, the Dealer(s) and the Trustee do not represent that this Base Prospectus or any Final Terms may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the CBC, the Originators, the Arranger, the Dealer(s) or the Trustee which would permit a public offering of any Covered Bonds or distribution of this Base Prospectus or any Final Terms in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any Final Terms nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus, any Final Terms or any Covered Bonds may come must inform themselves about,

and observe, any such restrictions on the distribution of this Base Prospectus and any Final Terms and the offering and sale of Covered Bonds. In particular, there are selling restrictions in relation to the United States, the European Economic Area (including the Netherlands, the United Kingdom, France, Italy and Luxembourg) and Japan and other restrictions as may apply, see *Section 1.5 Subscription and Sale* below.

The Covered Bonds and the Guarantee (as defined under *Section 1.3 Terms and Conditions of Covered Bonds* below) from the CBC have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Bearer Covered Bonds for U.S. federal income tax purposes are subject to U.S. tax law requirements. Subject to certain exceptions, the Covered Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. Covered Bonds may be distributed (i) outside the United States to persons other than U.S. persons or (ii) within the United States to "qualified institutional buyers" within the meaning of, and in reliance on, Rule 144A under the Securities Act or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, see *Section 1.5 Subscription and Sale* below for more information.

This Base Prospectus has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of Covered Bonds which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer, the CBC or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, **provided that** any such prospectus has subsequently been completed by Final Terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms or drawdown prospectus, as applicable. Neither the Issuer, the CBC nor any Dealer has authorised, nor does any of them authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer, the CBC or any Dealer to publish or supplement a prospectus for such offer.

**BENCHMARK REGULATION** - Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation.

Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

Amounts payable under the Covered Bonds may, *inter alia*, be calculated by reference to Euro-zone inter-bank offered rate ("**EURIBOR**") which is provided by the European Money Markets Institute. As at the 2018 Programme Date, the European Money Markets Institute does not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that the European Money Markets Institute is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Amounts payable under the Covered Bonds may, *inter alia*, be calculated by reference to London inter-bank offered rate ("**LIBOR**"), which is provided by ICE Benchmark Administration Limited. As at the 2018 Programme Date, ICE Benchmark Administration Limited appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation.

**MIFID II PRODUCT GOVERNANCE / TARGET MARKET** – The Final Terms in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under Commission Delegated Directive (EU) 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

**EEA RETAIL INVESTORS** - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPS Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

All references in this document to "**EUR**", "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "**Sterling**" are to pounds sterling and references to "**U.S. Dollars**" are to United States dollars.

**In connection with the issue and distribution of any Tranche of Covered Bonds, the Dealer(s) (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds of the Series (as defined under *Section 1.3 Terms and Conditions of Covered Bonds* below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## A. KEY FEATURES OF THE PROGRAMME

*The following description of the key features of the Programme does not purport to be complete and is taken from, and is qualified in all respects by (a) the remainder of this Base Prospectus (including any future supplements thereto) and the information incorporated by reference herein (as defined in Section D.1 Incorporation by Reference below), (b) in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms and (c) in relation to the terms and conditions of any particular Transaction Document, the applicable Transaction Document.*

*Any decision to invest in the Covered Bonds should be based on a consideration of this Base Prospectus as a whole, including any amendment and supplement hereto and the documents incorporated herein by reference.*

*Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in this description. An index of certain defined terms is contained at the end of this Base Prospectus.*

*The following description of the key features of the Programme is not a summary as referred to in Article 5:14 of the Dutch Financial Supervision Act (Wet op het financieel toezicht, and its subordinate and implementing decrees and regulations: the "Wft").*

### 1. COVERED BONDS

**Issuer:** Coöperatieve Rabobank U.A, a cooperative with excluded liability (*coöperatie met uitgesloten aansprakelijkheid*) incorporated under the laws of the Netherlands, having its statutory seat (*statutaire zetel*) at Amsterdam, The Netherlands and its registered and head office at Croeselaan 18, 3521 CB Utrecht, The Netherlands and registered with the Commercial Register of the Chamber of Commerce under number 30046259 ("**Rabobank**"). Further information on the Issuer can be found in *Section E. Rabobank Group* below.

**Guarantor:** Rabo Covered Bond Company B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its statutory seat (*statutaire zetel*) at Amsterdam, The Netherlands and its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands and registered with the Commercial Register of the Chamber of Commerce under number 67959687. Further information on the Guarantor can be found in *Section 2.3 CBC* below.

**Risk factors:** There are certain factors that may affect the Issuer's and/or CBC's ability to fulfil its obligations under Covered Bonds issued under the Programme or the Guarantee, as the case may be. These include, amongst other things, the fact that the Issuer's and/or the CBC's results can be adversely affected by (i) general economic conditions and other business conditions, (ii) competition, (iii) regulatory change, (iv) standard banking risks including changes in interest and foreign exchange rates and (v) operational, credit, market, liquidity and legal risk. See *Section B. Risk Factors* below.

There are certain factors which are material for the purpose of assessing the market risks and other risks associated with Covered Bonds issued under the Programme. These include, amongst other things, risks related to (a) suitability for investors, (b) the structure of a particular issue of Covered Bonds, (c) the Guarantee, (d) the CBC, (e) the Covered Bonds generally, (f) the market generally, (g) asset monitoring, (h) servicing and custody of assets, (i) underlying swaps (if any) and (j) Transferred Assets. See *Section B. Risk Factors* below.

**Programme description:** Programme for the issue of Covered Bonds by the Issuer to Covered Bondholders on each issue date (each, an "**Issue Date**").

<b>Programme size:</b>	Up to €25,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) of Covered Bonds outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Covered Bonds may be distributed (i) outside the United States to persons other than U.S. persons (as such terms are defined in Regulation S under the Securities Act) or (ii) within the United States to "qualified institutional buyers" within the meaning of, and in reliance on, Rule 144A under the Securities Act or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and in each case on a syndicated or non-syndicated basis.
<b>Selling restrictions:</b>	There are selling restrictions in relation to the United States, the European Economic Area (including the Netherlands, the United Kingdom, France, Italy and Luxembourg) and Japan. Other restrictions may apply in connection with the offering and sale of a particular Tranche or Series. See <i>Section 1.5 Subscription and Sale</i> below.
<b>Specified Currencies:</b>	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>Certain restrictions:</b>	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time including the restrictions applicable as at the 2018 Programme Date.
<b>Maturities:</b>	Such maturities as set forth in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as defined in the applicable Final Terms) (the " <b>Specified Currency</b> ") subject to a maximum maturity for each Series of 45 years.
<b>Amortisation:</b>	All Covered Bonds will have soft bullet maturities (allowing payment by the CBC of Guaranteed Final Redemption Amounts to be extended to the relevant Extended Due for Payment Date).
<b>Issue Price:</b>	Covered Bonds shall be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Interest Payment Dates:</b>	Interest in respect of Covered Bonds (other than Zero Coupon Covered Bonds) shall be payable on the Covered Bonds of each Series on the Interest Payment Dates agreed by the Issuer and the relevant Dealer(s) and up to and including the Final Maturity Date or Extended Due for Payment Date (if applicable), as specified in and subject to the applicable Final Terms. Interest shall be payable monthly, bi-monthly, quarterly, semi-annually, annually or upon redemption of the relevant Covered Bonds, or such other date provided for in the applicable Final Terms.
<b>Form of Covered Bonds:</b>	<p>Each Covered Bond will be issued in bearer form (a "<b>Bearer Covered Bond</b>") or in registered form (a "<b>Registered Covered Bond</b>"). Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds.</p> <p>Each Tranche of Bearer Covered Bonds will (unless otherwise specified in the applicable Final Terms) initially be represented by a Temporary Global Covered Bond. Each Temporary Global Covered Bond (i) which</p>



is intended to be issued in new global note ("NGN") form (an "**NGN Temporary Global Covered Bond**") will be deposited on or around the relevant Issue Date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg or (ii) which is not intended to be issued in NGN form (a "**Classic Temporary Global Covered Bond**") may be deposited on or around the relevant Issue Date with Euroclear Netherlands and/or with (a common safekeeper or depositary for) any other agreed clearing system. A Temporary Global Covered Bond will be exchangeable as described therein for a Permanent Global Covered Bond.

A Permanent Global Covered Bond is exchangeable for Definitive Covered Bonds only upon the occurrence of an Exchange Event, all as described in *Section 1.1 Form of Covered Bonds* below, in accordance with the terms of the Permanent Global Covered Bond. Any interest in a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of (i) Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system or (ii) Euroclear Netherlands and/or any other agreed clearing system, as appropriate. See *Section 1.1 Form of Covered Bonds* below.

Upon the occurrence of an Exchange Event, in the case of Bearer Covered Bonds, the relevant Permanent Global Covered Bond will become exchangeable for Definitive Covered Bonds or, in the case of Registered Covered Bonds, the relevant Registered Global Covered Bond will become exchangeable for Registered Definitive Covered Bonds, except that in each case a Covered Bond which is held through Euroclear Netherlands shall only be exchangeable within the limited circumstances described in the Giro Securities Transfer Act (*Wet giraal effectenverkeer*, the "**Wge**") and such exchange will be made in accordance with the Wge and with the terms and conditions of Euroclear Netherlands and its operational documents. If any Permanent Global Covered Bond or, as the case may be, Registered Global Covered Bond is not duly exchanged, the terms of such Permanent Global Covered Bond or Registered Global Covered Bond, as the case may be, will provide a mechanism for relevant account holders with Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or DTC (as defined below) and/or any other agreed clearing system(s) to whose securities account(s) with such clearing system(s) the beneficial interests in such Permanent Global Covered Bond or Registered Global Covered Bond, as the case may be, are credited to be able to enforce rights directly against the Issuer.

Registered Covered Bonds will (unless otherwise specified in the applicable Final Terms) be either issued (i) to each holder by way of a deed of issuance (a "**Registered Covered Bonds Deed**") or (ii) with respect to any Series which contain one or more Tranches of Covered Bonds being offered or sold in reliance on Rule 144A, in the form of a Registered Global Covered Bond certificate.

**Fixed Rate Covered Bonds:**

Fixed Rate Covered Bonds will bear interest at a fixed rate, payable on such date or dates as set forth in the applicable Final Terms and on redemption and will be calculated on the basis of such Day Count Fraction as set forth in the applicable Final Terms.

**Floating Rate Covered Bonds:**

Floating Rate Covered Bonds will bear interest at a rate determined, as specified in the applicable Final Terms, being either:

- (a) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at

the Issue Date of the first Tranche of the Covered Bonds of the relevant Series); or

- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The margin (if any) relating to such floating rate will be specified in the applicable Final Terms.

**Other provisions in relation to Floating Rate Covered Bonds:**

Floating Rate Covered Bonds may also have a maximum interest rate ("**Cap**"), a minimum interest rate ("**Floor**") or both ("**Collar**"). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as set forth in the applicable Final Terms.

**Zero Coupon Covered Bonds:**

Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment.

**Redemption:**

The applicable Final Terms will indicate either that (a) the relevant Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified events, if applicable, or for taxation reasons or following an Issuer Event of Default or a CBC Event of Default) or (b) such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

**Denomination of Covered Bonds:**

Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms save that (i) the minimum denomination of each Covered Bond will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and (ii) the minimum denomination of each Covered Bond which will be offered to the public within a member state of the European Economic Area ("**EEA**") or which will be admitted to trading on a regulated market situated or operating within such a member state, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive, will be at least €100,000 (or its equivalent in any other currency at the date of issue of the Covered Bonds).

**Taxation:**

All payments in respect of the Covered Bonds will be made without withholding or deduction of taxes imposed by any Tax Jurisdiction (as defined below), subject to restrictions. In the event that any such withholding or deduction is made, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted or, if the Issuer elects, it may redeem the Series affected. The CBC will not be liable to pay any such additional amounts under the Guarantee.

The Issuer and the CBC shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA Withholding**") as a result of a holder, beneficial owner or an intermediary

that is not an agent of the Issuer or the CBC (as the case may be) not being entitled to receive payments free of FATCA Withholding. The Issuer and the CBC will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, the CBC, a Paying Agent, the Registrar or any other party.

**Cross default:** None of the Covered Bonds will accelerate automatically on an Issuer Event of Default or a CBC Event of Default. All Covered Bonds will accelerate following a failure to pay (subject to applicable grace periods) by the Issuer or the CBC in respect of any Series (or any other Issuer Event of Default or CBC Event of Default) if (a) the Trustee exercises its discretion to accelerate or (b) the Trustee accelerates following an instruction to accelerate by a Programme Resolution.

**Status of the Covered Bonds:** The Covered Bonds issued from time to time in accordance with the Programme will constitute unsecured and unsubordinated obligations of the Issuer, guaranteed by the Guarantee, and will rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for any obligations preferred by a mandatory operation of applicable law.

**Ratings:** As at the 2018 Programme Date, the Issuer has a counterparty risk assessment from Moody's of 'Aa2(cr)' and 'P-1(cr)'. The Covered Bonds are expected to be assigned a rating from Moody's of Aaa (to the extent Moody's is a Rating Agency at the time of the issue of the Covered Bonds). Tranches of Covered Bonds issued under the Programme may be rated or unrated. Where a Tranche of Covered Bonds is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Listing:** Application may be made for listing of the Covered Bonds to (i) Euronext Amsterdam or (ii) the Luxembourg Stock Exchange Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange, in each case, during the period of 12 months from the 2018 Programme Date. The Covered Bonds may also be listed, quoted and/or traded on or by such other or further competent listing authority(ies), stock exchange(s) and/or quotation system(s) as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series.

Unlisted Covered Bonds may also be issued.

The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed, quoted and/or traded and, if so, on or by which competent listing authority(ies) or stock exchange(s) and/or quotation system(s).

**Clearing:** Euroclear and/or Clearstream, Luxembourg and/or Euroclear Netherlands and/or The Depository Trust Company ("**DTC**") and/or any other agreed clearing system.

**Governing law:** The Covered Bonds will be governed by, and construed in accordance with, Dutch law.

## 2. ASSET-BACKED GUARANTEE

**Guarantee, Security, CBC:** Pursuant to the Guarantee issued under the Trust Deed, the CBC will as an independent obligation irrevocably undertake to pay scheduled interest

and scheduled principal payable under the Covered Bonds. The obligations of the CBC under the Guarantee will constitute unsubordinated and unguaranteed obligations of the CBC, secured (indirectly through a parallel debt) by a pledge of the CBC's Secured Property to the Trustee. Recourse under the Guarantee will be limited to the Secured Property from time to time.

Payments made by the CBC under the Guarantee will be made subject to, and in accordance with, the Post-Notice-to-Pay Priority of Payments or the Post-CBC-Acceleration-Notice Priority of Payments, as applicable.

Principal Transaction Documents: Trust Deed, Master Receivables Pledge Agreement, Accounts Pledge and CBC Rights Pledge.

**Extendable obligations under the Guarantee:**

In respect of each Series of Covered Bonds, if the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount, then:

- (a) the obligation of the CBC to pay such Guaranteed Final Redemption Amount in respect of such Series of Covered Bonds shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, unless on the date on which the Guaranteed Final Redemption Amount is Due for Payment (the "**Extension Date**") or any subsequent Interest Payment Date which applies pursuant to paragraph (b) below and which falls prior to the Extended Due for Payment Date, any monies are available to the CBC after the CBC shall under the relevant Priority of Payments have paid or provided for (1) all higher ranking amounts and (2) all Guaranteed Final Redemption Amounts pertaining to any Series of Covered Bonds with an Extended Due for Payment Date falling prior to the CBC Payment Period in which the Extended Due for Payment Date for such Series of Covered Bonds falls, in which case the CBC shall (i) give notice thereof to the relevant holders of the Covered Bonds (in accordance with Condition 13 (*Notices; Provision of Information*)), the Rating Agency, the Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two Business Days prior to the Extension Date and/or such Interest Payment Date, respectively, and (ii) apply such remaining available monies in payment, in whole or in part, of such Guaranteed Final Redemption Amount, if applicable *pro rata* with any Guaranteed Final Redemption Amount pertaining to a Series of Covered Bonds with an Extended Due for Payment Date falling in the same CBC Payment Period in which the Extended Due for Payment Date for the Series of Covered Bonds falls (and to such extent such Guaranteed Final Redemption Amount shall for the purpose of the relevant Priority of Payments and all other purposes deemed to be due) as well as any other *pari passu* ranking amounts on the Extension Date and/or such Interest Payment Date, respectively; and
- (b) the CBC shall under the Guarantee owe interest over the unpaid portion of such Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 4 (*Interest*), **provided that** for this purpose all references in Condition 4 (*Interest*) to the Final Maturity Date of such Series of Covered Bonds are deemed to be references to the Extended Due for Payment Date, *mutatis mutandis*,

all without prejudice to the CBC's obligation to pay any other Guaranteed Amount (i.e. other than the Guaranteed Final Redemption Amount) when Due for Payment.

Principal Transaction Document: Trust Deed.

### 3. GUARANTEE SUPPORT

**Transfers, Retransfers,  
Eligible Assets,  
Originators:**

As consideration for the CBC assuming the Guarantee, and in order to enable the CBC to meet its obligations under the Guarantee, the Initial Originators have transferred and will transfer Eligible Assets (to the extent they are an Originator) to the CBC in accordance with the Guarantee Support Agreement. At the option of the Issuer and subject always to Rating Agency Confirmation, New Originators may accede to the Guarantee Support Agreement. The Originators are obliged, and the CBC will use reasonable endeavours, to ensure, amongst other things, that the Asset Cover Test is satisfied as at the end of each calendar month, as calculated on the immediately succeeding Calculation Date.

Principal Transaction Document: Guarantee Support Agreement.

### 4. ASSET MONITORING

**Tests, Sale of Selected  
Receivables, Asset  
Monitor:**

The following tests for Covered Bonds will be carried out in order to monitor the CBC's assets from time to time.

The Asset Cover Test is intended to ensure that the ratio of the Transferred Assets to the Covered Bonds is maintained at a certain level.

A Breach of the Asset Cover Test will entitle the Trustee to serve a Breach of Asset Cover Test Notice on the CBC.

The Amortisation Test is only carried out following service of a Notice to Pay or a Breach of Asset Cover Test Notice, and is like the Asset Cover Test intended to ensure that the ratio of the Transferred Assets to the Covered Bonds is maintained at a certain level. A Breach of the Amortisation Test will entitle the Trustee to serve a CBC Acceleration Notice.

In addition, under the CB Legislation the Issuer will, among other things, be required to ensure that (i) a statutory minimum level of overcollateralisation of eligible cover assets is maintained, (ii) the value of the Transferred Assets (subject to certain deductions in accordance with the CB Legislation) is at all times at least equal to the Principal Amount Outstanding of the Covered Bonds and (iii) at all times sufficient liquidity is maintained or generated by the CBC to cover for the following 6 month-period interest payments on the Covered Bonds and certain higher and *pari passu* ranking payments (such funds, "**Mandatory Liquidity Fund**"), in each case as calculated and determined in accordance with the CB Legislation. Among other things, the Asset Cover Test, the Mandatory Liquidity Fund (each as defined below) and mandatory asset quantity tests are used to comply with such statutory overcollateralisation, minimum value and liquidity requirements under the CB Legislation.

Principal Transaction Documents: Asset Monitor Agreement and Administration Agreement.

## 5. SERVICING AND CUSTODY

### **Servicing, Servicers, Custody:**

The Initial Servicer has entered into the Initial Servicing Agreement with the CBC and the Trustee, pursuant to which it provides administrative services in respect of the Portfolio. The Initial Servicer also services any New Receivables, unless it is agreed between the CBC, the Trustee and the Initial Servicer that the Originator transferring such New Receivables (or an eligible third party servicer) shall act as Servicer in relation to such New Receivables. The Initial Servicer is, and each New Servicer will be, permitted to sub-contract its servicing role to a third party servicer subject to any applicable conditions in the relevant Servicing Agreement. If Substitution Assets are transferred to the CBC, the CBC will appoint a custodian to provide custody services in relation to such Substitution Assets.

Principal Transaction Document: Initial Servicing Agreement.

## 6. SWAPS

### **Structured Swaps, Interest Rate Swaps, Portfolio Swaps:**

There may be certain mismatches between, amongst others, the currency in which interest and principal are received on the Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account and in which interest and principal are payable under the Covered Bonds. In order to address these mismatches and solely following the occurrence of certain events described in the Swap Undertaking Letter, the CBC will be required to enter into hedging arrangements which may be in the form of Structured Swaps.

In addition, mismatches are possible in the rates of interest payable on the Transferred Receivables (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate) or the rates of interest or revenue payable on the other Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account and the rate of interest payable on the outstanding Covered Bonds. In order to address these mismatches, the CBC may, but is not required to, enter into hedging arrangements which may be in the form of Interest Rate Swaps or Portfolio Swaps.

The Interest Rate Swaps may be entered into to hedge the risk of any possible mismatch between any (fixed or floating) interest basis as determined by the Issuer and the rate of interest payable under any euro denominated Series. The CBC is not required to enter into any Interest Rate Swap.

The Portfolio Swaps may be entered into to hedge the risk of any mismatches between (i) the interest to be received on the Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account multiplied by the Portfolio Swap Fraction and (ii) (x) the amounts of interest payable under one or more Series or all Series of Covered Bonds or (y) any amount payable under any Structured Swap and/or any Interest Rate Swap in respect of a specific Series of Covered Bonds. The CBC is not required to enter into any Portfolio Swap.

In the Swap Undertaking Letter, Rabobank undertakes to, or to procure an Eligible Swap Provider to, enter into one or more (as agreed between the CBC and such Eligible Swap Provider) Swap Agreements with the CBC governing (a) Structured Swap(s) for each Series denominated in a currency other than Euro if (i) a Notification Event occurs, (ii) a Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice

is served or (iii) the rating(s) of Rabobank are, or fall, below the minimum rating(s) set for an Eligible Swap Provider (in which case Structured Swaps will be required) or (b) as may be determined by the Issuer, one or more Portfolio Swap(s) and/or one or more Interest Rate Swap(s) for any Series.

Principal Transaction Documents: Swap Agreement(s) (if any) and the Swap Undertaking Letter.

## 7. CASHFLOWS

### **Ledgers, Priority of Payments, CBC Accounts:**

For as long as no Notification Event has occurred and no Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served on the CBC, no cashflows will run through the CBC. In those circumstances the Originators will be entitled to receive and retain the proceeds from the Transferred Assets for their own benefit. In addition, the Issuer will, as consideration for the CBC assuming the Guarantee, pay (a) all costs and expenses of the CBC and (b) make and receive all payments to be made or received by the CBC under any Swap Agreement (except that any collateral to be provided by a Swap Provider following its downgrade will be delivered to the CBC irrespective of whether any Notification Event has occurred or any Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served at such time). Upon the earlier to occur of a Notification Event and service of a Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice on the CBC, cashflows will run through the CBC and will be applied in accordance with the relevant Priority of Payments.

Principal Transaction Documents: Trust Deed, Guarantee Support Agreement, Administration Agreement and AIC Account Agreement.

## 8. GENERAL INFORMATION

**General Information:** Copies of the principal Transaction Documents and various other documents are available free of charge during usual business hours on any weekday (public holidays excepted) from the registered office of the Issuer, the specified office of the Principal Paying Agent or the specified office of the Listing Agent.

## 9. DUTCH COVERED BOND LEGISLATION

**Regulated Covered Bonds:** On the 2018 Programme Date, the Issuer and the Covered Bonds are admitted to the register maintained by the Dutch Central Bank (*De Nederlandsche Bank N.V.*, "**DNB**") (which register is maintained by DNB in accordance with the CB Legislation) (the "**DNB-register**"). On the 2018 Programme Date, the Covered Bonds comply with article 52(4) UCITS.

**Compliance with Article 129 CRR:** On the 2018 Programme Date, the Covered Bonds are in the DNB-register registered as being compliant with Article 129 CRR.

**Hard Bullet Maturities:** No.

**Extendable Maturities:** Yes, as specified in the applicable Final Terms.

**Extendable Due for Payment Date in respect of each Series of Covered Bonds:** The date falling twelve (12) calendar months after the Final Maturity Date of the relevant Series of Covered Bonds, as specified in the applicable Final Terms.

<b>Primary Cover Assets:</b>	For the purpose of the CB Legislation, the primary cover assets ( <i>primaire dekkingsactiva</i> ) under the Programme solely comprise loans backed by residential real estate as referred to in Article 129 CRR, paragraph 1(d)(i).
<b>Residence of Debtors of Transferred Receivables:</b>	The Netherlands.
<b>Governing Law of Transferred Receivables:</b>	Dutch law.
<b>Location of Mortgaged Properties:</b>	The Netherlands.



## 10. OVERVIEW OF RATING THRESHOLDS

*The following overview of rating thresholds does not purport to be complete and is qualified in all respects by the remainder of this Base Prospectus and the Transaction Documents. A specific rating or period in the following overview shall be deemed a reference to such other rating or period as may be determined to be applicable or agreed from time to time by the relevant credit rating agency. References in this overview to "LT" mean the relevant long-term rating, references to "ST" mean the relevant short-term rating and "BDR" mean bank deposit rating.*

<b>Transaction Party</b>	<b>Moody's rating threshold</b>	<b>Event/Action if <u>below</u> rating threshold</b>	<b>Section in Base Prospectus</b>
Rabobank, as party to the Swap Undertaking Letter	P-2(cr) (ST) and A3(cr) (LT)	In relation to any non-euro denominated Series of Covered Bonds, Structured Swaps to be entered into with the CBC	6. Swaps
Account Bank	P-1(BDR) (ST)	Replacement of Account Bank, Account Bank to obtain guarantee or other remedy	7.4 CBC Accounts
Issuer	A3(cr) (LT)	Unless rating is regained within 12 months, other appropriate remedy is found or a deduction is made in the Asset Cover Test and the Amortisation Test, Originators to pledge Residual Claims to the CBC	3.1 Transfers
	Baa1(cr) (LT)	Item "Y" of the Asset Cover Test is activated	4.1 Asset Cover Test
		Unless other appropriate remedy is found or a deduction is made in the Asset Cover Test and the Amortisation Test, Originators to pledge Residual Claims to the CBC	3.1 Transfers
	Baa3(cr)	Notification Event	3.1 Transfers
	P-1(cr) (ST)	Reserve Fund Required Amount to be at least Rating Trigger Required Amount	7. Cashflows
		Item "X" of the Asset Cover Test and the Amortisation Test is activated	4.1 Asset Cover Test 4.2 Amortisation Test
	P-1(cr) (ST)	Item "α" paragraph (g) of the Asset Cover Test and the Amortisation Test is activated	4.1 Asset Cover Test 4.2 Amortisation Test
		For the definition of "Authorised Investments", investments to have a remaining maturity date of 30 days or less and to mature on or before next following CBC Payment Date	4.2 Amortisation Test

<b>Transaction Party</b>	<b>Moody's rating threshold</b>	<b>Event/Action if <u>below</u> rating threshold</b>	<b>Section in Base Prospectus</b>
		CBC to sell all Substitution Assets	4.3 Sale or Refinancing of Selected Assets
Issuer or Administrator	Baa3(cr)	Increase frequency of verification by Asset Monitor of Asset Cover Test or Amortisation Test calculations, as applicable	4.4 Asset Monitor
Swap Provider	Minimum rating specified in the relevant Swap Agreement	Replacement of relevant Swap Provider or other remedy	6. Swaps

## **B. RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Covered Bonds issued under the Programme and/or the CBC's ability to fulfil its obligations under the Guarantee. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the risks inherent in investing in Covered Bonds issued under the Programme, but the inability of the Issuer and the CBC to pay interest, principal or other amounts on or in connection with any Covered Bonds or the Guarantee, as applicable, may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Additional risks not currently known to the Issuer or what the Issuer now views as immaterial may also have a material adverse effect on the Issuer's future business, operating results or financial condition and affect an investment in Covered Bonds issued under the Programme. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, and reach their own views prior to making any investment decision.*

*Before making an investment decision with respect to any Covered Bonds, prospective investors should form their own opinions, consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Covered Bonds and consider such an investment decision in the light of the prospective investor's personal circumstances.*

*The subsequent numbers and capital headings used in the text below correspond to the numbers and headings of the subsequent chapters as contained in this Base Prospectus, where additional and more detailed information on the same heading can be found. Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in the below risk factors description. An index of certain defined terms is contained at the end of this Base Prospectus.*

### **B.1 Issuer**

***Factors that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds issued under the Programme***

***Conditions in the general economic conditions in The Netherlands and globally may have a material adverse effect on Rabobank Group's results of operations.***

The profitability of Rabobank Group could be adversely affected by a downturn in general economic conditions in the Netherlands or globally. Financial markets are volatile. Factors such as interest rates, exchange rates, inflation, deflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices can significantly affect the activity level of customers and the profitability of Rabobank Group. In addition, developments like Brexit could adversely affect the general economic conditions and thereby the profitability of Rabobank Group. Interest rates remained low in 2017. Persistent low interest rates have negatively affected and continue to negatively affect the net interest income of Rabobank Group. An economic downturn, or significantly higher interest rates for customers, could adversely affect the credit quality of Rabobank Group's assets by increasing the risk that a greater number of its customers would be unable to meet their obligations. Moreover, a market downturn in the Dutch or global economy could reduce the value of Rabobank Group's assets and could cause Rabobank Group to incur mark-to-market losses in its trading portfolios or could reduce the fees Rabobank Group earns for managing assets or the levels of assets under management. In addition, a market downturn and increased competition for savings in the Netherlands could lead to a decline in the volume of customer transactions that Rabobank Group executes and, therefore, a decline in customer deposits and the income it receives from commissions and interest. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Material factors affecting results of operations — General market conditions*". Continuing volatility in the financial markets or a protracted economic downturn in Rabobank Group's major markets or Rabobank Group's inability to accurately predict or respond to such developments could have a material adverse effect on Rabobank Group's prospects, business, financial condition and results of operations.

***Rabobank Group is subject to credit risk which may have a material adverse effect on the Rabobank Group's results of operations.***

Credit risk is defined as the risk that a bank will suffer economic losses because a counterparty cannot fulfil its financial or other contractual obligations arising from a credit contract. A "credit" is each legal relationship on the basis of which Rabobank Group, in its role as financial services provider, can or will obtain a claim on a debtor by providing a product. In addition to loans and facilities (with or without commitment), credit as a generic term also includes, among other things, guarantees, letters of credit and derivatives. An economic downturn may result in an increase in credit risk and, consequently, loan impairments that are above Rabobank Group's long-term average, which could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

***Rabobank Group is subject to country risk which may have a material adverse effect on Rabobank Group's results of operations.***

With respect to country risk, a distinction can be made between transfer risk and collective debtor risk. Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in that country to creditors abroad. Collective debtor risk relates to the situation in which a large number of debtors in a country cannot meet their commitments for the same reason (e.g. war, political and social unrest or natural disasters, but also government policy that does not succeed in creating macro-economic and financial stability).

Unpredictable and unexpected events which increase transfer risk or collective debtor risk could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

Rabobank performs a number of operations in the United Kingdom for its customers, including products and services for international clients in the field of corporate banking, commercial financing and operations relating to global financial markets. The extent, timing and process by which the United Kingdom (or any other country) will exit the European Union ("**Brexit**"), and the longer term economic, legal, political and social framework to be put in place by the United Kingdom and the European Union are unclear at this stage and are likely to lead to ongoing political and economic uncertainty and periods of exacerbated volatility in the United Kingdom, wider European markets or other markets in which Rabobank Group operates. Any of these factors or the terms of the outcome and the result of Brexit could have a material adverse effect on Rabobank Group's results of operations and the value of the Covered Bonds.

***Changes in interest rates which may have a material adverse effect on Rabobank Group's results of operations.***

Interest rate risk is the risk, outside the trading environment, of deviations in net interest income and/or the economic value of equity as a result of changes in market interest rates. Interest rate risk results mainly from mismatches between the periods for which interest rates are fixed for loans and funds entrusted. If interest rates increase, the rate for Rabobank Group's liabilities, such as savings, may need to be adjusted immediately. At the same time, the rates on the majority of Rabobank Group's assets, such as mortgages, which have longer interest rate fixation periods, will not change before the end of the fixed rate period. As a result, rising interest rates may have an adverse impact on Rabobank's earnings, although this impact should be mitigated to some extent by higher interest revenues on assets that are funded by non- and low-interest-bearing liabilities (reserves, balances on payment accounts and current accounts). Sudden and substantial changes in interest rates or very low or negative interest rates could have a material adverse effect on Rabobank Group's results of operations. Inflation and expected inflation can influence interest rates. An increase in inflation may: (i) decrease the value of certain fixed income instruments which Rabobank Group holds; (ii) result in surrenders (*afkoop*) of certain savings products with fixed rates below market rates by banking customers of Rabobank Group; (iii) require Rabobank Group to pay higher interest rates on the securities that it issues; and (iv) cause a general decline in financial markets.

***Rabobank Group is subject to funding and liquidity risk which may have a material adverse effect on Rabobank Group's results of operations.***

Liquidity risk is the risk that the bank will not be able to meet all of its payment obligations on time, as well as the risk that the bank will not be able to fund increases in assets at a reasonable price. This could happen if, for instance, customers or professional counterparties suddenly withdraw more funds than expected which cannot be absorbed by the bank's cash resources, by selling or pledging assets in the market or by

borrowing funds from third parties. Important factors in preventing this are maintaining an adequate liquidity position and retaining the confidence of institutional market participants and retail customers to maintain the deposit base and access to public money and the capital markets for Rabobank Group. If these are seriously threatened, this could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

***Rabobank Group is subject to market risk which may have a material adverse effect on Rabobank Group's results of operations.***

The value of Rabobank Group's trading portfolio is affected by changes in market prices, such as interest rates, equity prices, credit spreads, currencies and commodity prices. Any future worsening of the situation in the financial markets could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

***Rabobank Group is subject to currency risk which may have a material adverse effect on Rabobank Group's results of operations.***

Rabobank engages in activities that exposes it to currency exchange rate risk ("**FX Risk**"). This risk may originate from trading and non-trading activities, domestically or internationally and consequences will be reflected in the profit and loss statement or in the equity account (through changes in revaluation reserve/translation reserve account). FX Risk is the (dynamic) risk that exchange rates movements could lead to volatility in the bank's cash flows, assets and liabilities, net profits and/or equity. Sudden and substantial changes in the exchange rates of currencies could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

***Rabobank Group is subject to operational risk which may have a material adverse effect on Rabobank Group's reputation and results of operations.***

Operational risk is defined by Rabobank Group as "the risk of losses resulting from inadequate or failed internal processes, people or systems or by external events". Operational risk includes all non-financial risk types including legal risk and tax risk. Rabobank Group operates within the current regulatory framework with measuring and managing operational risk, including holding capital for this risk. Events in modern international banking have shown that operational risks can lead to substantial losses. Examples of operational risk incidents are highly diverse: fraud or other illegal conduct, failure of an institution to have policies and procedures and controls in place to prevent, detect and report incidents of non-compliance with applicable laws or regulations, inadequate control processes to manage risks, ineffective implementation of internal controls, claims relating to inadequate products, inadequate documentation, losses due to poor occupational health and safety conditions, errors in transaction processing, system failures and cyberattacks. Organisational changes in the process of being implemented may result in an increased risk profile. Rabobank Group is undergoing major changes; there are large regulatory projects (relating to regulations for example IFRS9 and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)) and reorganisations. Furthermore, the bank is undergoing a restructuring in respect of its control system with the implementation of the Risk Control Framework, which seeks to adopt a unified approach for Rabobank Group on how to execute risk and control activities. As these changes progress, the number of Rabobank Group's employees is declining. The combination of change in the company and workforce may temporarily have a negative impact on existing work flow and operations and may consequently lead to an increased operational risk profile. The possible increase of the number of operational risk incidents or additional cost of complying with new regulation could have a material adverse effect on Rabobank Group's reputation and could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

***Rabobank Group is subject to legal risk which may have a material adverse effect on Rabobank Group's results of operations, financial condition and prospects.***

Rabobank Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, Rabobank Group is exposed to many forms of legal risk, which may arise in a number of ways. Rabobank Group faces risk where legal and arbitration proceedings, whether private litigation or regulatory enforcement action, are brought against it. The outcome of such proceedings is inherently uncertain and could result in financial loss. Defending or responding to such proceedings can be expensive

and time-consuming and there is no guarantee that all costs incurred will be recovered even if Rabobank Group is successful. Failure to manage these risks could have a negative impact on Rabobank Group's reputation and could have a material adverse effect on Rabobank Group's results of operations. In addition, banking entities generally, including Rabobank Group, are subject to comprehensive regulatory oversight and scrutiny, which may lead to additional regulatory investigations or enforcement actions. These and other regulatory initiatives may result in judgements, settlements, fines or penalties, or cause Rabobank Group to restructure its operations and activities, any of which could have a negative impact on Rabobank Group's reputation or impose additional operational costs and could have a material adverse effect on Rabobank Group's results of operations.

A negative outcome of potentially significant claims (including proceedings, collective-actions and settlements), action taken by supervisory authorities or other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could have a negative impact on Rabobank Group's reputation or impose additional operational costs, and could have a material adverse effect on Rabobank Group's prospects, business, financial condition and results of operations. For further information, see "*Description of Business of Rabobank Group — Legal and arbitration proceedings*" on pages 93 to 94 of this Base Prospectus. For relevant specific proceedings, reference is made to pages 204 to 207 of Rabobank Group's audited consolidated financial statements, including the notes thereto, for year ended 31 December 2017, incorporated by reference into this Base Prospectus.

***Rabobank Group is subject to tax risk which may have a material adverse effect on Rabobank Group's reputation and results of operations.***

Rabobank Group is subject to the tax laws of all countries in which it operates. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions, which could have a material adverse effect on Rabobank Group's business, financial condition and results of operations or lead to regulatory enforcement action or may have a negative impact on Rabobank Group's reputation.

***Dutch tax risks related to the new Dutch government's intention to introduce a "thin capitalisation rule" for banks and insurers.***

On 10 October 2017, the new Dutch government released their coalition agreement (*Regeerakkoord*) 2017-2021, which includes, among others, certain policy intentions for tax reform. On 23 February 2018, the Dutch State Secretary for Finance published a letter with an annex containing further details on the government's policy intentions against tax avoidance and tax evasion. One of the policy intentions in particular may become relevant within the context of the Dutch tax treatment of the Issuer and/or payments in respect of the Covered Bonds.

This policy intention relates to the introduction of a "thin capitalisation rule" as of 2020 that would limit the deduction of interest on debt exceeding 92% of the commercial balance sheet total. The heading in the coalition agreement and the annex to the letter suggest that this thin capitalisation rule will apply solely to banks and insurers. However, it cannot be ruled out that it will have a generic application and, as such, it could potentially be applicable to other taxpayers (including the CBC). If this policy intention is implemented in Dutch tax law, it may have an adverse impact on the amount of interest that the Issuer may deduct for Dutch corporate income tax purposes and thus may increase the Issuer's Dutch corporate income tax liability. However, the new Dutch government also aims to lower the Dutch corporate income tax rate. If enacted, the corporate income rate applicable to taxable profits up to €200,000 will be lowered from 20% to 19% in 2019, to 17.5% in 2020 and to 16% in 2021 and the corporate income tax rate applicable to taxable profits in excess of €200,000 will be lowered from 25% to 24% in 2019, 22.5% in 2020 and to 21% in 2021. At the date of this Base Prospectus, the impact of these objectives on the Issuer's financial position cannot be assessed.

***Rabobank Group is subject to systemic risk which may have a material adverse effect on Rabobank Group's ability to raise new funding and results of operations.***

Rabobank Group could be negatively affected by the weakness or the perceived weakness of other financial institutions, which could result in significant systemic liquidity problems, losses or defaults by other financial institutions and counterparties. Financial services institutions that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as 'systemic risk' and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom Rabobank Group interacts on a daily basis. Concerns about the creditworthiness of sovereigns and financial institutions in Europe and the United States remain. The large sovereign debts or fiscal deficits of a number of European countries and the United States go hand in hand with concerns regarding the financial condition of financial institutions. Any of the above-mentioned consequences of systemic risk could have an adverse effect on Rabobank Group's ability to raise new funding, its business, financial condition and results of operations.

***Rabobank Group is subject to intensive regulation and its businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in The Netherlands, the European Union, the United States and elsewhere.***

Rabobank Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the Netherlands, the European Union (also known as the "EU"), the United States and elsewhere. Areas where changes could have an impact include, but are not limited to: consumer protection regulation, the monetary, interest rate, crisis management, asset quality review, recovery and resolution and other policies of central banks and regulatory authorities, changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which Rabobank Group operates, increased capital requirements and changes relating to capital treatment, changes and rules in competition and pricing environments, developments in the financial reporting environment, stress-testing exercises to which financial institutions are subject, implementation of conflicting or incompatible regulatory requirements in different jurisdictions relating to the same products or transactions, or unfavourable developments producing social instability or legal uncertainty which, in turn, may affect demand for Rabobank Group's products and services. Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

In 2012, the Dutch government introduced a bank tax for all entities that are authorised to conduct banking activities in the Netherlands. The tax is based on the amount of the total liabilities on the balance sheet of the relevant bank as of the end of such bank's preceding financial year, with exemptions for equity, deposits that are covered by a guarantee scheme and for certain liabilities relating to insurance business. The levy on short-term funding liabilities is twice as high as the levy on long-term funding liabilities. Rabobank Group was charged a total of €161 million in bank tax in 2017 (2016: €166 million and 2015: €168 million). In addition, in 2017, the bank levy payable by Rabobank in Ireland amounted to €7 million (2016: € 4 million and 2015: €4 million) and in Belgium amounted to €11 million in 2017.

Since 2015, Rabobank Group has been required to make yearly contributions to the resolution funds which were established to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB (as defined below) by the Regulation (EU) No 806/2014 (the "**SRM Regulation**"). In 2015, the contribution to the Dutch National Resolution Fund (the "**DNRF**") amounted to €172 million. In 2016, the contribution to the Single Resolution Fund, which in large part replaces the DNRF, amounted to €180 million. In 2017, the contribution to the Single Resolution Fund amounted to €184 million. There can be no assurance that additional taxes or levies will not be imposed, which could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

In November 2015, a new way of financing the Dutch deposit guarantee scheme (the "**Dutch Deposit Guarantee Scheme**"), a pre-funded system that protects bank depositors from losses caused by a bank's inability to pay its debts when due, came into force. As of 2016, banks were required to pay a premium on a quarterly basis. The target size of the scheme is 0.8 per cent. of total guaranteed deposits of all banks in the Netherlands. In 2017, Rabobank Group's contribution to the Dutch Deposit Guarantee Scheme amounted to €142 million compared to €133 million in 2016.

Furthermore, the SRM (as defined below) (see the risk factor entitled "*Bank recovery and resolution regimes*") and other new European rules on deposit guarantee schemes will have an impact on Rabobank Group in the years to come. All these factors could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

In February 2013, the European Commission issued a proposal for a financial transactions tax. If the proposal is implemented in its current form, the financial transactions tax would generally be levied, in certain circumstances, on transactions involving certain financial instruments where at least one party is a financial institution and at least one party is established in a participating member state. These participating member states are Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (however, Estonia has since stated that it will not participate). If the proposal is implemented, Rabobank Group may be required to pay the financial transactions tax on certain transactions in financial instruments. The proposal requires further approval by the Council of the European Union and will require consultation with other European Union institutions before it may be implemented by the participating member states. Currently, the proposal is still under discussion, given broad opposition in a number of countries as well as outstanding legal issues. The Dutch Parliament has not adopted the proposal but may do so in the future. The financial transactions tax, if implemented, could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

Since 1 January 2013, the tax deductibility of mortgage loan interest payments for Dutch homeowners has been restricted; interest payments on new mortgage loans can only be deducted if the loan amortises within 30 years on a linear or annuity basis. Moreover, the maximum permissible amount of the value of the property of a residential mortgage has been gradually reduced from 104 per cent. in 2014 to 100 per cent. in 2018. In addition to these changes, further restrictions on tax deductibility of mortgage loan interest payments entered into force as of 1 January 2014. The tax rate against which the mortgage interest payments may be deducted is being gradually reduced beginning 1 January 2014. For taxpayers previously deducting mortgage interest at the highest income tax rate (51.95 per cent. in 2018), the interest deductibility has been reduced by 0.5 percentage points per year to 49.5 percent. in 2018 and will be gradually reduced until the rate is equal to 38 per cent. in 2041. The maximum personal mortgage loan eligible for guarantee by the Dutch Homeownership Guarantee Fund (*Stichting Waarborgfonds Eigen Woningen*), an institution that was founded by the Dutch government in 1993, through the National Mortgage Guarantee Scheme (*Nationale Hypotheek Garantie*) was reduced to €245,000 in 2015, remained unchanged in 2016, was raised to €247,450 in 2017 and to €265,000 in 2018. Changes in governmental policy or regulation with respect to the Dutch housing market could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

On 10 October 2017, the new Dutch government released its coalition agreement (*Regeerakkoord*) 2017-2021, in which it announced, among other things, that from 2020 the reduction in the maximum interest deductibility for mortgage loans will be accelerated and will be reduced by 3 per cent. annually to 36.93 per cent. in 2023. Many aspects of these policy intentions, including the potential impact, remain unclear. However, if the policy intentions are implemented they may have an adverse effect on tax deductibility of interest and other factors relevant in relation to mortgage loans (including the Loans).

On 21 July 2010, the United States enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which provides a broad framework for significant regulatory changes that extend to almost every area of U.S. financial regulation. Implementation of the Dodd-Frank Act requires detailed rulemaking by different U.S. regulators, including the Department of the Treasury, the Board of Governors of the Federal Reserve System (the "**Federal Reserve**"), the SEC, the Federal Deposit Insurance Corporation (the "**FDIC**"), the Office of the Comptroller of the Currency (the "**OCC**"), the Commodity Futures Trading Commission (the "**CFTC**") and the Financial Stability Oversight Council ("**FSOC**"). The Dodd-Frank Act and other post-financial crisis regulatory reforms in the United States have increased costs, imposed limitations on activities and resulted in an increased intensity in regulatory enforcement. In addition, the impact of proposals made by the U.S. Congress and the U.S. regulators in 2018 for further financial regulatory reform with respect to the Dodd-Frank Act and other post-financial crisis regulatory reforms remains uncertain.

The Dodd-Frank Act provides for new or enhanced regulations regarding, among other things: (i) systemic risk oversight, (ii) bank capital and prudential standards, (iii) the resolution of failing systemically significant financial institutions, (iv) over-the-counter ("**OTC**") derivatives, (v) the ability of banking entities and their affiliates to engage as principal in proprietary trading activities or to sponsor or invest in or engage in certain transactions with hedge, private equity and other similar funds (the so-called "**Volcker**



**Rule**") and (vi) consumer and investor protection. Implementation of the Dodd-Frank Act and related final regulations is ongoing and has resulted in significant costs and potential limitations on Rabobank Group's businesses and could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

On 10 December 2013, five U.S. federal financial regulatory agencies adopted final regulations to implement the Volcker Rule. The regulations impose limitations and significant costs across all of Rabobank Group's subsidiaries and affiliates and their activities in scope for the Volcker Rule. While the regulations contain a number of exceptions and exemptions that may permit Rabobank Group to maintain certain of its trading and fund businesses and operations, particularly those outside of the United States, aspects of those businesses have been modified to comply with the Volcker Rule. Further, Rabobank Group has spent significant resources to develop a Volcker Rule compliance program mandated by the final regulations and may continue to spend resources as it deems necessary or appropriate, which may be significant, to develop or further develop the Volcker Rule compliance program. The conformance period for the Volcker Rule ended on 21 July 2015 for all proprietary trading activities and for all investments in and relationships with "covered funds" (as defined in the Volcker Rule) that were not in place prior to 31 December 2013. For certain investments in and relationships with "covered funds" that were in place prior to 31 December 2013 ("**legacy funds**"), the Volcker Rule conformance period ended on 21 July 2017. Rabobank Group has put in place processes under the relevant Volcker Rule compliance program reasonably designed to conform such activities to the Volcker Rule.

The Federal Reserve issued a final rule on 18 February 2014 imposing "enhanced prudential standards" with respect to foreign banking organisations ("**FBOs**") such as Rabobank Group. The rule imposes, among other things, liquidity, stress testing, risk management and reporting requirements on Rabobank Group's U.S. operations, which could result in significant costs to Rabobank Group. The final rule became effective with respect to Rabobank Group on 1 July 2016.

In addition, as part of the implementation of the enhanced prudential standards requirement under the Dodd-Frank Act, the Federal Reserve proposed a rule on 4 March 2016 that would implement single counterparty credit limits for large bank holding companies, large intermediate holding companies, and large FBOs with respect to their combined U.S. operations. The proposed rule would apply to the combined U.S. operations of Rabobank Group. The Federal Reserve has not finalised (but continues to consider) requirements relating to an "early remediation" framework under which the Federal Reserve would implement prescribed restrictions on and penalties against an FBO and its U.S. operations, if the FBO or its U.S. operations do not meet certain requirements.

In the United Kingdom, the Banking Reform Act 2013 received Royal Assent on 18 December 2013. It is a key part of the UK Government's plan to create a banking system that supports the economy, consumers and small businesses. It implements the recommendations of the Independent Commission on Banking, set up by the Government in 2010 to consider structural reform of the UK banking sector. Measures contained in the Banking Reform Act 2013 include the structural separation of the retail banking activities of banks in the United Kingdom from wholesale banking and investment banking activities by the use of a "ring fence".

Pursuant to Regulation EU 1024/2013 conferring specific tasks on the European Central Bank ("**ECB**") for the prudential supervision of credit institutions, the ECB assumed direct responsibility from national regulators for specific aspects of the supervision of approximately 120 major European credit institutions, including Rabobank Group, with effect from 4 November 2014. Under this "Single Supervisory Mechanism", the ECB now has, in respect of the relevant banks, all the powers available to competent authorities under the CRD IV (as defined below) including (but not limited to) powers of early intervention if a bank breaches its regulatory requirements and powers to require a bank to increase its capital or to implement changes to its legal or corporate structures. All other tasks related to resolution remain with the relevant national authorities or the SRM (as defined below), as applicable (see "*Bank recovery and resolution regimes*" below). The ECB may also carry out supervisory stress tests to support the supervisory review. Such stress tests do not replace the stress tests carried out by the European Banking Authority (the "**EBA**") with a view to assessing the soundness of the banking sector in the European Union as a whole.

The impact of future regulatory requirements, including Basel III (as defined below), sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**" and such sections of the Code and the regulations thereunder, the Banking Reform Act and the Dodd-Frank Act will have far-reaching implications and require implementation of new business processes and models and could have a material

adverse effect on Rabobank Group's business, financial condition and results of operations. Compliance with the rules and regulations places ever greater demands on Rabobank Group's management, employees and information technology.

***Rabobank Group is subject to changes in financial reporting standards, such as IFRS 9 or policies which could materially adversely affect Rabobank Group's prospects, business, financial condition and results of operations.***

Rabobank Group's consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union, which is periodically revised or expanded. Accordingly, from time to time Rabobank Group is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board ("**IASB**"). It is possible that future accounting standards which Rabobank Group is required to adopt, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on the Rabobank Group's results of operations and financial condition and may have a corresponding material adverse effect on capital ratios.

For example, Rabobank Group's prospects, business, financial condition and results of operations could be affected by the new accounting standard IFRS 9 on financial instruments. Under the new standard, the loan impairment allowance is expected to increase due to the IFRS 9 expected loss concept. However, the internal ratings-based expected loss shortfall (a common equity tier 1 deduction item) is expected to decrease which is expected to partly offset the impact of the increase in loan impairment allowance. The impact of IFRS 9 on the common equity tier 1 ratio ("**CET1 Ratio**") depends on, amongst other things, the time of application, the interest levels at that time and the point in time of the economic cycle. Therefore, IFRS 9 could have a material adverse effect on Rabobank Group's prospects, business, financial condition and results of operations.

#### ***Bank recovery and resolution regimes***

##### *Intervention Act*

In 2012, the Dutch legislator adopted banking legislation dealing with ailing banks (Special Measures Financial Institutions Act, *Wet bijzondere maatregelen financiële ondernemingen*, the "**Intervention Act**"). The Intervention Act, enacted before the adoption of the Directive 2014/59/EU for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**"), contains similar legislation to the rules outlined in BRRD. Pursuant to the Intervention Act, substantial powers were granted to the DNB and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks prior to insolvency. The Intervention Act aimed to empower the DNB or the Minister of Finance, as applicable, to commence proceedings leading to: (i) transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) transfer of all or part of the business of the relevant bank to a "bridge bank"; and (iii) public ownership (nationalisation) of the relevant bank and expropriation of any claims against the bank (including its outstanding debt securities, which may include the Covered Bonds). The measures that can be taken by the Minister of Finance may only be used if other measures would not work, would no longer work, or would be insufficient. In addition, to ensure such measures are utilised appropriately the Minister of Finance must consult with the DNB in advance and the Dutch Prime Minister must agree with the decision to intervene. The Minister of Finance must further inform the AFM of his intentions, whereupon the AFM must give an instruction to Euronext Amsterdam to stop the trading in any securities that are expropriated. In the case of expropriation, the beneficiary of the relevant asset may be entitled to compensation for damage that directly and necessarily results from the expropriation. However, there can be no assurance that such compensation will cover all losses of the relevant beneficiary. Subject to certain exceptions, as soon as any of these proceedings had been initiated by the DNB or the Minister of Finance, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank. However, subject to applicable insolvency laws, the CBC's right to invoke or enforce provisions of the relevant Transaction Documents or the Covered Bondholders' rights under the Covered Bonds, respectively, against such contracting parties would in principle not be affected by the Wft or the SRM if the exercise of those CBC's rights is based on grounds other than the intervention by DNB, the Single Resolution Board (as defined below) or the Minister of Finance under the Wft or SRM (for example, on the basis of a payment default or a ratings downgrade not related to or resulting from intervention pursuant to the Wft or the SRM).

The Intervention Act was amended following the adoption and implementation of the BRRD and the SRM Regulation, granting to the DNB powers including resolution tools contemplated by the BRRD, although the powers of the Minister of Finance to e.g. expropriate transfer and modify terms of debt securities (including the Covered Bonds) have remained.

### **BRRD**

The BRRD was published in the Official Journal of the European Union on 12 June 2014. The BRRD includes provisions to give regulators resolution powers, *inter alia*, to write down the debt of a failing bank (or to convert such debt into shares and other instruments of ownership) to strengthen its financial position and allow it to continue as a going concern, subject to appropriate restructuring measures being taken. The BRRD was implemented into Dutch law on 26 November 2015.

The BRRD sets out a common European recovery and resolution framework which is composed of three pillars: preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), early intervention powers and resolution tools. Resolution tools include a sale of a business or part of a business, a bridge institution tool, an asset separation tool and a bail-in tool that would enable the write-down and conversion of debt into shares and other instruments of ownership to strengthen the financial condition of the failing bank and allow it to continue as a going concern subject to appropriate restructuring. Such tools allow the resolution authorities to intervene sufficiently early and quickly in case Rabobank Group is likely to fail with the aim of ensuring the continuity of its critical financial and economic functions, while minimising the impact of the failure on the economy and the financial system. In addition, BRRD provides preferential ranking on insolvency for certain deposits that are eligible for protection by deposit guarantee schemes (including the uninsured element of such deposits and, in certain circumstances, deposits made in non-EEA branches of EEA credit institutions). The stated aim of BRRD is, similar to the Dutch Intervention Act, to provide relevant authorities with common tools and powers to address banking crises pre-emptively in order, among other things, to safeguard financial stability and minimize taxpayers' exposure to losses.

### **SRM Regulation**

The SRM Regulation came into force in part on 19 August 2014. The SRM Regulation complements BRRD and establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in a framework of a single resolution mechanism and a single bank resolution fund (the "**Single Resolution Mechanism**" or "**SRM**"). The SRM Regulation establishes a single resolution board (consisting of representatives from the ECB, the European Commission and the relevant national authorities) (the "**SRB**") that will manage the failing of any bank in the Euro area and in other EU member states participating in the European Banking Union (as defined therein). The provisions of the SRM Regulation relating to the cooperation between the SRB and the national resolution authorities for the preparation of the banks' resolution plans became applicable from 1 January 2015. Under the SRM Regulation, the SRB became fully operational as of 1 January 2015 and as from that date has the powers to collect information and cooperate with the national resolutions authorities for the elaboration of resolution planning. The SRB is also granted the same resolution tools as those set out in the BRRD, including a bail-in tool. The SRM became applicable with effect from 1 January 2016 and the applicable legislation in the Netherlands was implemented on 26 November 2015. In a Dutch context, the DNB is the national resolution authority. While, as Rabobank Group's resolution authority, the SRB is ultimately in charge of the decision to initiate Rabobank Group's resolution, operationally the decision will be implemented in cooperation with the DNB in its capacity as national resolution authority.

### ***Recovery and resolution plans and powers to address impediments to resolvability***

Rabobank Group has drawn up a recovery plan. This plan provides for a wide range of measures that could be taken by Rabobank Group for restoring its financial condition in case it significantly deteriorates. The plan is subject to review by the ECB and must be updated annually or after changes in the legal or organisational structure, business or financial situation that could have a material effect on the plan. Keeping the recovery plan up to date requires monetary and management resources. Recovery measures could include the strengthening of Rabobank Group's capital by issuing capital instruments in a situation of financial stress.

The SRB, in cooperation with the DNB acting in its capacity as the national resolution authority, is in the iterative process of drawing up a resolution plan for Rabobank Group providing for resolution actions it

may take if Rabobank Group is failing or is likely to fail. In drawing up Rabobank Group's resolution plan, the SRB can identify any material impediments to its resolvability. Where necessary, the SRB may require the removal of such impediments. This may lead to mandatory restructuring of Rabobank Group, which could lead to high transaction costs, or could make Rabobank Group's business operations or its funding mix to become less optimally composed or more expensive.

#### *Early intervention measures*

If Rabobank Group would infringe or, due to a rapidly deteriorating financial condition, would be likely to infringe capital or liquidity requirements in the near future, the ECB has power to impose early intervention measures on Rabobank Group. A rapidly deteriorating financial condition could, for example, occur in the case of a deterioration of Rabobank Group's liquidity position, or in the case of increasing levels of leverage, non-performing loans or concentrations of exposures. Intervention measures include the power to require changes to the legal or operational structure of Rabobank Group, or its business strategy, and the power to require the Managing Board to convene a meeting of the General Members' Council of Rabobank, failing which the ECB can directly convene such meeting, in both cases with the power of the ECB to set the agenda and require certain decisions to be considered for adoption. Furthermore, if these early intervention measures are not considered sufficient, management may be replaced or a temporary administrator may be installed. A special manager may also be appointed who will be granted management authority over the Issuer instead of its existing executive board members, in order to implement the measures decided on by the ECB.

#### *(Pre-)Resolution measures*

If Rabobank or Rabobank Group were to reach a point of non-viability but not (yet) meet the conditions for resolution, the SRB in close cooperation with the national resolution authority can take pre-resolution measures. These measures include the power to write down capital instruments or convert them into Common Equity Tier 1 Capital (as defined below) instruments.

If Rabobank meets the conditions for resolution, the SRB may take resolution measures. Conditions for resolution are: (i) the ECB or the SRB determines that Rabobank is failing or is likely to fail, (ii) having regard to the circumstances, there is no reasonable prospect that any alternative private sector or supervisory action would, within a reasonable timeframe, prevent the failure of Rabobank, and (iii) the resolution measure is necessary in the public interest.

Rabobank would be considered to be failing or likely to fail, *inter alia*, if it infringes capital or liquidity requirements or Rabobank's liabilities exceed its assets, or Rabobank is unable to pay its debts and liabilities as they fall due, or there are objective elements to support a determination that this will be the case in the near future. The EBA has published final guidelines on the circumstances in which an institution shall be deemed as 'failing or likely to fail' by supervisors and resolution authorities, which became applicable with effect from 1 January 2016. The guidelines set out the objective elements and criteria which should apply when supervisors and resolution authorities make such a determination and further provide guidance on the approach to consultation and exchange of information between supervisors and resolution authorities in such scenarios.

Resolution tools of the SRB include a sale of a business or part of a business, a bridge institution tool, an asset separation tool and a bail-in tool that would enable the write-down and conversion of debt into shares and other instruments of ownership to strengthen the financial condition of the failing bank and allow it to continue as a going concern subject to appropriate restructuring. The SRB also has the power to require the mandatory write-down of capital instruments when a bank enters resolution. If the SRB were to take a resolution measure against Rabobank Group, it will have the power to take full control over Rabobank Group.

When applying the resolution tools and exercising the resolution powers, including the preparation and implementation thereof, the SRB is not subject to (i) requirements to obtain approval or consent from any person either public or private, including but not limited to the holders of the Covered Bonds or from any creditors, and (ii) procedural requirements to notify any person including any requirement to publish any notice or prospectus or to file or register any document with any other authority, and including also any notification requirement set out in the terms and conditions governing the Covered Bonds, that would otherwise apply by virtue of applicable law, contract, or otherwise. In particular, the SRB can exercise its

powers irrespective of any restriction on, or requirement for consent for, transfer of the financial instruments, rights, assets or liabilities in question that might otherwise apply.

In addition, potential investors should refer to the risk factors entitled *"The Issuer may be required to observe rules on the criteria for determining the Minimum requirement for own funds and eligible liabilities"* and *"New legislation dealing with ailing financial institutions gives regulators resolution powers which, if relevant to the Issuer, may result in losses for, or otherwise affect rights of, Covered Bondholders and/or may affect the ratings assigned to the Covered Bonds"*.

#### *The Single Resolution Fund*

If a resolution action is taken, Rabobank Group will be eligible for contribution by the Single Resolution Fund. Rabobank Group's resolution will only be eligible for contribution if the holders of relevant capital instruments and other eligible liabilities have made a contribution to loss absorption (by means of a write-down, conversion or otherwise) and recapitalisation equal to an amount not less than 8 per cent. of Rabobank Group's total liabilities (including own funds and measured at the time of the resolution action). This increases the likelihood that the SRB will set a high level of MREL for Rabobank Group (as discussed below), which may have an impact on Rabobank Group's capital and funding costs. Use of resolution funds is also subject to EU state aid rules and requires approval by the European Commission.

The Intervention Act, BRRD, SRM and the EU Banking Reform Proposals may require the Issuer to change its business, e.g. by having to reduce its lending or investments in other operations. Such recovery and resolution regimes may also lead to fewer assets of the Issuer being available to investors for recourse for their claims and may lead to lower credit ratings of the Issuer and increase the Issuer's cost of funding. Consequently, these recovery and resolution regimes may have a material adverse effect on the Issuer's business, funding ability, financial position and result of operations.

#### ***The Issuer may be required to observe rules on the criteria for determining the minimum requirement for own funds and eligible liabilities under BRRD.***

In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD, the BRRD requires that with effect from 1 January 2016, all institutions must meet a minimum requirement for own funds and eligible liabilities ("**MREL**"), expressed as a percentage of total liabilities and own funds and set by the relevant resolution authorities. On 23 May 2016, the European Commission adopted regulatory technical standards ("**MREL RTS**") on the criteria for determining the MREL under the BRRD. The MREL RTS were published in the EU Official Journal on 3 September 2016. The MREL RTS provide for resolution authorities to allow institutions an appropriate transitional period to reach the applicable MREL requirements.

Unlike the Financial Stability Board's ("**FSB**") total loss-absorbing capacity ("**TLAC**") principles, the MREL RTS does not set a minimum EU-wide level of MREL, and the MREL requirement applies to all credit institutions, not just to those identified as being of a particular size or of systemic importance. Each resolution authority is required to make a separate determination of the appropriate MREL requirement for each institution within its jurisdiction.

The MREL requirement for each institution will be determined based on a number of key elements, including a loss absorption amount (which will generally as a minimum equate to the institution's capital requirements under CRD IV (as defined below), including applicable buffers), and, in the case of larger institutions, a recapitalisation amount, the amount of recapitalisation needed to implement the preferred resolution strategy identified in the resolution planning process (including to sustain sufficient market confidence in the institution). Other factors to be taken into consideration by resolution authorities when setting the MREL requirement include the extent to which an institution's liabilities are, or are reasonably likely to be, excluded from contributing to loss absorption or recapitalisation; the risk profile and systemic importance of the institution; and the contribution to any resolution that may be made by deposit guarantee schemes and resolution financing arrangements.

On 20 December 2017, the SRB together with the national resolution authorities published its 2017 policy statement on MREL, which serves as a basis for setting consolidated MREL targets for banks under the remit of the SRB (including the Issuer). For the 2017 resolution planning cycle, the SRB is moving from informative targets – communicated in the 2016 MREL policy – to bank-specific binding consolidated MREL targets for the majority of the largest and most complex banks under the SRB remit, including all

global systemically important institutions (G-SIIs) and banks with resolution colleges. The 2017 SRB MREL policy is part of a multi-year approach for establishing final MREL targets.

Items eligible for inclusion in MREL include an institution's Tier 1 and Tier 2 capital (within the meaning of the CRR), along with certain eligible liabilities, meaning under currently applicable MREL requirements (which requirements are subject to change) liabilities which, *inter alia*, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), do not arise from derivatives, and are not excluded from bail-in.

Whilst there are a number of similarities between the MREL requirements and the FSB's TLAC principles, there are also certain differences, including the express requirement that TLAC-eligible instruments should be subordinated to liabilities excluded from counting as TLAC including, among other things, insured deposits (which is not necessarily the case for all MREL eligible liabilities), and the timescales for implementation. In its final draft for the MREL RTS, the EBA stated that it expects the MREL RTS to be "broadly compatible" with the FSB's TLAC principles. While acknowledging some differences, the EBA considered "these differences do not prevent resolution authorities from implementing the MREL for global systemically important banks (**"G-SIBs"**) consistently with the international framework". Further convergence in the detailed requirements of the two regimes is expected, as also proposed by the EBA in its final report on the implementation and design of the MREL framework of 14 December 2016 and by the European Commission in its EC Capital Proposals (as defined below). However, it is still uncertain to what extent the regimes will converge and what the final requirements will look like.

The required level of MREL for Rabobank Group has yet to be set by the SRB. On the basis of the MREL RTS, it is possible that Rabobank Group may have to issue a significant amount of additional MREL eligible liabilities in order to meet the new requirements within the required timeframes. Moreover, the MREL framework may be subject to substantial change over the coming years, as a result of, amongst other things, the changes envisaged in the EC Capital Proposals (as defined below). As a result, it is not possible to give any assurances as to the ultimate scope, nature, timing, disclosure and consequences of breach of any resulting obligations, or the impact that they will have on Rabobank once implemented. If Rabobank Group were to experience difficulties in raising MREL eligible liabilities, it may have to reduce its lending or investments in other operations which would have a material adverse effect on Rabobank Group's business, financial position and results of operations. The above requirements and the market's perception of Rabobank Group's ability to satisfy them may adversely affect the market value of the Covered Bonds.

***The Issuer may be required to observe rules that derive from the FSB Proposals for Total Loss-Absorbing Capacity.***

On 9 November 2015, the FSB published its final principles regarding the TLAC of G-SIBs. In order to minimise any impact on financial stability, ensure the continuity of critical functions and avoid exposing taxpayers to loss, resolution authorities may subject a failing bank to a resolution regime and may apply certain resolution tools. These resolution tools include the bail-in tool: the power to write down and/or convert into equity a bank's capital instruments or liabilities for the purpose of absorbing the bank's losses and recapitalising the bank. Application of the bail-in tool requires the availability of sufficient loss absorbing capacity: capital instruments and liabilities eligible for write-down and/or conversion into equity. The FSB's TLAC principles seek to ensure that G-SIBs will have sufficient loss absorbing capacity and include a specific term sheet for TLAC which attempts to define an internationally agreed standard.

The FSB's TLAC principles require all G-SIBs to maintain a minimum (Pillar 1) level of TLAC-eligible instruments of at least 16 per cent. of the resolution group's risk-weighted assets with effect from 1 January 2019 and at least 18 per cent. with effect from 1 January 2022. Minimum TLAC must also be at least 6 per cent. of the Basel III leverage ratio exposures with effect from 1 January 2019, and at least 6.75 per cent. with effect from 1 January 2022. The principles also require G-SIBs to pre-position such loss-absorbing capacity amongst material subsidiaries on an intra-group basis. The term sheet also provides the possibility for resolution authorities to impose an additional bank-specific (Pillar 2) TLAC requirement over and above the common (Pillar 1) minimum. Capital instruments counting towards the capital requirements pursuant to the Regulation 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**") may also count towards the TLAC requirement. However, the FSB term sheet does not allow the double-counting of capital towards both the TLAC requirement and the CRD IV (as defined below) capital buffers, *i.e.*, it requires that the TLAC requirement should be satisfied before any surplus common equity tier 1 capital ("**Common Equity Tier 1 Capital**") is available to satisfy CRD IV capital buffers.

The TLAC principles provide that TLAC may comprise Tier 1 and Tier 2 capital (within the meaning of the CRR) along with other TLAC-eligible liabilities which can be effectively written down or converted into equity during the resolution of the G-SIB. All TLAC is in principle required to be subordinated to "excluded liabilities", which includes insured deposits and any other liabilities that cannot be effectively written down or converted into equity by the relevant resolution authority.

Work is currently ongoing in the EU to implement the TLAC standard into EU legislation. In particular, the European Commission has proposed to incorporate TLAC into the capital requirements framework, as an extension to the own funds requirements and as part of the EC Capital Proposals, as discussed and defined below (see "*— Rabobank Group is subject to the risk of having insufficient capital resources to meet its minimum regulatory capital requirements, any additional own funds requirements and/or any buffer capital requirements*" below).

Based on the most recently updated FSB list of G-SIBs published in November 2017, Rabobank is not a G-SIB. However, there can be no assurance that relevant EU or Dutch regulators may not in the future impose comparable requirements on Rabobank or apply the requirements for MREL (see "*— The Issuer may be required to observe rules on the criteria for determining the minimum requirement for own funds and eligible liabilities under the BRRD*" above) in a manner which is consistent with the TLAC requirements applicable for G-SIBs, which could have a material adverse effect on Rabobank Group's business, financial condition and results of operations. Recommendations largely to that effect are included in the EBA's final report on MREL of 14 December 2016.

***Rabobank Group is subject to the risk of having insufficient capital resources to meet its minimum regulatory capital requirements, any additional own funds requirements and/or any buffer capital requirements.***

Under CRD IV (as defined below), institutions are required to hold a minimum amount of regulatory capital equal to 8 per cent. of the aggregate total risk exposure amount of Rabobank Group ("**Risk-Weighted Assets**") (of which at least 4.5 per cent. must be Common Equity Tier 1 Capital). In addition to these so-called minimum or "Pillar 1" "own funds" requirements, the CRD IV Directive (for example, at Article 128 and following) also introduces capital buffer requirements that are in addition to the minimum "own funds" requirements and are required to be met with Common Equity Tier 1 Capital. It provides for five capital buffers: (i) the capital conservation buffer, (ii) the institution-specific countercyclical capital buffer, (iii) the global systemically important institutions buffer (the "**G-SII Buffer**"), (iv) the other systemically important institutions buffer (the "**O-SII Buffer**") and (v) the systemic risk buffer. When an institution is subject to one of the G-SII Buffer or the O-SII Buffer as well as the systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic risk buffer addresses. Subject to transitional provisions, the capital conservation buffer (2.5 per cent. when fully phased-in) and systemic risk buffer (3.0 per cent. when fully phased-in) both apply to the Rabobank Group and some or all of the other buffers may be applicable to the Rabobank Group from time to time, as determined by the ECB, the Dutch Central Bank ("**DNB**") or any other competent authority at such time. Any increase in the capital buffer requirements, including an increase of the systemic risk buffer by DNB, may require the Rabobank Group to increase its CET1 Ratio and also its overall amount of MREL.

In addition to the "Pillar 1" and capital buffer requirements described above, CRD IV (for example, at Article 104(1)(a)) contemplates that competent authorities may require additional "Pillar 2" capital to be maintained by an institution relating to elements of risks which are not fully captured by the minimum "own funds" requirements ("**additional own funds requirements**") or to address macro-prudential requirements.

The EBA published guidelines on 19 December 2014 addressed to national supervisors on common procedures and methodologies for the supervisory review and evaluation process ("**SREP**"), which contained guidelines proposing a common approach to determining the amount and composition of additional own funds requirements and which were implemented with effect from 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the additional own funds requirements to cover certain risks of at least 56 per cent. Common Equity Tier 1 Capital and at least 75 per cent. Tier 1 Capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements.

The interpretation of Article 104(1)(a) of the CRD IV (as defined below) remains unresolved, in particular as to how any "Pillar 2" additional own funds requirements imposed thereunder should be considered to comprise part of an institution's additional own funds requirements. Such uncertainty can be expected to subsist while the relevant authorities in the EU and in the Netherlands continue to develop their approach to the application of the relevant rules. In July 2016, the ECB confirmed that SREP will for the first time comprise two elements: Pillar 2 requirements (which are binding and breach of which can have direct legal consequences for banks) ("**P2R**") and Pillar 2 guidance (with which banks are expected to comply but breach of which does not automatically trigger any legal action) ("**P2G**"). Accordingly, in the capital stack of a bank, the P2G is in addition to (and "sits above") that bank's Pillar 1 capital requirement, its P2R and its combined buffer requirement. It follows that if a bank does not meet its P2G, supervisors may specify supervisory measures but it is only if it fails to maintain its combined buffer requirement that the mandatory restrictions on discretionary payments (including payments on its CET1 and additional tier 1 instruments) based on its maximum distributable amount will apply. These changes are also reflected in the EC Capital Proposals. However, there can be no assurance as to the relationship between the "Pillar 2" additional own funds requirements and the restrictions on discretionary payments and as to how and when effect will be given to the EBA's minimum guidelines and/or the EC Capital Proposals in the Netherlands, including as to the consequences for an institution of its capital levels falling below the minimum, buffer and additional requirements referred to above.

On 15 December 2017, Rabobank published its 2018 ECB capital requirements, determined pursuant to the SREP. The ECB decision requires that Rabobank maintains a total SREP capital requirement of 9.75 per cent. on a consolidated and unconsolidated basis. The requirement consists of an 8 per cent. minimum own funds requirement and a 1.75 per cent. P2R. The total Common Equity Tier 1 Capital minimum requirement is 6.25 per cent., consisting of the minimum Pillar 1 requirement (4.5 per cent.) and the P2R (1.75 per cent.). In addition, Rabobank is required to comply with the phasing in combined buffer requirements consisting of a capital conservation buffer (1.875 per cent. in 2018) and a systemic risk buffer imposed by the DNB of 2.25 per cent. in 2018 that needs to be applied on top of these Common Equity Tier 1 Capital requirements. This would translate into an aggregate 10.375 per cent. Common Equity Tier 1 Capital requirement for 2018. The systemic risk buffer is expected to be phased in up to a level of 3 per cent. on a fully-loaded basis in 2019, whilst the capital conservation buffer will be phased in up to a level of 2.5 per cent. on a fully loaded basis in 2019, assuming that there no changes to the P2R in the interim. This would translate into an aggregate 11.75 per cent. Common Equity Tier 1 Capital requirement for 2019. At the date of this Base Prospectus, Rabobank Group complies with these requirements. See also "*Capital Adequacy*" under the chapter "*Management's discussion and analysis of financial condition and results of operation*" on page 99 of this Base Prospectus. In the Netherlands, the countercyclical capital buffer currently has been set at zero per cent. by the DNB. However, DNB and (in respect of exposures outside the Netherlands) local regulators may set the countercyclical capital buffer at a level other than zero per cent.

The ECB decision also requires that Rabobank maintains a CET1 Ratio of 8.125 per cent. on an unconsolidated basis. This 8.125 per cent. capital requirement is comprised of the minimum Pillar 1 requirement (4.5 per cent.), the P2R (1.75 per cent.) and the capital conservation buffer (1.875 per cent. in 2018).

Rabobank currently intends to maintain an internal management buffer (as described further below) comprising Common Equity Tier 1 Capital over the combined buffer requirement applicable to Rabobank Group. As part of its Strategic Framework 2016-2020, in anticipation of the expected impact of new rules on capital requirements, Rabobank Group aims to increase its CET1 Ratio to a minimum of 14 per cent., by the end of 2020, but there can be no assurance that this target ratio will be maintained. This target could be revised as a result of (regulatory) developments. As at 31 December 2017, the "phased-in" (meaning the CET1 Ratio under the current stage of phase-in capital requirements under the CRR) CET1 Ratio of Rabobank Group was 15.8 per cent. (the fully loaded CET1 Ratio of Rabobank Group as at 31 December 2017 was 14.0 per cent. and the solo CET1 Ratio of Rabobank Group as at 31 December 2017 was 15.5 per cent.). There can be no assurance, however, that Rabobank will continue to maintain such internal management buffer or that any such buffer would be sufficient to protect against a breach of the combined buffer requirement resulting in restrictions on payments on its Common Equity Tier 1 and additional tier 1 instruments.

Rabobank Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet its minimum regulatory capital requirements, any additional own funds requirements or any capital buffer requirements. Capital requirements may increase if economic conditions or negative trends in the financial markets worsen. Any failure of Rabobank Group to maintain its "Pillar



1" minimum regulatory capital ratios, any "Pillar 2" additional own funds requirements or any capital buffer requirements could result in administrative actions or sanctions, which in turn could have a material adverse impact on Rabobank Group's results of operations. A shortage of available capital may restrict Rabobank Group's opportunities.

Under the Basel III regime, capital and liquidity requirements have increased. On 17 December 2009, the Basel Committee on Banking Supervision (the "**Basel Committee**") proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the resilience of the banking sector". On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on a number of fundamental reforms to the regulatory capital framework ("**Basel III**"), including new capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements, which are intended to reinforce capital standards and to establish minimum liquidity standards for financial institutions, including building societies.

Basel III has been implemented in the European Economic Area (the "**EEA**") through the CRR and the Directive of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the "**CRD IV Directive**", and together with the CRR, the "**CRD IV**"), which were adopted in June 2013. The CRR entered into force on 1 January 2014 and the CRD IV Directive became effective in the Netherlands on 1 August 2014 when the provisions of the CRD IV were implemented by legislation amending the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) ("**FMSA**") and subordinate legislation, although particular requirements will be phased in over a period of time, to be fully effective by various dates up to 31 December 2021. The EBA has proposed and will continue to propose detailed rules through binding technical standards for many areas including, *inter alia*, liquidity requirements and certain aspects of capital requirements.

It is possible that the ECB or the EBA or both may implement the Basel III reforms and CRD IV in a manner that is different from that which is currently envisaged or may impose additional capital and liquidity requirements on Dutch banks.

In December 2017, the Basel Committee finalised the Basel III reforms (also referred to as "Basel IV" by the industry) (the "**Basel III Reforms**"). This reform complements the initial phase of the Basel III reforms announced in 2010 (and implemented in CRD IV) as a response to the global financial crisis. The 2017 reform seeks to restore credibility in the calculation of risk-weighted assets (RWAs) and improve the comparability of banks' capital ratios. Main features of the reform are:

- revisions to the standardised approaches for calculating credit risk, market risk, credit value adjustments ("**CVA**") and operational risk;
- constraints on the use of internal model approaches, e.g. by placing limits on certain inputs used to calculate capital requirements under the internal ratings-based ("**IRB**") approach for credit risk (for metrics such as Probability of Default ("**PD**") and Loss Given Default ("**LGD**") and by removing the use of internal model approaches for certain asset classes and CVA risk and for operational risk;
- the introduction of an output floor, which limits the benefits banks can derive from using internal models to calculate minimum capital requirements. Banks' calculations of RWAs generated by internal models cannot, in aggregate, fall below 72.5 per cent. of the risk-weighted assets computed by standardised approaches; and
- G-SIBs are subject to higher leverage ratio requirements.

According to the Basel III Reforms, the capital floors and other standards (including a revision of the leverage ratio framework) will become applicable as of 2022 and a transitional regime may apply.

For further information on the Basel III Reforms, see "*Regulation of Rabobank Group — Recent Developments*" below.

Of these standards, the introduction of the standardized credit risk RWA (REA) floor is expected to have the most significant impact on the Rabobank Group. The standards for the new standardized credit risk RWA (REA) calculation rules include (i) introduction of new risk drivers, (ii) introduction of higher risk

weights and (iii) reduction of mechanistic reliance on credit ratings (by requiring banks to conduct sufficient due diligence, and by developing a sufficiently granular non-ratings-based approach for jurisdictions that cannot or do not wish to rely on external credit ratings). In addition, the standards require banks to apply advanced approaches to risk categories, applying the higher of (i) the RWA (REA) floor based on (new) standardized approaches and (ii) the RWA (REA) floor based on advanced approaches in the denominator of their ratios. The implementation of the standardized RWA (REA) floors is expected to have a significant impact on the calculation of the Rabobank Group's risk weighted assets due to the substantial difference in RWA (REA) calculated on the basis of advanced approaches and such calculation on the basis of new standardized rules for mortgages, and, to a lesser extent, exposures to corporates.

On 23 November 2016, the European Commission published legislative proposals for amendments to the CRR, the CRD IV Directive, the BRRD, the SRM Regulation and a proposed new directive to facilitate the creation of a new asset class of "non-preferred" senior debt (the **"EC Capital Proposals"**). The EC Capital Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, permission for reducing own funds and eligible liabilities, macroprudential tools, creditor/depositor hierarchy, a new category of "non-preferred" senior debt, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above. The EC Capital Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change; they are expected to enter into force no earlier than 2019 (other than the proposal for a new asset class of "non-preferred" senior debt which has been implemented). The final new package of legislation may not include all elements of the EC Capital Proposals and new or amended elements may be introduced throughout the course of the legislative process. Until the EC Capital Proposals are in final form, it is uncertain how the EC Capital Proposals will affect Rabobank or holders of the Covered Bonds.

Rabobank, N.A. is subject to U.S. capital adequacy standards. Further, under section 171 of the Dodd-Frank Act (the **"Collins Amendment"**), Utrecht-America Holdings, Inc., which holds Rabobank, N.A. and many of Rabobank Group's U.S. non-bank subsidiaries, became subject to U.S. capital adequacy standards as of 21 July 2015. Those standards require Rabobank Group to maintain capital at the level of Utrecht-America Holdings, Inc. in accordance with U.S. regulatory capital requirements rather than relying on capital maintained at Rabobank Group's top-level parent company. Compliance with the Collins Amendment limits Rabobank Group's ability to deploy capital most efficiently in accordance with its subsidiaries' business needs, and potentially increases the costs of Rabobank Group's operations and may result in capital deficiencies elsewhere in Rabobank Group.

If the regulatory capital requirements, liquidity restrictions or ratios applied to Rabobank Group are increased in the future (including any amendments arising as a result of the EC Capital Proposals or otherwise), any failure of Rabobank Group to maintain such increased capital and liquidity ratios may result in administrative actions or sanctions, which may have a material adverse effect on Rabobank Group's business, financial condition and results of operations. For further information regarding Basel III and CRD IV, including their implementation in the Netherlands, please see the section entitled *"Regulation of Rabobank Group"*.

***A downgrading or announcement of a potential downgrade in Rabobank Group's credit ratings could have a material adverse effect on Rabobank Group's results of operations.***

Rabobank Group's access to the unsecured funding markets is dependent on its credit ratings.

A downgrading, an announcement of a potential downgrade in its credit ratings or a withdrawal of its credit rating, as a result of a change in a rating agency's view of Rabobank Group, industry outlook, sovereign rating, rating methodology or otherwise, could adversely affect Rabobank Group's access to liquidity alternatives and its competitive position, and could increase the cost of funding or trigger additional collateral requirements all of which could have a material adverse effect on Rabobank Group's prospects, business, financial condition and results of operations.

***Any failure by Rabobank Group to maintain its competitive position could have a material adverse effect on Rabobank Group's results of operations.***

All aspects of Rabobank Group's business are highly competitive. Rabobank Group's ability to compete effectively depends on many factors, including its ability to maintain its reputation, the quality of its services and advice, its intellectual capital, product innovation, execution ability, pricing, sales efforts and the talent of its employees. Any failure by Rabobank Group to maintain its competitive position could have

a material adverse effect on Rabobank Group's prospects, business, financial condition and results of operations.

***Geopolitical developments could have a material adverse effect on Rabobank Group's results of operations.***

Geopolitical developments (such as the United Kingdom's expected exit from the European Union and tensions relating to North Korea and Iran), social unrest (such as the continuing turmoil in Ukraine which resulted in EU sanctions against Russia, the war in Syria and increasing tension with regard to North Korea), political crises (such as potential trade wars between the United States and China as well as the United States and the EU), commodity supply shocks and natural disasters, among other things, can affect the global financial markets. Since the beginning of the 21st century, accounting and corporate governance scandals and financial crises have significantly undermined investor confidence from time to time. The occurrence of any such developments and events could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

***Terrorist acts, other acts of war or hostility, civil unrest, geopolitical, pandemic or other such events could have a material adverse effect on Rabobank Group's results of operations.***

Terrorist acts, other acts of war or hostility, civil unrest, geopolitical, pandemic or other such events and responses to those acts or events may create economic and political uncertainties, which could have a negative impact on Dutch and international economic conditions generally, and more specifically on the business and results of Rabobank Group in ways that cannot necessarily be predicted. The occurrence of any such events could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

***The loss of the services of certain key employees or the failure to attract or retain a sufficient number of appropriate employees could have a material adverse effect on Rabobank Group's results of operations.***

Rabobank Group's success depends to a great extent on the ability and experience of its senior management and other key employees. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on Rabobank Group's business, financial condition and results of operations. The failure to attract or retain a sufficient number of appropriate employees could significantly impede Rabobank Group's financial plans, growth and other objectives and have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

## **B.2 Covered Bonds**

**Factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme**

***The Covered Bonds may not be a suitable investment for all investors.***

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement or Final Terms;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

***Risks related to the structure of a particular issue of Covered Bonds.***

Covered Bonds issued under the Programme will either be fungible with an existing Series (and form part thereof) or have different terms to an existing Series (in which case they will constitute a new Series). All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will be guaranteed by the Guarantee. The obligations of the CBC under the Guarantee are unsubordinated and unguaranteed obligations of the CBC, which are secured (indirectly, through a parallel debt) as provided in the Security Documents. If an Issuer Event of Default or a CBC Event of Default occurs and results in acceleration, all Covered Bonds of all Series will accelerate at the same time.

Different types of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features, which contain particular risks for potential investors. Set out below is a description of the most common risks related to such features.

***Covered Bonds may be subject to optional redemption by the Issuer.***

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Floating Rate Covered Bonds with Caps, Floors or Collars may lead to volatile market values of the Covered Bonds.***

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include Caps, Floors or Collars (or any combination of those features or other similar related features), their market values may be even more volatile than those for securities that do not include those features.

***The interest basis of Fixed/Floating Rate Covered Bonds may be converted at the discretion of the Issuer.***

Fixed/Floating Rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

*The regulation and reform of "benchmarks" (including LIBOR and EURIBOR) may adversely affect the liquidity and value of, and return on, Floating Rate Covered Bonds linked to or referencing such "benchmarks"*

The London inter-bank offered rate ("**LIBOR**"), the Euro-zone inter-bank offered rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences, including those which cannot be predicted. For example, on 27 July 2017, the United Kingdom's Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

The potential elimination of, or the potential changes in the manner of administration of, the LIBOR benchmark or any other benchmark could require an adjustment to the terms and conditions to reference an alternative benchmark, or result in other consequences, including those which cannot be predicted, in respect of any Floating Rate Covered Bonds linked to such benchmark (including but not limited to Floating Rate Covered Bonds whose interest rates are linked to LIBOR).

Investors should be aware that, if LIBOR or any other benchmark were discontinued or otherwise unavailable, the rate of interest on Floating Rate Covered Bonds which reference any such benchmark will be determined for the relevant period by the fall-back provisions applicable to such Floating Rate Covered Bonds. Depending on the manner in which the relevant benchmark rate is to be determined under such fall-back provisions as set out in the Terms and Conditions of the Covered Bonds, this may (i) be reliant upon the provision by reference banks of offered quotations for such rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when the relevant benchmark was available.

Uncertainty as to the continuation of a benchmark, the availability of quotes from reference banks to allow for the continuation of the floating rate on any Floating Rate Covered Bonds, and the rate that would be applicable if the relevant benchmark is discontinued may adversely affect the trading market and the value of the Floating Rate Covered Bonds. At this time, it is not possible to predict what the effect of these developments will be or what the impact on the value of the Floating Rate Covered Bonds will be. More generally, any of the above changes or any other consequential changes to LIBOR, EURIBOR or any other "benchmark" as a result of international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the liquidity and value of, and return on, any Floating Rate Covered Bonds based on or linked to a "benchmark".

In the event that the benchmark referenced in the Conditions of a Series of Covered Bonds, the Swap Agreement and the other Transaction Documents ceases to exist then the fall-back Reference Banks position set out in Condition 4(b) (*Interest on Floating Rate Covered Bonds*) may not operate as intended as it would be dependent on the provision of quotations by major banks for the rate at which euro deposits are offered. In such a case the Reference Rate applicable to the Floating Rate Covered Bonds during the relevant Interest Period will be the Reference Rate last determined. This mechanism is not suitable for determining the interest rate payable on the Floating Rate Covered Bonds on a long-term basis. Accordingly, in the event that a Reference Rate is permanently disrupted or discontinued, ceases to be published for a period of at least 5 Business Days or it becomes unlawful for the Issuer or Paying Agent to calculate any payments to Covered Bondholders referring to a specific benchmark, the Issuer or, following the occurrence of an Issuer Event of Default, the CBC may in certain circumstances modify or amend the relevant Reference Rate in respect of the Floating Rate Covered Bonds to an Alternative Benchmark Rate without the Noteholders' prior consent as provided in Condition 14A (*Benchmark Rate Modification*). See further risk factor *The Security Trustee may or, in certain circumstances, shall agree to modifications, waiver or authorisations without the Noteholders' prior consent.*

While an amendment may be made under Condition 14A (*Benchmark Rate Modification*) to change the relevant "benchmark" rate to an Alternative Benchmark Rate under certain events broadly related to disruption or discontinuation of the relevant "benchmark" and subject to certain conditions, there can be no assurance that any such amendment will be made or, if made, that it will (i) fully or effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on the Covered

Bonds or (ii) be made prior to any date on which any of the risks described in this risk factor may become relevant or (iii) result in a Covered Bondholder receiving a lower amount of interest had the relevant "benchmark" rate not been discontinued; and there can be no assurance that the applicable fall-back provisions under any Swap Agreement would operate so as to ensure that the base floating interest rate used to determine payments under any Swap Agreement is the same as that used to determine interest payments under the Covered Bonds which are purported to be hedged by such Swap, or that any such amendment made under Condition 14A (*Benchmark Rate Modification*) would allow the transactions under the Swap Agreement to effectively mitigate interest rate risks on the Covered Bonds.

*Volatility of Covered Bonds issued at a substantial discount or premium.*

The market values of Covered Bonds issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing Covered Bonds. Generally, the longer the remaining term of the Covered Bonds, the greater the price volatility as compared to conventional interest-bearing Covered Bonds with comparable maturities.

*Actions taken by the Calculation Agent may affect the value of Covered Bonds.*

The Calculation Agent for an issue of Covered Bonds is the agent of the Issuer and not the agent of the Covered Bondholders. It is possible that the Issuer will itself be the Calculation Agent for certain issues of Covered Bonds. The Calculation Agent will make such determinations and adjustments as it deems appropriate, in accordance with the terms and conditions of the specific issue of Covered Bonds. In making its determinations and adjustments, the Calculation Agent will be entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion.

***Risks related to Covered Bonds generally***

*As certain decisions of Covered Bondholders are taken at the Programme level, holders of the Covered Bonds may be dependent on the votes of the holders of other outstanding Covered Bonds.*

A resolution to direct the Trustee to (i) accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*), (ii) take any enforcement action, or (iii) remove or replace the Trustee's Director, must be passed by a Programme Resolution, as set out in more detail in Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*), and cannot be decided upon at a meeting of Covered Bondholders of a single Series. A validly adopted Programme Resolution will be binding on all Covered Bondholders and Couponholders including Covered Bondholders and Couponholders who did not attend or vote at the relevant meeting and Covered Bondholders who voted against such Programme Resolution at the relevant meeting or, as applicable, did not participate in the relevant written resolution. Thus, with respect to the actions described above, holders of the Covered Bonds may be dependent on the votes of the holders of other outstanding Covered Bonds.

*The Trustee may agree to, and in certain circumstances is obliged to concur with the Issuer and/or the CBC in making, certain modifications to the Transaction Documents and the Covered Bonds without the Covered Bondholders' or other Secured Creditors' prior consent.*

Pursuant to the terms of the Trust Deed:

- (a) the Trustee may from time to time and at any time without any consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors (other than the Trustee (where applicable)):
  - (i) agree to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or any Transaction Document, or determine, without any such consent as aforesaid, that any Issuer Event of Default or CBC Event of Default or Potential Issuer Event of Default or Potential CBC Event of Default shall not be treated as such, **provided that** such waiver or authorisation does not relate to a Series Reserved Matter, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of any of the Secured Creditors (in which respect the Trustee may (without further enquiry) rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor) **provided that** the Trustee has not been informed by any Secured Creditor (other than any

Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given its written consent as aforesaid) and **provided further that** the Trustee shall not exercise any powers conferred upon it in contravention of any express direction by a Programme Resolution (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or in order to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Series Reserved Matters;

- (ii) concur with the Issuer and the CBC and agree on any modifications to the Covered Bonds of any Series, the related Coupons or any Transaction Documents to which the Trustee is a party or over which it has Security (including without limitation designating further creditors as Secured Creditors), if (a) (i) in the opinion of the Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series or any of the other Secured Creditors (in which respect the Trustee may rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor) and (ii) it has not been informed in writing by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given his/her written consent as aforesaid) or (b) such modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document is of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Trustee or to comply with mandatory provisions of law;
- (b) the Trustee is obliged, without the consent of the Covered Bondholders of any Series and/or Couponholders of such Series of Covered Bonds or any of the other Secured Creditors (other than any Secured Creditor party to the relevant Transaction Document to be amended), to concur with the Issuer and/or the CBC in making and agreeing on any modifications to the Transaction Documents and/or the Covered Bonds of one or more Series that are requested in writing by:
  - (i) the Issuer and/or the CBC in order to enable the Issuer and/or the CBC to comply with any requirements which apply to it under Regulation (EU) 648/2012 (as amended from time to time) ("**EMIR**") irrespective of whether or not such modifications might otherwise constitute a Series Reserved Matter (which the Trustee shall not be required to investigate), subject to receipt by the Trustee of a certificate of the Issuer, or of the CBC, if applicable, (which certificate the Trustee shall be entitled to rely on without further investigation) certifying to the Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer and/or the CBC to satisfy any requirements which apply to either of them under EMIR; and
  - (ii) the Issuer, which are required or necessary in connection with any change, after the issue date of the relevant Covered Bonds, to any laws or regulations (including without limitation the laws and regulations of the Netherlands and the European Union) applicable or relevant with respect to covered bonds (*gedekte obligaties*) to ensure that the Covered Bonds (continue) to meet the requirements for registered covered bonds (*geregistreerde gedekte obligaties*) within the meaning of the Wft, irrespective of whether or not such modifications might otherwise constitute a Series Reserved Matter (which the Trustee shall not be required to investigate) subject to receipt by the Trustee of a legal opinion from a reputable law firm confirming that the requested modifications are necessary for the Covered Bonds (to continue) to meet the requirements for registered covered bonds (*geregistreerde gedekte obligaties*) within the meaning of the Wft; and

in each case, such modifications are not materially prejudicial to the interest of the Covered Bondholders or any of the other Secured Creditors.

The Trustee shall not be obliged to agree to any modification contemplated pursuant to paragraph (ii) above which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the protections, of the Trustee in the Transaction Documents and/or the Covered Bonds. Furthermore, the Trustee shall not waive, modify or amend, or consent to any waiver, modification or amendment of, any Condition of any Covered Bonds of any Series or any Transaction Documents which (i) would have the effect of altering the amount, timing or the priority

of any payments due to or from a Swap Provider, (ii) relate to a Benchmark Rate Modification (as defined below), to the extent the Applicable Benchmark Rate (as defined below) is used in the relevant Swap Agreement or (iii) otherwise materially affects the position of a Swap Provider under its Swap Agreement, unless such Swap Provider has agreed thereto.

In addition, pursuant to the terms of the Trust Deed, the Trustee shall be obliged, without any consent or sanction of the Covered Bondholders or any of the other Secured Creditors (other than the Swap Provider of any relevant Swap Agreement), to concur with the Issuer or, following the occurrence of an Issuer Event of Default, the CBC in making any modification to the Covered Bonds of one or more Series, the related Coupons or any Transaction Document to which it is a party or in relation to which it holds security or entering into any new, supplemental or additional documents that the Issuer or, following the occurrence of an Issuer Event of Default, the CBC considers necessary for the purpose of changing the benchmark rate from the originally specified Reference Rate used to determine the Rate of Interest (or any component thereof) on the relevant Series of Covered Bonds (the "**Applicable Benchmark Rate**") to an alternative benchmark rate (any such rate, an "**Alternative Benchmark Rate**") and making such other amendments to the Covered Bonds of one or more Series, the related Coupons or any Transaction Document as are necessary in the reasonable judgment of the Issuer or, following the occurrence of an Issuer Event of Default, the CBC to facilitate the changes envisaged by Condition 14A (*Benchmark Rate Modification*), **provided that** the provisions of Condition 14A (*Benchmark Rate Modification*) are complied with.

As soon as reasonably practicable following the occurrence of a Benchmark Event, the Issuer, or following the occurrence of an Issuer Event of Default, the CBC, shall use its reasonable endeavours to appoint and consult with an Independent Adviser, with a view to the Issuer, or if applicable, the CBC determining an Alternative Benchmark Rate and an Adjustment Spread.

Following such appointment and consultation (only if such Independent Adviser has been appointed), the Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall certify to the Trustee in writing that:

- (a) the Benchmark Rate Modification is being undertaken due to the occurrence of any one or more Benchmark Events;
- (b) the Alternative Benchmark Rate is any one or more of the following:
  - (i) a benchmark rate with an equivalent term to the Applicable Benchmark Rate as published, endorsed, approved or recognised as a replacement to the Applicable Benchmark Rate by the Relevant Nominating Body (which, for the avoidance of doubt, may be an Alternative Benchmark Rate together with a specified adjustment factor which may increase or decrease the relevant Alternative Benchmark Rate); or
  - (ii) a benchmark rate with an equivalent term utilised in a material number of publicly listed new issues of covered bonds in the six months prior to the proposed effective date of such Benchmark Rate Modification whereby such covered bonds (i) meet the criteria set out in article 129 of the CRR, (ii) are denominated in the relevant Specified Currency and (iii) have the same interest period as the Covered Bonds; or
  - (iii) such other benchmark rate as the Issuer or, following the occurrence of an Issuer Event of Default, the CBC reasonably determines, **provided that** this option may only be used if the Issuer or, following the occurrence of an Issuer Event of Default, the CBC certifies to the Trustee that, in the reasonable opinion of the Issuer or, following the occurrence of an Issuer Event of Default, the CBC, neither the sub-paragraphs (i) nor (ii) above are applicable in the context of the relevant Series of Covered Bonds, and sets out the rationale in the Benchmark Rate Modification Certificate for choosing the proposed Alternative Benchmark Rate;
- (c) the details of and the rationale for any Adjustment Spread (as defined below) proposed;
- (d) the modifications proposed are required solely for the purpose of applying the Alternative Benchmark Rate and making consequential modifications to any Transaction Document which are, as reasonably determined by the Issuer or, following the occurrence of an Issuer Event of Default, the CBC necessary or advisable, and the modifications have been drafted solely to such effect;



- (e) the Issuer or, following the occurrence of an Issuer Event of Default, the CBC has obtained Rating Agency Confirmation in respect of the proposed Benchmark Rate Modification and consent of each relevant Swap Provider and each other Secured Creditor which has a right to consent to such modification pursuant to any Transaction Document has been obtained (evidence of which shall be provided by the Issuer or, following the occurrence of an Issuer Event of Default, the CBC to the Trustee with the Benchmark Rate Modification Certificate) and no other consents are required to be obtained in relation to the Benchmark Rate Modification; and
- (f) prior to the occurrence of an Issuer Event of Default, the Issuer has agreed to pay, or to put the CBC and the Independent Adviser in funds to pay, all fees, costs and expenses (including legal fees and any initial or ongoing costs associated with the Benchmark Rate Modification) incurred by the CBC or the Independent Adviser, as applicable, in connection with the Benchmark Rate Modification,

and **provided further that** notice is given to the relevant Covered Bondholders prior to the date on which it is proposed that the Benchmark Rate Modification would take effect confirming (i) which sub-paragraph of the definition Benchmark Event the Benchmark Rate Modification is proposed, (ii) which Alternative Benchmark Rate is proposed together with the rationale for choosing the proposed Alternative Benchmark Rate, (iii) the reasonable details of any consequential modifications that are proposed to be made to any relevant Swap Agreement, (iv) the reasonable details of any adjustment which are proposed to be made to the margin payable on each relevant Series of Covered Bonds in order to, so far as reasonably and commercially practicable, preserve what would have been the expected Rate of Interest applicable to each such Series of Covered Bonds had no such Benchmark Rate Modification been effected and (v) the reasonable details of any other amendments which are proposed to be made to the Conditions or any other Transaction Document in connection with the relevant Benchmark Rate Modification.

Accordingly, holders of the Covered Bonds may not be able to prevent the Trustee from making certain modifications to the Transaction Documents and the Covered Bonds as described above.

*Since the Covered Bonds may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples, a holder of a Covered Bond may have to purchase additional Covered Bonds in order to be able to transfer its holdings or to receive a definitive Covered Bond.*

In relation to the Covered Bonds which have a denomination consisting of the minimum Specified Denomination (as defined in the applicable Final Terms) (the "**Specified Denomination**") plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Covered Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time (i) may not be able to transfer such Covered Bond(s) and (ii) may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination. Thus, a holder of a Covered Bond that intends to transfer its holding or receive a definitive Covered Bond may have to make additional purchases of Covered Bonds.

*Tax consequences of holding the Covered Bonds may be complex and would depend on the individual tax situation of the holders of the Covered Bonds.*

Potential investors should consider the tax consequences of investing in the Covered Bonds and consult their tax adviser about their own tax situation. See *Taxation in the Netherlands*. Thus, holders of the Covered Bonds may suffer unexpected tax consequences.

*Dutch tax risks related to the new Dutch government's intention to introduce an "interest withholding tax".*

On 10 October 2017, the new Dutch government released their coalition agreement (*Regeerakkoord*) 2017-2021, which includes, among others, certain policy intentions for tax reform. On 23 February 2018, the Dutch State Secretary for Finance published a letter with an annex containing further details on the government's policy intentions against tax avoidance and tax evasion. One policy intention in particular may become relevant within the context of the Dutch tax treatment of the Issuer, the CBC, the Covered Bonds, and/or payments in respect of the Covered Bonds.

The policy intention relates to the introduction of an "interest withholding tax" on interest paid to creditors in low tax jurisdictions or non-cooperative jurisdictions as of 2021. The coalition agreement and the annex to the letter suggest that this interest withholding tax would apply to certain payments made by a Dutch entity directly or indirectly to a group entity in a low tax or non-cooperative jurisdiction. However, it cannot be ruled out that it will have a wider application and, as such, it could potentially be applicable to payments in respect of the Covered Bonds.

Many aspects of these policy intentions remain unclear. However, if the policy intentions are implemented they may have an adverse effect on the Issuer and/or the CBC and their financial position in which case the Issuer may redeem the Series affected pursuant to its option under, and in accordance with and subject to the conditions set out in, Condition 6(b) (*Redemption for tax reasons*).

*Covered Bondholders may be subject to withholding tax under FATCA.*

Under FATCA the Issuer and other non-US financial institutions ("**FFI**") through which payments on Covered Bonds (including original issue discount ("**OID**")), if any, principal and redemption proceeds) are made may be required to withhold US tax in certain circumstances. Payments on Covered Bonds might become subject to US withholding tax under FATCA if the payments were considered (in whole or in part) to be "foreign pass-thru payments" within the meaning of the FATCA rules. Payments on or with respect to the Covered Bonds will not become subject to FATCA withholding sooner than 1 January 2019. Furthermore, Covered Bonds that are issued on or before the date that is six months after regulations defining the term "foreign pass thru payment" are filed with the Federal Register (the "**grandfathering period**") will not be subject to FATCA withholding in 2019 or later unless the Covered Bonds are considered to be equity for US federal income tax purposes or the Covered Bonds are "materially modified" for U.S. federal income tax purposes after the end of the grandfathering period. No withholding would be required on payments made directly to an investor that is not an FFI to the extent an investor provides information to the Issuer (or other FFI through which payments on the Covered Bonds are made) sufficient for the Issuer (and any other FFI through which payments on the Covered Bonds are made) to determine whether the investor is a US person or should otherwise be treated as holding a "**United States Account**" under FATCA (and consents, where necessary, to the disclosure of its information to the Internal Revenue Service) and, in the case of an investor that is a non-US entity, provides certifications or information regarding its US ownership.

On 18 December 2013 the Netherlands and the United States signed an intergovernmental agreement ("**IGA**") for the automatic exchange of data between the tax authorities of both countries in relation to the implementation of FATCA. The Issuer and CBC have obtained a Global Intermediary Identification Number (GIIN) with the Internal Revenue Service and based on the IGA should qualify as registered deemed compliant FFIs. As a deemed compliant FFI, the Issuer will not be subject to 30 per cent. FATCA withholding. The obligations of the Issuer under the IGA include obtaining information from its account holders, which may include investors in the Covered Bonds. Certain investors that do not provide to the Issuer the information required under FATCA to establish that the investor is eligible to receive payments free of FATCA withholding may be subject to 30 per cent. U.S. withholding on certain payments it receives in respect of the Covered Bonds.

Where Covered Bonds are in global form and held by Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be (together, the "**ICSDs**") in all but the most remote circumstances it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. FATCA may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of FATCA withholding, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding.

If an amount in respect of FATCA withholding tax were to be deducted or withheld from any payments on the Covered Bonds, neither the Issuer nor the CBC nor any paying agent would be required to pay any additional amounts as a result of the deduction or withholding of such tax. As a result, investors who are

FFIs that have not entered into an FFI agreement, investors that hold Covered Bonds through such FFIs or investors that are not FFIs but have failed to provide required information to an FFI that has entered into an FFI agreement may be subject to withholding tax for which no additional amount will be paid by the Issuer or the CBC. Holders of Covered Bonds should consult their own tax advisers on how these rules may apply to payments they receive under the Covered Bonds.

*The proposed financial transactions tax ("FTT") may apply to certain dealings in the Covered Bonds.*

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Covered Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the Participating EU Member States may decide to withdraw.

Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

*Because Covered Bonds may be held in global form and, therefore, by or on behalf of Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be, investors will have to rely on the procedures of these organisations for transfers, payments and communications with the Issuer. Further, the ability of Covered Bondholders in global form to pledge their holdings will be limited to the extent that the party demanding the pledge requires securities in physical form.*

The Bearer Covered Bonds which are in NGN form (as specified in the applicable Final Terms) will be held by a common safekeeper for Euroclear and/or Clearstream, Luxembourg and the Bearer Covered Bonds which are not in NGN form (as specified in the applicable Final Terms), will initially be held by Euroclear Netherlands, or in either case by any other agreed clearing system, and in each case in the form of a Global Covered Bond which will be exchangeable for Definitive Covered Bonds only in the limited circumstances as more fully described in *Section 1.1 Form of Covered Bonds* below.

Except in the circumstances described in the relevant Covered Bond held in global form, investors will not be entitled to receive Definitive Covered Bonds. Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be, will maintain records of the beneficial interests in the Covered Bonds held in global form. While the Covered Bonds are represented by one or more Global Covered Bonds, investors will be able to trade their beneficial interests only through Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or such other agreed clearing system, as the case may be.

The holder of the relevant Covered Bond held in global form, being the common depositary or common safekeeper (as the case may be) for Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, shall be treated by the Issuer and any Paying Agent as the sole holder of the relevant Covered Bonds represented by such Global Covered Bond with respect to the payment of principal, interest (if any) and any other amounts payable in respect of the Covered Bonds. Therefore, while the Covered Bonds are represented by one or more Covered Bonds held in global form the Issuer will discharge its payment obligations under the Covered Bonds by making payments to the common depositary or, as the

case may be, custodian for Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or such other agreed clearing system, as the case may be, for distribution to their account holders. A holder of a beneficial interest in a Covered Bond must rely on the procedures of the relevant clearing system(s) to receive payments under the relevant Covered Bonds.

The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Covered Bonds held in global form.

Holders of beneficial interests in the Covered Bonds held in global form will not have a direct right to vote in respect of the relevant Covered Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be, to appoint appropriate proxies.

Because transactions in any Rule 144A Global Covered Bonds will be effected only through DTC (as defined below), direct or indirect participants in DTC's book-entry system and certain banks, the ability of a holder to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such interests, may be limited due to the lack of physical security representing such interest.

Certain transfers of Covered Bonds or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements. Covered Bonds, which are represented by a Covered Bond held in global form will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be.

Accordingly, Covered Bondholders are dependent on the depositaries' procedures for transfers, payments and communications with the Issuer and may also be limited in their ability to pledge Covered Bonds.

*Holders of Registered Global Covered Bonds, Registered Definitive Covered Bonds and Registered Covered Bonds issued pursuant to a Registered Covered Bonds Deed are responsible for the timely and properly effectuated transfer (pursuant to Dutch law) of Registered Covered Bonds.*

Payments of principal, interest (if any) and any other amounts in respect of Registered Covered Bonds will be made to the person shown on the Register (as defined below) as being entitled to the relevant amount of principal or interest or other amount, or part thereof, as the case may be, at the opening of business on the second Business Day falling prior to the due date of such payments. If any Registered Covered Bondholder transfers any Registered Covered Bonds in accordance with Condition 19.3 and the Trust Deed and such transfer is notified to the Issuer and the CBC prior to the close of business on the Record Date (as defined below), the Issuer, the CBC and the Trustee will in respect of the Registered Covered Bond so transferred, be discharged from their respective payment obligations only by payment to or to the order of the transferee. If the notification of transfer of the relevant Registered Covered Bond is made after the close of business on the Record Date, (i) the risk that the transfer is not timely recorded in the Register is borne by the transferee and (ii) the Issuer, the CBC, the Trustee, the Registrar and the relevant Paying Agent shall not be liable as a result of any payment being made to the person shown in the Register in accordance with Condition 19 (*Terms and Conditions of Registered Covered Bonds*). The Registrar shall fulfil certain obligations of the Principal Paying Agent in relation to payments in respect of the relevant Series of Registered Covered Bonds.

To the extent that Dutch law is applicable to a transfer of a Covered Bond, one of the requirements for a valid transfer of a Covered Bond is a valid delivery (*levering*). Also, to the extent that Dutch law is applicable to a transfer of a Covered Bond, investors should be aware that delivery of a Registered Covered Bond requires the execution of an assignment deed (*akte van cessie*) between the assignor and the assignee and notification thereof by the assignor or the assignee to the Issuer and the CBC, if it concerns a notified assignment. The forms of transfer annexed to the forms of Registered Covered Bonds scheduled to the Trust Deed comprise such an assignment deed.

Therefore, the holder of a Registered Global Covered Bond, Registered Definitive Covered Bond and Registered Covered Bonds issued pursuant to a Registered Covered Bonds Deed may bear the risk associated with improper transfer of a Registered Covered Bond pursuant to Dutch law.

*Covered Bonds may not be recognised as eligible collateral for Eurosystem purposes.*

Covered Bonds may be issued with the intention to be held in a manner which will allow Eurosystem eligibility. In that case such Covered Bonds are intended upon issue to be deposited with one of the international central securities depositories and/or central securities depositories that fulfil the minimum standard established by the European Central Bank, as common safekeeper. However, it does not necessarily mean that each Covered Bond will be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will, as in any particular case, depend upon satisfaction of all Eurosystem eligibility criteria at the relevant time and there can be no assurance that such Covered Bonds will be recognised as such.

*Base Prospectus to be read together with applicable Final Terms.*

The terms and conditions of the Covered Bonds included in this Base Prospectus apply to the different types of Covered Bonds which may be issued under the Programme under this Base Prospectus. The full terms and conditions applicable to each Tranche of Covered Bonds that may be issued under this Base Prospectus can be reviewed by reading the Conditions as set out in full, as applicable, incorporated, in this Base Prospectus, which constitute the basis of all Covered Bonds to be offered under the Programme, together with the applicable Final Terms which applies and/or disappplies, supplements and/or amends the Conditions in the manner required to reflect the particular terms and conditions applicable to the relevant Tranche. Copies of the legal documentation relating to the Programme and copies of the Final Terms relating to each issue of Covered Bonds are available for inspection as described in *Section 1.8. General Information* below.

*Further issues.*

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or the Couponholders to create and issue further bonds having the same terms and conditions as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price ("**Further Issue Covered Bonds**") and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series. The terms and conditions of the Further Issue Covered Bonds may differ from the Conditions set out in this Base Prospectus.

*The Covered Bondholders may be subject to legal risks resulting from legal and regulatory changes.*

The structure of the Covered Bonds and the ratings, which are to be assigned to them are based on the law of the Netherlands in effect as at the 2018 Programme Date. No assurance can be given as to the impact of any possible change to the law of the Netherlands or administrative practice in the Netherlands after the 2018 Programme Date. The Covered Bondholders may bear the risks associated with any such changes.

*New legislation dealing with ailing financial institutions gives regulators resolution powers which, if relevant to the Issuer, may result in losses for, or otherwise affect rights of, Covered Bondholders and/or may affect the ratings assigned to the Covered Bonds.*

*Statutory loss absorption*

The BRRD was published in the Official Journal of the European Union on 12 June 2014. The BRRD includes provisions (known as the bail-in tool) to give regulators resolution powers, *inter alia*, to write down the debt of a failing bank (or to convert such debt into equity) to strengthen its financial position and allow it to continue as a going concern, subject to appropriate restructuring measures being taken. The BRRD was implemented into Dutch law on 26 November 2015. See also "*Rabobank Group is subject to intensive regulation and its businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the Netherlands, the European Union, the United States and elsewhere.*" above.

Pursuant to the BRRD or other resolution or recovery rules which may in the future be applicable to the Issuer which could be used in such a way as to result in the debt instruments issued by the Issuer absorbing losses ("**Statutory Loss Absorption**"), the debt instruments could become subject to a determination by the Dutch Central Bank or another relevant authority/ies (each a "**Relevant Authority**") that all or part of the principal amount of the relevant debt instruments, including accrued but unpaid interest in respect

thereof, must be written off or otherwise converted into Common Equity Tier 1 Capital or otherwise be applied to absorb losses. Pursuant to article 44 paragraph 2 sub (b) of the BRRD (as implemented in The Netherlands in article 3a:60 of the Wft), covered bonds are in principle excluded from the applicability of the write-down and conversion powers laid down in the BRRD (as complemented by the SRM). This means that, in principle, Covered Bonds cannot be written down following a bail-in intervention of the national authorities in relation to the Issuer. However, it cannot be excluded that such write down powers may be used in relation to the Covered Bonds if and to the extent the aggregate Principal Amount Outstanding of the Covered Bonds would exceed the value of the collateral against which they are secured through the Guarantee and the Security. Such determination shall not constitute an Issuer Event of Default and Covered Bondholders will have no further claims in respect of any amount so written off or otherwise as a result of such Statutory Loss Absorption.

It is possible that, pursuant to the exercise of any Statutory Loss Absorption measures, further new powers may be given to the Relevant Authority which could be used in such a way as to result in the Covered Bonds absorbing losses.

***Risks related to the markets generally may adversely affect the value of the Covered Bonds***

Set out below is a brief description of the principal market risks which may affect the Covered Bonds, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

*There can be no assurance that a secondary market for the Covered Bonds will develop or provide efficient liquidity. The holders of the Covered Bonds may bear the risk of limited liquidity and its effect on the value of the Covered Bonds. Further, Covered Bonds may not be freely transferred within the United States, as they are not registered under the Securities Act.*

Even though application is made for Covered Bonds to be admitted to listing on Euronext Amsterdam, the Luxembourg Stock Exchange Official List, any other regulated or unregulated market within the EEA or any further or other stock exchange(s), there can be no assurance that a secondary market for any of the Covered Bonds will develop, or, if a secondary market does develop, that it will provide the holders of the Covered Bonds with liquidity or that any such liquidity will continue for the life of the Covered Bonds. The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under *Section 1.5 Subscription and Sale* below and in the relevant Final Terms. A decrease in the liquidity of Covered Bonds may cause, in turn, an increase in the volatility associated with the price of such Covered Bonds. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds which are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Any investor in the Covered Bonds must be prepared to hold such Covered Bonds for an indefinite period of time or until redemption of the Covered Bonds. If any person begins making a market for the Covered Bonds, it is under no obligation to continue to do so and may stop making a market at any time. Illiquidity may have a severely adverse effect on the market value of Covered Bonds.

*Illiquidity in the markets for mortgage loans and mortgage-backed securities may limit the ability of holders to sell Covered Bonds and/or to receive full payments from the CBC in the event of an Issuer Event of Default or a CBC Event of Default.*

The secondary mortgage markets have been experiencing disruption, as a result of reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirement for those loans and securities. Consequently, the secondary market for mortgage-backed securities has been experiencing limited liquidity. These conditions may continue or worsen in the future. The developments in the market for mortgage-backed securities and liquidity constraints in general have also had an impact on the market for covered bonds. An investor in the Covered Bonds may not be able to sell its Covered Bonds readily. The market values of the Covered Bonds are likely to fluctuate and may be difficult to determine. Any of such fluctuations could be significant.

Therefore, due to limited liquidity in the secondary market for mortgage loans, mortgage-backed securities and related securities (including covered bonds), holders may be unable to re-sell Covered Bonds readily

and will bear a credit risk to the extent that the CBC and/or the Trustee experiences difficulties in fulfilling completely and/or timely their respective obligations to the Covered Bondholders in the event of an Issuer Event of Default or a CBC Event of Default.

*The Covered Bondholders whose financial activities are denominated principally in a currency unit other than the Specified Currency will be subject to exchange rate risks and, potentially, exchange controls.*

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Covered Bonds, (b) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (c) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors of the Covered Bonds may receive less interest or principal than expected, or no interest or principal.

*Changes in prevailing bond interest rates may adversely affect the value of Fixed Rate Covered Bonds.*

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

*Ratings may not reflect all of the risks and may not properly reflect the value of the Covered Bonds and rating downgrades or withdrawals may reduce the market value of the Covered Bonds.*

The ratings assigned to the Covered Bonds may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant Rating Agency at any time.

The ratings assigned by Moody's address the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have significant effect on yield to investors.

The expected ratings of the Covered Bonds, if rated individually, will be set out in the applicable Final Terms for each Series. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgement of such Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced.

In general, European regulated investors are restricted under the CRA Regulation from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. Such general restriction will also apply in the case of ratings issued by non-EU credit rating agencies, unless the relevant ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU credit rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agency and ratings is set out in *Section A. Key Features of the Programme – Ratings* above and will be disclosed in the applicable Final Terms if the relevant Tranche of Covered Bonds are to be rated specifically.

*An investor's investment in the Covered Bonds may be subject to restrictions and qualifications.*

An investor's total return on an investment in any Covered Bonds will be affected by the level of fees charged by any nominee service provider through which it holds its Covered Bonds and/or clearing system

used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Covered Bonds, custody services and on payments of interest, principal and other amounts. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Covered Bonds.

*Legal investment considerations may restrict certain investments in the Covered Bonds.*

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Covered Bonds are legal investments for it, (b) Covered Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

*An investor may be unable to enforce US civil judgments against the Issuer.*

The Issuer and the CBC are companies incorporated under the laws of the Netherlands. A substantial part of the assets of the Issuer and the CBC are located outside the United States. In addition, substantially all of the Issuer's and CBC's officers and directors reside outside the United States and a substantial part of the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, CBC or such persons or to enforce against any of them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

*Changes to the ECB asset purchase programme could affect market value and liquidity.*

In September 2014, the ECB initiated an asset purchase programme whereby it envisages to bring inflation back to levels in line with the ECB's objective to maintain the price stability in the euro area and, also, to help enterprises across Europe to enjoy better access to credit, boost investments, create jobs and thus support the overall economic growth. The expanded asset purchase programme encompasses the earlier announced asset-backed securities purchase programme and the covered bond purchase programme. The ECB announced in October 2017 that it would extend the asset purchase programme into 2018, but cut the pace of monthly purchases in half beginning in January 2018. As of January 2018, the monthly purchases have been reduced from EUR 60 billion to EUR 30 billion until the end of September 2018, or beyond if necessary. However, if the economic outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, the asset purchase programme may be adjusted in terms of size and/or duration. It remains to be seen what the effect of these purchase programmes ultimately will be on the volatility in the financial markets and economy generally. In addition, the continuation, the amendments to or the termination of these purchase programmes could have an adverse effect on the secondary market value of the Covered Bonds and the liquidity in the secondary market for Covered Bonds.

### **B.3 Asset-Backed Guarantee**

*Covered Bondholders are only entitled to receive payments from the CBC on any Guaranteed Amounts when such payments are due and only in accordance with the provisions of the Transaction Documents. If a CBC Event of Default occurs, amounts owed by the CBC to holders of the Covered Bonds may be paid later than provided for in the Transaction Documents, only partially or not at all.*

The CBC has no obligation to pay the Guaranteed Amounts payable under the Guarantee until service by the Trustee:

- (a) on the Issuer of an Issuer Acceleration Notice and on the CBC of a Notice to Pay; or
- (b) if earlier, on the Issuer and the CBC of a CBC Acceleration Notice.

A Notice to Pay can only be served if an Issuer Event of Default occurs and results in service by the Trustee of an Issuer Acceleration Notice on the Issuer. A CBC Acceleration Notice can only be served if a CBC Event of Default occurs.



If a Breach of Asset Cover Test Notice is served by the Trustee on the CBC following a Breach of the Asset Cover Test, the CBC will not be obliged to make payments under the Guarantee until (a) an Issuer Event of Default has occurred and each of an Issuer Acceleration Notice and a Notice to Pay has been served or (b) a CBC Event of Default has occurred and a CBC Acceleration Notice has been served.

Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Trustee on the CBC. However, a failure by the Issuer to make a payment in respect of one or more Series will not automatically result in the service of an Issuer Acceleration Notice. The Trustee may, but is not obliged to, serve an Issuer Acceleration Notice **provided that** if the Issuer fails to make a payment in respect of one or more Series on the due date it is obliged to serve such notice if (a) default is made by the Issuer for a period of 30 calendar days or more in the payment of principal or interest, or if the Issuer is adjudged bankrupt or emergency regulations (*noodregeling*) are imposed on it, or (b) requested or directed by a Programme Resolution of the Covered Bondholders of all Series then outstanding.

Following service of a Notice to Pay on the CBC (provided no CBC Acceleration Notice has been served) under the terms of the Guarantee the CBC will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. Such payments will be subject to and will be made in accordance with the Post-Notice-to-Pay Priority of Payments. In these circumstances, the CBC will not be obliged to pay any amount other than the Guaranteed Amounts, for example in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds.

Subject to applicable grace periods, if the CBC fails to make a payment when Due for Payment under the Guarantee or any other CBC Event of Default occurs, then the Trustee may accelerate the Covered Bonds (to the extent not yet accelerated) by service of a CBC Acceleration Notice, whereupon the CBC will owe under the Guarantee the Early Redemption Amount of each Covered Bond, together with accrued interest and certain other amounts then due under the Covered Bonds. Following service of a CBC Acceleration Notice, the Trustee may enforce the Security over the Secured Property. The proceeds of enforcement of the Security shall be applied by the Trustee in accordance with the Post-CBC-Acceleration-Notice Priority of Payments, and Covered Bondholders will receive amounts from the CBC on an accelerated basis. If a CBC Acceleration Notice is served on the CBC then the Covered Bonds may be repaid sooner or later than expected or they may only be repaid partially or not at all.

*The Covered Bondholders may not receive any payments from the CBC to compensate for any tax withheld by the CBC on behalf of a Dutch taxing authority.*

Notwithstanding anything to the contrary in this Base Prospectus, if withholding of, or deduction on account of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of the Netherlands, any authority therein or thereof having power to tax, the CBC will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders. Therefore, the Covered Bondholders may not expect that the CBC will compensate them for any tax withheld by the CBC on behalf of a Dutch tax authority.

*The CBC's obligation to pay Guaranteed Final Redemption Amounts in respect of a Series of Covered Bonds shall automatically be deferred to the relevant Extended Due for Payment Date if the CBC has insufficient funds available to make payments in respect of such Series at the relevant Extension Date.*

If the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount in respect of a Series of Covered Bonds and has insufficient monies available under the relevant Priority of Payments to pay the Guaranteed Final Redemption Amount in respect of such Series of Covered Bonds on the Extension Date, then the obligation of the CBC to pay such Guaranteed Amount shall automatically be deferred to the relevant Extended Due for Payment Date. However, to the extent the CBC has sufficient monies available to pay the Guaranteed Final Redemption Amount in part in respect of such Series of Covered Bonds, the CBC shall make such partial payment in accordance with the relevant Priority of Payments, as described in, and subject to, Condition 3 (*The Guarantee*) on the relevant Extension Date and any subsequent Interest Payment Date falling prior to the relevant Extended Due for Payment Date. Payment of the unpaid amount under such Series of Covered Bonds shall be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date will fall twelve (12) calendar months after the Final Maturity Date. Interest will continue to accrue and be payable on the unpaid Guaranteed Final Redemption Amount in respect of such Series of Covered Bonds on the basis set out in the applicable Final Terms or, if not set out therein, Condition 4 (*Interest*), *mutatis mutandis*. In these circumstances, except where the CBC

has failed to apply monies in accordance with the relevant Priority of Payments in accordance with Condition 3 (*The Guarantee*), failure by the CBC to pay the relevant Guaranteed Final Redemption Amount in respect of such Series of Covered Bonds on the Extension Date or any subsequent Interest Payment Date falling prior to the Extended Due for Payment Date (or the relevant later date in case of an applicable grace period) shall not constitute a CBC Event of Default. However, failure by the CBC to pay such Guaranteed Final Redemption Amount or the balance thereof, as the case may be, on the relevant Extended Due for Payment Date and/or pay any other amount due under the Guarantee will (subject to any applicable grace period) constitute a CBC Event of Default.

Under the CB Legislation the Issuer will be required to ensure that, amongst other things, at all times sufficient liquidity is maintained or generated by the CBC to cover for the following 6 month-period interest payments on the Covered Bonds and certain higher and *pari passu* ranking payments, in each case as calculated and determined in accordance with the CB Legislation. In determining the amount of this mandatory liquidity buffer, amongst other things, the proceeds of the Transferred Assets expected to be received in the relevant period and certain amounts (if any) standing to the credit of the AIC Account (including, without limitation, any amounts standing to the credit of the Reserve Fund Ledger) to the extent relating to the relevant Series and period, may be taken into account.

Pursuant to the Trust Deed and in order to ensure that it has sufficient liquidity in order to comply with the mandatory liquidity buffer requirements under the CB Legislation, the Issuer is required to credit the Reserve Fund Ledger with an amount at least equal to the Mandatory Liquidity Required Amounts. The Mandatory Liquidity Required Amounts are determined at the relevant time as the amount by which at such time the proceeds of the Transferred Assets expected to be received in the relevant period and the relevant amounts standing to the credit of the AIC Account (including, without limitation, any amounts standing to the credit of the Reserve Fund Ledger) and all other amounts permitted to be taken into account pursuant to the CB Legislation, fall short of the amount which is at such time required to be held by the CBC to ensure compliance with the mandatory liquidity buffer requirement. However there is no assurance that there will not be a liquidity shortfall.

*The CBC has limited resources and their value depends on a number of factors and may be insufficient to meet the CBC's obligations under the Guarantee. In the event of a CBC Event of Default, the Covered Bondholders may not receive the full amounts due to them from the CBC or the Issuer.*

The CBC's ability to meet its obligations under the Guarantee will depend on the realisable value of Transferred Assets (net of, without limitation, amounts due to any Participants in the case of Participation Receivables), the amount of principal and revenue proceeds generated by the Transferred Assets (net of, without limitation, amounts due to any Participants in the case of Participation Receivables) and Authorised Investments and the timing thereof and amounts received from the Swap Providers (if any), any Participants and the Account Bank. The CBC will not have any other source of funds available to meet its obligations under the Guarantee.

If a CBC Event of Default occurs and the Security created by or pursuant to the Security Documents is enforced, the Secured Property may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. Upon the occurrence of any Issuer Event of Default or a CBC Event of Default, the CBC or the Trustee, as the case may be, could experience difficulty with any sale of the relevant Transferred Receivables, more in particular, the sale proceeds may be lower than expected or the sale proceeds could suffer delays. If, following enforcement of the Security constituted by or pursuant to the Security Documents, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Asset Cover Test has been structured to ensure that the Adjusted Aggregate Asset Amount is greater than the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, this should reduce the risk of there ever being a shortfall. Also, under the CB Legislation the Issuer will be required to ensure that, in addition to the mandatory liquidity buffer required to be maintained or generated by the CBC (see also the risk factor entitled *The CBC's obligation to pay Guaranteed Final Redemption Amounts in respect of a Series of Covered Bonds shall automatically be deferred to the relevant Extended Due for Payment Date if the CBC has insufficient funds available to make payments in respect of such Series at the relevant Extension Date*), (a) a statutory minimum level of overcollateralisation of eligible cover assets is maintained and (b) the value of the Transferred Assets (subject to certain deductions in accordance with the CB Legislation) is at all times at

least equal to the Principal Amount Outstanding of the Covered Bonds, in each case as calculated and determined in accordance with the CB Legislation. The Asset Cover Test is, amongst other things, used to comply with such statutory overcollateralisation and minimum value requirements under the CB Legislation. However, there is no assurance that there will not be a shortfall, on payments due under the Transaction Documents as there may be insufficiency of resources of the Issuer or the CBC.

*The ability of the CBC to make full and timely payments pursuant to its obligations under the Guarantee may depend on the performance of third parties on which the CBC relies, such as the Servicers or the Administrator, of their obligations to the CBC.*

The CBC has entered into agreements with a number of third parties, which have agreed to perform services for the CBC. In particular, the Initial Servicer has been (and New Servicers may be) appointed to service the Transferred Receivables, the Administrator has been appointed to monitor compliance with the Asset Cover Test and the Amortisation Test and to provide administration services to the CBC and the Asset Monitor has been appointed to conduct tests on the arithmetic accuracy of the calculations performed by the Administrator annually and in certain circumstances more frequently in respect of the Asset Cover Test and monthly in respect of the Amortisation Test with a view to confirming the accuracy of such calculations. In the event that any of those parties fails to perform its obligations under the relevant agreement, the realisable value of the Transferred Assets or any part thereof may be affected, or, pending such realisation (if the Transferred Assets or any part thereof cannot be sold), the ability of the CBC to make payments under the Guarantee may be affected. For example, if a Servicer has failed to adequately administer the Transferred Receivables, this may lead to higher incidences of non-payment or default by Borrowers. To the extent the CBC enters into a Swap Agreement, it is also reliant on the relevant Swap Providers to provide it with the funds matching (all or part of) its obligations under the Guarantee.

If a Servicer Event of Default occurs pursuant to the terms of a Servicing Agreement, then the CBC and/or the Trustee will be entitled to terminate the appointment of the relevant Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential properties who would be willing and able to service the Transferred Receivables on the terms of the Servicing Agreement will be found. The ability of a substitute servicer to perform fully the required services will depend, amongst other things, on the information, software and records available at the time of the appointment. The Trustee is not obliged in any circumstances to act as a Servicer or to monitor the performance by any Servicer of its obligations. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Transferred Receivables or any part thereof, and/or the ability of the CBC to make payments under the Guarantee.

None of the Servicers have (or will have) any obligation to advance payments that Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by a Servicer under a Servicing Agreement.

Thus, payments due to Covered Bondholders by the CBC may be affected by the performance of third parties such as the Servicers, the Administrator and the Issuer.

*The Trustee may face limitations in enforcing the CBC's pledges in the event of a bankruptcy proceeding against the CBC under Dutch law.*

Under or pursuant to the Security Documents, various Dutch law pledges are granted by the CBC to the Trustee. A Dutch pledge can serve as security for monetary claims (*geldvorderingen*) only and can only be enforced upon default (*verzuim*) of the obligations secured thereby. Foreclosure on pledged property is to be carried out in accordance with the applicable provisions and limitations of the Dutch Civil Code and the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

The CBC is a special purpose entity. It has been set up as a bankruptcy remote entity, mainly in two ways. Firstly, non-petition wording has been included in the relevant Transaction Documents. Notwithstanding such wording, it is possible that a Dutch court would deal with a petition for bankruptcy (*faillissement*), even if such petition was presented in breach of a non-petition covenant. Secondly, recourse by any person who is a party to a Transaction Document to the CBC has been limited to the Transferred Assets and any other assets the CBC may have (excluding for the avoidance of doubt amounts standing to the credit of the Capital Account). It is therefore unlikely that the CBC becomes subject to (a) a bankruptcy (*faillissement*), (b) suspension of payments (*surseance van betaling*) or (c), if applicable, the imposition of emergency regulations (*noodregeling*) in the interest of all creditors as referred to in chapter 3.5.5 of the Wft (together

with the proceedings under (a) and (b) the "**Dutch Insolvency Proceedings**"). Should the CBC nevertheless be subjected to a Dutch Insolvency Proceeding, the Trustee as pledgee can exercise the rights afforded by Dutch law to pledgees as if there were no Dutch Insolvency Proceedings. However, Dutch Insolvency Proceedings involving the CBC would affect the position of the Trustee as pledgee in some respects, as set out below.

Firstly, if and to the extent that assets purported to be pledged by the CBC to the Trustee are future assets (i.e. assets that have not yet been acquired by the CBC or that have not yet come into existence) at the moment Dutch Insolvency Proceedings take effect (i.e. at 0:00 hours on the date Dutch Insolvency Proceedings are declared), such assets are no longer capable of being pledged by the CBC. This would for example apply with respect to amounts that are paid to the CBC Accounts following the CBC's Dutch Insolvency Proceedings taking effect. As such crediting of the relevant CBC Account would not yet have occurred when the Dutch Insolvency Proceedings take effect, the resulting receivable of the CBC *vis-à-vis* the Account Bank would qualify as a future asset. However, if following Dutch Insolvency Proceedings taking effect, amounts are due to be paid under receivables that have been pledged to the Trustee prior to such Dutch Insolvency Proceedings taking effect, the Trustee as pledgee could through notification to the relevant debtors prevent that such pledged receivables are discharged through payment to the CBC Accounts. The Trustee as pledgee is entitled itself to collect such receivables, in other words by requesting the relevant amounts be transferred into its own bank account, following notification of the assignment and pledge to the relevant debtor. Notification of the pledge may occur following the occurrence of a Notification Event. As long as no notification of the assignment has taken place in respect of pledged Transferred Receivables, the relevant debtor must continue to pay to the relevant Originator. Under *Section B.4 Guarantee Support - No Notification of Assignment of Eligible Receivables to CBC* below, the position of the CBC is described in respect of payments made to the relevant Originator prior to or after such Originator's possible Dutch Insolvency Proceedings taking effect. In respect of payments under pledged Transferred Receivables made to the CBC following notification of the assignment but prior to notification of the pledge and prior to Dutch Insolvency Proceedings of the CBC taking effect and not on-paid to the Trustee, the Trustee will be an ordinary, non-preferred creditor, having an insolvency claim (*voor verificatie vatbare vordering*). In respect of post-insolvency payments, the Trustee will be a preferred creditor having an insolvency claim (*voor verificatie vatbare vordering*). Creditors of insolvency claims have to share in the general insolvency costs and have to await finalisation of a (provisional) distribution list (*(voorlopige) uitdelingslijst*).

Furthermore, the following mandatory rules of Dutch insolvency law may affect the enforcement of the Trustee's pledges:

- (a) a statutory stay of execution ('cooling-off period') of up to two months - with a possible extension by up to two more months - may be imposed during each type of Dutch Insolvency Proceedings by court order. Such stay of execution does not prevent the Trustee from giving notice to the debtors of any pledged receivables and collecting the proceeds thereof. However it will prevent the Trustee from (i) taking recourse against any amounts so collected during such stay of execution and (ii) selling pledged assets to third parties;
- (b) the liquidator in bankruptcy can force the Trustee to enforce its security right within a reasonable period of time, failing which the liquidator in bankruptcy will be entitled to sell the pledged assets and distribute the proceeds. In such case, the Trustee will receive payment prior to ordinary, non-preferred creditors having an insolvency claim but after creditors of the estate (*boedelschuldeisers*). It should be noted, however, that this power of the liquidator in bankruptcy is intended to prevent a secured creditor from delaying the enforcement of security without good reason; and
- (c) excess proceeds of enforcement must be returned to the CBC in its Dutch Insolvency Proceedings; they may not be set-off against an unsecured claim (if any) of the Trustee on the CBC. Such set-off is in principle allowed prior to the Dutch Insolvency Proceedings.

Similar or different restrictions may apply in the event of any proceeding equivalent or analogous to Dutch Insolvency Proceedings under the laws of any other jurisdiction (together with Dutch Insolvency Proceedings, the "**Insolvency Proceedings**"). Accordingly, even though the CBC has been set up as a bankruptcy remote entity, if Dutch Insolvency Proceedings or other Insolvency Proceedings are nevertheless commenced against the CBC, the Trustee's enforcement rights of the pledges by the CBC may be adversely affected. As a result, the Trustee may be unable to enforce the CBC's pledges in full or in time, in turn affecting the amounts available for payments due to the holders of the Covered Bonds.

*If the Trustee becomes subject to a Dutch Insolvency Proceeding, payments made to it pursuant to the CBC's pledges and any proceeds of the Security will, as a result of the use of the "parallel debt" structure, be part of the Trustee's assets. This may adversely impact the timely and/or full payment to the holders of the Covered Bonds from the payments received in respect of the CBC's pledges and any proceeds of the Security.*

It is intended that the CBC grants pledges to the Trustee for the benefit of the Secured Creditors. However, under Dutch law there is no concept of trust and it is uncertain whether a pledge can be granted to a party other than the creditors of the receivables purported to be secured by such pledge. The Issuer has been advised that under Dutch law a 'parallel debt' structure can be used to give a trustee its own, separate, independent right of claim on identical terms as the relevant creditors. For this purpose, the Trust Deed creates a parallel debt of the CBC to the Trustee, equal to the corresponding Principal Obligations, so that the Security can be granted to the Trustee in its own capacity as creditor of the parallel debt. In the Trust Deed it is agreed that obligations of the CBC to the Trustee under the parallel debt shall be decreased to the extent that the corresponding principal obligations to the Secured Creditors are reduced (and *vice versa*). In the Trust Deed the Trustee agrees to act as trustee as abovementioned and agrees:

- (a) to act for the benefit of the Secured Creditors in administering and enforcing the Security; and
- (b) to distribute the proceeds of the Security in accordance with the provisions set out in the Trust Deed.

Any payments in respect of the parallel debt and any proceeds of the Security (in each case to the extent received by the Trustee) are if the Trustee becomes subject to Dutch Insolvency Proceedings not separated from the Trustee's other assets, so the Secured Creditors accept a credit risk on the Trustee. However, the Trustee is a special purpose entity and is therefore unlikely to become subject to an Insolvency Proceeding. If an Insolvency Proceeding is nevertheless commenced against the Trustee, the holders of the Covered Bonds may not receive full or timely payments due to them from the enforcement of the CBC's pledges and any proceeds of the Security.

*Holders of beneficial interests in Global Covered Bonds or holders of Registered Covered Bonds transferred to them may not have the benefit of the Guarantee unless the Guarantee has been properly assigned and transferred to them under Dutch law.*

Under Dutch law an independent guarantee like the Guarantee is in general considered to be an independent claim. It is not an accessory right (*afhankelijk recht*) and is unlikely to be an ancillary right (*nevenrecht*) that by operation of law follows the receivables it secures upon transfer thereof. The Issuer has been advised that under Dutch law, in the case of Bearer Covered Bonds, such an 'automatic' transfer of the Guarantee can be accomplished by ensuring that the Guarantee forms an integral part of the Covered Bonds. For this reason the Guarantee and the Covered Bonds will provide that the rights under the Guarantee (a) form an integral part of the Covered Bonds, (b) are of interest to a Covered Bondholder only if, to the extent that, and for so long as, it holds Covered Bonds and (c) can only be transferred together with all other rights under the relevant Covered Bond. The Issuer has been advised that as a result, in case of a physical transfer of a Bearer Covered Bond, such transfer includes the corresponding rights under the Guarantee. In case of a transfer of a beneficial interest in a Global Covered Bond to a transferee by way of book-entry transfer (*girale overboeking*), such transfer includes the corresponding rights under the Guarantee subject to and in accordance with any applicable laws, rules and regulations of the relevant clearing system. For Registered Global Covered Bonds and Registered Definitive Covered Bonds (including Registered Definitive Covered Bonds issued pursuant to a Registered Covered Bonds Deed), the rights under the Guarantee are to be separately assigned, together with the corresponding rights under the relevant Registered Covered Bonds. Thus, under Dutch law transferees of beneficial interests in Global Covered Bonds or holders of Registered Covered Bonds may not have the benefit of the Guarantee unless the rights under such Guarantee have been properly transferred to them.

#### **B.4 Guarantee Support**

*Some Loan Agreement may have more than one creditor. This means that if one of the creditors assigns Eligible Receivables, certain arrangements are required in order to procure that the other creditor cannot continue to claim payment in respect of such Eligible Receivable. If such creditor were to claim payment,*

*this could adversely affect the ability of the CBC to collect fully payments under the Transferred Receivables and subsequently meet its obligations fully and/or timely to Covered Bondholders.*

The Loan Agreements in connection with the Eligible Receivables provide that (i) Rabobank is the sole creditor under the Loan Agreement (a "**Sole Creditor Rabobank Loan**"), (ii) RHB is the sole creditor under the Loan Agreement (a "**Sole Creditor RHB Loan**"), or (iii) Rabobank as well as RHB are both entitled to claim payment from the Borrower under the Loan Agreement (a "**Joint Creditor Loan**"). Given the nature of the rights and obligations of the parties under Joint Creditor Loans, the cooperation of RHB will be required for the assignment of the Transferred Receivables resulting from such Joint Creditor Loan by Rabobank to the CBC and the cooperation of Rabobank will be required for the assignment of the Eligible Receivables resulting from a Joint Creditor Loan by RHB to the CBC.

In the Guarantee Support Agreement, RHB and Rabobank provide such cooperation and agree to assign their respective claim for payment (*vorderingsrecht*; the "**Payment Claim**") in respect of the relevant Eligible Receivables to the CBC. Following the assignment of such Payment Claim to the CBC, RHB or Rabobank (as the case may be) will no longer be entitled (*gerechtigd*) to the Payment Claims.

Prior to the notification of the assignment of the Transferred Receivables (including the Payment Claim in respect of such Transferred Receivables) in respect of a Joint Creditor Loan, the Borrower can discharge his payment obligations under the Transferred Receivables by paying to RHB or Rabobank. RHB and Rabobank will be able to collect the Payment Claim. However, RHB and Rabobank will each agree in the Guarantee Support Agreement that it will refrain from collecting any Payment Claims following the assignment of such Payment Claims to the CBC, **provided that** they are entitled to collect such Payment Claim in their (sub)servicing capacity.

*In the event of a Dutch Insolvency Proceeding against an Originator that occurs prior to the notification of the transfer of the Transferred Receivables to the debtors, the CBC's claims to payments by such Originator under such Transferred Receivables may rank in priority behind the claims of other creditors of the Originator, in turn adversely affecting the ability of the CBC to collect fully and/or timely payments under the Transferred Receivables and subsequently meet its obligations fully and/or timely to Covered Bondholders.*

The Guarantee Support Agreement provides that the transfer of the Eligible Receivables will be effected through a silent assignment (*stille cessie*) by the relevant Originator to the CBC. This means that legal ownership of the Eligible Receivables will be transferred to the CBC by registration of a duly executed deed of assignment with the tax authorities (*Belastingdienst*), without notifying the debtors of such assignment of Eligible Receivables. The assignment will only be notified to the debtors if a Notification Event occurs. Notification is necessary in order to ensure that the debtors can no longer discharge their obligations by paying to the relevant Originator.

As long as no notification of the assignment has taken place, the debtors under the Transferred Receivables must continue to make payments to the relevant Originator or its nominee. In respect of payments made to an Originator prior to a Dutch Insolvency Proceeding of the relevant Originator taking effect and not on-paid to the CBC, the CBC will in the relevant Originator's Dutch Insolvency Proceedings be an ordinary, non-preferred creditor, having an insolvency claim. In respect of post-insolvency payments made by debtors to an insolvent Originator, the CBC will be a creditor of the estate (*boedelschuldeiser*), and will receive payment prior to creditors with insolvency claims, but after preferred creditors of the estate. Therefore, the CBC may be unable to collect fully and/or timely on payments due from an Originator under the Transferred Receivables in the event of a Dutch Insolvency Proceeding against such Originator. This may in turn adversely affect the ability to make full and/or timely payments to the holders of the Covered Bonds.

The matters described in this paragraph also apply to *mutatis mutandis* to the assignment of the Payment Claims.

*The CBC may be unable, as a matter of Dutch law, to benefit from mortgages or pledges in respect of Transferred Receivables, which, in turn, could adversely affect its ability to meet fully and/or timely its obligations to the Covered Bondholders under the Guarantee.*

Under Dutch law mortgages and pledges are in principle accessory rights (*afhankelijke rechten*) which pursuant to articles 3:7, 3:82 and 6:142 of the Dutch Civil Code automatically follow the receivables they

secure, for example if such receivables are transferred to a third party. The mortgages and pledges securing the Eligible Receivables qualify as either:

- (a) 'fixed' security, securing only (i) one or more specified receivables of the relevant initial pledgee or mortgagee against the relevant debtor or (ii) receivables arising from one or more specified contractual relationships (*rechtsverhoudingen*) between the relevant initial pledgee or mortgagee and the relevant debtor ("**Fixed Security**"); or
- (b) 'all-monies' security, securing all present and future receivables of the relevant initial pledgee or mortgagee against the relevant debtor, whether in general (*bankzekerheidsrecht*) or under any and all present and future credit agreements (*kredietzekerheidsrecht*) ("**All-monies Security**").

In the past a considerable degree of uncertainty existed in Dutch legal writing as to whether a transfer of a receivable secured by All-monies Security, results in a transfer of the All-monies Security, or a share therein, to the transferee.

The Issuer has been advised that like any other mortgage or pledge, an All-monies Security is under Dutch law in principle an accessory right (*afhankelijk recht*) and that, therefore, upon a transfer of a receivable secured by All-monies Security, the transferee will in principle become entitled to a share in the All-monies Security by operation of law. The Issuer has been advised that the above is confirmed by the *Onderdrecht v. FGH and PHP* decision of the Dutch Supreme Court (HR 16 September 1988, NJ 1989, 10). In this decision, the Dutch Supreme Court ruled that the main rule is that a mortgage as an accessory right transfers together with the receivable it secures. The Dutch Supreme Court also held that it is a question of interpreting the relevant clause in the mortgage deed whether the definition of the secured receivables entails that the mortgage exclusively vests in the original mortgagee, in deviation of said main rule. The Issuer has been advised that where the mortgage or pledge deed relating to All-monies Security contains no specific intention regarding the transfer of the mortgage or pledge, the abovementioned main rule applies, so that following a transfer of a secured receivable, the relevant receivable will continue to be secured by the mortgage or pledge pursuant to the All-monies Security.

The Originators have under or pursuant to the Guarantee Support Agreement represented and warranted that the relevant mortgage and pledge deeds relating to All-monies Security contain either (i) no specific wording regarding the transfer of any right of mortgage or pledge securing the Eligible Receivables or (ii) an express confirmation to the effect that upon a transfer of the relevant Eligible Receivable, the Eligible Receivable will following the transfer continue to be secured by the mortgage or pledge pursuant to the All-monies Security. However, if the *Onderdrecht v. FGH and PHP* decision or its interpretation is revisited, the CBC may be unable to enforce mortgages or pledges in respect of Transferred Receivables, which, in turn, may adversely affect its ability to meet fully and/or timely its obligations to the holders of the Covered Bonds under the Guarantee.

*Certain security rights attached to the Eligible Receivables transferred to the CBC may become part of a joint estate between the CBC and the Originators, which could reduce or delay the amount which the CBC may recover under the relevant mortgage and which could adversely affect the ability of the CBC to meet fully and/or timely its obligations under the Guarantee.*

As a consequence of the transfer to the CBC of Eligible Receivables secured by All-monies Security (or Fixed Security if not all receivables which are secured or if not the entire contractual relationship (*rechtsverhouding*) from which receivables may arise which will be secured, by the relevant security right are or is, respectively, transferred to the CBC), the relevant All-monies Security (or where applicable Fixed Security) will become part of a joint estate (*gemeenschap*) of the CBC and the original mortgagee or pledgee, as the case may be, governed by articles 3:166 *et seq.* of the Dutch Civil Code. This means, amongst other things, that in the event of foreclosure of the All-monies Security (or where applicable Fixed Security), the relevant original mortgagee or pledgee and the CBC in principle need to act jointly and share the proceeds *pro rata* on the basis of their respective shares in the joint estate.

For this purpose, the Guarantee Support Agreement contains an intercreditor arrangement granting the CBC the right to (i) foreclose on the All-monies Security (or where applicable Fixed Security) without involvement of the relevant Originator and (ii) take recourse to the foreclosure proceeds prior to the relevant Originator. The Issuer has been advised that it is uncertain whether such arrangement is binding on the relevant Originator's liquidator or administrator in Dutch Insolvency Proceedings. However, the Issuer has also been advised that on the basis of articles 3:166, 3:168, 3:170 and 3:172 of the Dutch Civil Code there

are good arguments to state that such arrangement is binding. Moreover, generally the above only becomes relevant in the event that each of the following conditions is met:

- (a) the Borrower does not meet his secured obligations in full to either the Originator or the CBC, in particular because he is insolvent;
- (b) the Originator is subject to a Dutch Insolvency Proceeding; and
- (c) the proceeds of the Secured Property are insufficient to fully satisfy the secured receivables of the relevant Originator and the CBC.

The above-mentioned intercreditor arrangement will be supported by an undertaking of each relevant Originator to pledge forthwith to the CBC its Residual Claims *vis-à-vis* the relevant Borrowers that are secured by the relevant All-monies Security (or where applicable Fixed Security), unless either (x) an appropriate remedy to the satisfaction of the Trustee is found after having received Rating Agency Confirmation or (y) the Issuer has delivered a notice to the CBC and the Trustee that it deducts an amount equal to an Deductible Residual Claim in the Asset Cover Test or the Amortisation Test, as applicable (such notice, the "**RC Deduction Notice**") (A) upon the occurrence of the Issuer's long-term rating from Moody's falls below 'A3(cr)' (or such other minimum rating as determined to be applicable or agreed from time to time by Moody's) and such downgrade is continuing for a period of twelve months (or such other period as determined to be applicable or agreed from time to time by Moody's) after the date of such downgrade, or (B) upon the occurrence of the Issuer's long-term rating from Moody's falls below 'Baal(cr)' (or such other minimum rating as determined to be applicable or agreed from time to time by Moody's) or any such rating is withdrawn (each such rating downgrade or withdrawal event, a "**RC Trigger Event**").

The pledge (if implemented) of such Residual Claims will secure an indemnity created in the Guarantee Support Agreement under which each relevant Originator undertakes to pay to the CBC an amount equal to its share in the foreclosure proceeds. Recourse in respect of the indemnity is limited to the relevant Originator's share in the foreclosure proceeds. The indemnity will be immediately due and payable in case the relevant Borrower defaults (*in verzuim is*) in respect of the relevant Transferred Receivable or the receivable(s) he owes to the relevant Originator. If and to the extent the pledge is implemented and any foreclosure proceeds are applied in discharge of the indemnity, the relevant Originator's Residual Claim (or part thereof) would be discharged. The CBC undertakes in the Guarantee Support Agreement to retransfer in such case to the relevant Originator that part of (the unsatisfied part of) the relevant Transferred Receivable for a principal amount corresponding to the principal amount of the Residual Claims that was discharged.

If, after the pledge of the Residual Claims, the Issuer regains a long-term rating from Moody's of at least 'A3(cr)' (or such other minimum rating as determined to be applicable or agreed from time to time by Moody's) and retains such rating for a consecutive period of twelve months (or such other period as determined to be applicable or agreed from time to time by Moody's) (each such rating uplift event, a "**RC Release Trigger Event**"), the CBC and the Trustee will be obliged to release the rights of pledge vested on the Residual Claims. In addition, each of the CBC and the Trustee undertakes to release such right of pledge on any Residual Claims if (i) the principal amount outstanding in respect of the relevant Transferred Receivable secured by the same Related Security has been repaid in full together with all accrued interest and other secured amounts due under or in connection with the related Loan or (ii) all Transferred Receivables that are secured by the same Related Security as such Residual Claims have been retransferred to the relevant Originator in accordance with the terms of the Guarantee Support Agreement.

The Guarantee Support Agreement provides that each Originator represents and warrants that the relevant Receivable was originated by the relevant Originator. This representation and warranty includes origination by an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger and the relevant Originator (or any relevant Merged Originator or Demerged Originator) has not transferred any receivable (including but not limited to any Residual Claim) secured by the Related Security to any party other than (a) the CBC or (b) in the case of a Merged Originator or Demerged Originator, the relevant Originator.

The relevant Originator further agrees in the Guarantee Support Agreement that if it transfers any Residual Claims *vis-à-vis* the relevant Borrowers which are secured by the relevant All-monies Security (or where applicable Fixed Security), it will simultaneously transfer its corresponding obligations and rights under the intercreditor arrangement to the relevant transferee and that if the CBC transfers a Transferred



Receivable to any transferee other than the relevant Originator or insurer, it is entitled to transfer its corresponding rights and obligations under the intercreditor arrangement to the relevant transferee.

The Guarantee Support Agreement further provides that if (a) an Originator makes any Further Advance under any Loan Agreement relating to a Transferred Receivable, (b) such Further Advance is secured by the same Related Security as the Transferred Receivable and (c) such Further Advance results in an Eligible Receivable, then it will transfer such further Eligible Receivable to the CBC as soon as reasonably practicable and, if possible, prior to the following Calculation Date.

In conclusion, if an Originator becomes subject to a Dutch Insolvency Proceeding and, as a result, the All-monies Security in respect of the Receivable transferred by that Originator becomes part of a joint estate between the CBC and the relevant Originator, the CBC would have to rely, in the first instance, on an intercreditor arrangement to ensure its priority, relative to the relevant Originator, in such All-monies Security. If the intercreditor arrangement is not binding in the insolvency of the relevant Originator, the CBC would need to rely on its rights under a pledge of the Residual Claims or an alternative arrangement, to the extent in place as described above. If the CBC is unable to rely on the intercreditor arrangement and has to rely on a pledge or other alternative arrangement, or if the CBC is unable to rely on such pledge or alternative arrangement, this may reduce or delay the amount which the CBC may recover under the relevant mortgage which, in turn, could adversely affect the ability of the CBC to meet its obligations under the Guarantee fully and/or timely.

*The terms of the All-monies Security in relation to Joint Creditor Loans provide that the claims of Rabobank are subordinated to those of RHB. The CBC may as a consequence hold a subordinated position in relation to RHB with regard to Receivables under Joint Creditor Loans. This could adversely affect the ability of the CBC to collect fully payments under the Transferred Receivables and subsequently meet its obligations fully and/or timely to Covered Bondholders.*

The terms of the All-monies Security co-held by Rabobank and RHB in connection with Joint Creditor Loans, typically provides that (a) the receivables that Rabobank from time to time may have against the relevant Borrower shall be subordinated to the Receivables and other receivables from time to time owed by that relevant Borrower to RHB unless otherwise agreed between RHB and Rabobank and (b) that recourse of Rabobank is limited to the proceeds that remain after the application of the proceeds to pay the amounts due to RHB (such arrangement a "**Subordination Agreement**").

In order to mitigate the risk that the CBC will hold a subordinated position *vis-a-vis* RHB in the All-monies Security, the Guarantee Support Agreement will provide that Receivables relating to a Rabobank Loan Part are only Eligible Receivables if all Receivables relating to the RHB Loan Parts that are secured by the same Related Security as such Rabobank Loan Part and in respect of which a Subordination Agreement applies, are also assigned to the CBC.

In addition, the Guarantee Support Agreement will provide that if RHB agrees with a Borrower to grant any loan, advance or other form of credit (other than a Further Advance) secured by the same Related Security as the Loan relating to the Transferred Receivables and which Loan and/or Related Security is subject to a Subordination Agreement, such Transferred Receivables and Related Security will need to be reassigned to RHB. Furthermore, if (i) RHB is required to accept re-assignment of any Transferred Receivable relating to any RHB Loan Part which is assigned to the CBC in accordance with the Guarantee Support Agreement which has the benefit of a Subordination Agreement and (ii) at the relevant date of re-assignment one or more Rabobank Loan Parts which are assigned to the CBC in accordance with Guarantee Support Agreement are outstanding which are subject to that Subordination Agreement, such Receivables shall cease to be Eligible Receivables and Rabobank shall in accordance with the Guarantee Support Agreement, accept re-assignment from the CBC of all Receivables relating to such Selected Rabobank Loan Part(s) that are secured by the same Related Security as the Transferred Receivables which are re-assigned to RHB. If no Subordination Agreement applies to a Rabobank Loan Part, the related Receivables shall continue to be Eligible Receivables and are not required to be reassigned to Rabobank.

*Set-Off by Borrowers: The CBC's rights and the Trustee's enforcement of pledges in respect of Transferred Receivables may be limited by Borrowers' set-off rights against Originators. As a result, the CBC and/or*

*the Trustee may be unable to meet their payment obligations fully and/or timely under the Transaction Documents to holders of the Covered Bonds.*

Notwithstanding the assignment and pledge of the Eligible Receivables to the CBC and the Trustee, respectively, the Borrowers may be entitled to set-off the relevant Eligible Receivable against a claim they may have *vis-à-vis* the relevant Originator (if any), such as (a) counterclaims resulting from a current account relationship, (b) counterclaims resulting from damages incurred by a Borrower as a result of acts performed by the relevant Originator, or (c) other counterclaims such as those (i) resulting from a deposit made by a Borrower, including, without limitation, deposits that pursuant to the terms of the relevant Bank Savings Loan have been made by the Borrower in the related Bank Savings Account, (ii) relating to an employment agreement with the Borrower as employee or (iii) repayment of any (part of a) prepayment penalty. In the absence of contractual provisions expanding statutory set-off possibilities, mutuality of claims is one of the requirements for set-off to be allowed: the parties have to be each other's creditor and debtor.

Following an assignment of an Eligible Receivable by an Originator to the CBC, the relevant Originator would no longer be the creditor of the Eligible Receivable. However, for as long as the assignment has not been notified to the relevant Borrower, the Borrower remains entitled to set-off the Eligible Receivable as if no assignment had taken place. After notification of the assignment or pledge, the relevant Borrower can still invoke set-off rights pursuant to article 6:130 of the Dutch Civil Code. On the basis of such article a Borrower can invoke set-off against the CBC as assignee (and the Trustee as pledgee) if the Borrower's claim *vis-à-vis* the relevant Originator (if any) stems from the same legal relationship as the Eligible Receivable (such as the Borrower's right to receive payments from the Bank Savings Account stemming from the same legal relationship as the related Bank Savings Receivable) or became due and payable before the notification. In addition, the possibility cannot be excluded that on the basis of an analogous interpretation of article 6:130 of the Dutch Civil Code, a Borrower will be entitled to invoke set-off rights against the CBC or the Trustee (as the case may be) if prior to the notification, the Borrower was either entitled to invoke such set-off rights against the relevant Originator (e.g. on the basis of article 53 of the Dutch Bankruptcy Code) or had a justified expectation that he would be entitled to such set-off rights against the relevant Originator.

Furthermore, if a Borrower has a claim against any affiliate of the relevant Originator that is a separate legal entity (e.g. on the basis of a current account relationship with such an affiliate), the legal requirement under Dutch law for set-off that the parties have to be each other's creditor and debtor, is as such not met. There may however be other circumstances which could lead to set-off or other defences being successfully invoked by such a Borrower. Also, if a Loan is granted by the relevant Originator to a Borrower, who is also an employee of an entity which is an affiliate of the relevant Originator and a separate legal entity, the requirement under Dutch law for set-off that the parties have to be each other's creditor and debtor, is as such not met. There may however be other circumstances which could lead to set-off or other defences being successfully invoked by such an employee.

The Guarantee Support Agreement provides that if a Borrower sets off amounts due to it by an Originator against the relevant Transferred Receivable, the relevant Originator will pay to the CBC an amount equal to the amount so set-off. In addition, an amount calculated on the basis of a method notified to the Rating Agency in connection with the possible set-off pertaining to the Deposit Amount will be deducted for the purpose of the Asset Cover Test if the Issuer's rating from a relevant Rating Agency falls below the relevant minimum ratings. In relation to each Transferred Receivable to which a Construction Deposit applies, an amount equal to the amount of the Construction Deposit will be deducted for the purpose of the Asset Cover Test and the Amortisation Test. Likewise, in relation to each Bank Savings Receivable, amounts standing to the credit of the related Bank Savings Account will be deducted for the purpose of the Asset Cover Test and the Amortisation Test (unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance). Such deductions in principle mean that the outcome of the Asset Cover Test and the Amortisation Test will be negatively influenced each time when further deposits are made by the relevant Borrower (unless further Eligible Assets are transferred to the CBC under or pursuant to the Guarantee Support Agreement).

Furthermore, in respect of Bank Savings Loans, if the deposit guarantee scheme is activated in respect of the Bank Savings Deposit Bank by DNB or the Bank Savings Deposit Bank is subjected to emergency regulations (*noodregeling*) or declared bankrupt (*failliet*) amounts standing to a Bank Savings Account will by operation of law be set-off against the related Bank Savings Loan, irrespective of whether the Bank Savings Loan is owed to an Originator, the CBC or a third party.

To mitigate set-off risk relating to Bank Savings Receivables, Rabobank will in accordance with the Guarantee Support Agreement enter into a Master Sub-Participation Agreement prior to its first transfer of Bank Savings Receivables to the CBC. Alternatively the Issuer may opt to deduct an amount equal to the amount standing to the credit of the related Bank Savings Account in the Asset Cover Test and the Amortisation Test.

Pursuant to a Master Sub-Participation Agreement relating to any Bank Savings Receivable, an Initial Settlement Amount and Further Settlement Amounts will be payable by Rabobank as Participant to the CBC in return for a Participation. If the relevant Borrower claims that he may set-off, or set-off is applied by operation of law, in relation to any amount standing to the credit of the relevant Bank Savings Account as against any Transferred Receivable (such amount for which set-off is invoked or applied, the "**Bank Savings Set-Off Amount**") and, as a consequence thereof, the CBC will not have received such amount in respect of such Participation Receivable, the relevant Participation of Rabobank will be reduced by an amount equal to such Bank Savings Set-Off Amount. Unless and until (i) both an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, all amounts expressed to be payable by or to the CBC under the relevant Master Sub-Participation Agreement, shall instead be payable by or to the Issuer for its own account in accordance with the Pre-Notice-to-Pay Priority of Payments. However, if (i) an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, all Initial Settlement Amounts and Further Settlement Amounts will be collected by or on behalf of the CBC and be applied in accordance with the Post-Notice-to-Pay Priority of Payments or Post-CBC-Acceleration-Notice Priority of Payments, as the case may be. For the purpose of the Asset Cover Test and the Amortisation Test, the Net Outstanding Principal Balance of the relevant Transferred Receivable will be taken into account, meaning in relation to Bank Savings Receivables that an amount equal to the relevant Participation will be deducted.

Notwithstanding the above arrangements, the CBC and/or the Trustee may be unable to obtain full payment in respect of Transferred Receivables where Borrowers may be entitled to set-off claims against the relevant Originators. As a result of such possible set-off amounts, the CBC and/or the Trustee may be unable to meet their payment obligations to holders of the Covered Bonds fully and/or timely.

*Some of the Loans are structured so that Borrowers, instead of paying principal on the Loans, make payments to insurers or to Originators (in Bank Savings Accounts with the Bank Savings Deposit Bank), which payments are intended to be used to repay the Loans at maturity. If such insurers or the Bank Savings Deposit Bank become subject to an Insolvency Proceeding or for some other reason do not fully make payments in respect of the relevant insurance policy or Bank Savings Account, the CBC may be unable to recover fully amounts due on the related Loans because Borrowers may deduct amounts due to them under any insurance agreement or Banks Savings Account. This, in turn, could adversely affect the ability of the CBC to meet fully and/or timely its obligations under the Guarantee in such circumstances.*

Some of the Eligible Receivables relate to a mortgage loan agreement between the Borrower and the relevant Originator, which is connected to an insurance agreement between the Borrower and an insurer. The insurance agreement relates to a combined risk and capital insurance product. The Borrower of such an Eligible Receivable does not repay principal during the term of the relevant mortgage loan, but instead, apart from paying a risk premium, invests capital premium under the insurance policy. Such investments may include a savings or an investment part. The intention is that at maturity, the principal proceeds of the savings (the "**Savings Proceeds**") or the investments (the "**Investment Proceeds**") and together with the Savings Proceeds, the "**Proceeds**") can be used to repay the loan, in whole or in part, following pay-out of the Proceeds by the insurer. However, it is possible that the relevant insurer becomes subject to an Insolvency Proceeding or for any other reason does not (fully) pay out the Proceeds. In such cases where the Proceeds are so lost and a Borrower is requested to repay the full principal amount of the relevant mortgage loan, the Borrower may invoke defences purporting to establish that an amount equal to the lost Proceeds is deducted from the Transferred Receivable he owes to the CBC (the risk that such a defence is successfully invoked is hereinafter referred to as the "**Deduction Risk**").

The Issuer has been advised that a Borrower's relationships with the relevant Originator and insurer are in principle two separate relationships. The Issuer has been advised that under Dutch law generally a range of defences is available to the Borrower, but that in cases as described above, the Borrower's defence is likely to focus on information provided by or on behalf of an Originator which may have led the relevant Borrower to believe that he was not entering into two separate relationships. In this respect, a general factor which to a certain extent increases the Deduction Risk, is that all Borrowers are consumers, many of whom may have limited or no legal knowledge.

In addition to (a) set-off by operation of law if the deposit guarantee scheme is activated in respect of the Bank Savings Deposit Bank by DNB or the Bank Savings Deposit Bank becomes subject to a Dutch Insolvency Proceeding or (b) the legal set-off rights in the event that the Bank Savings Deposit Bank and the Originator are the same legal entity (see the paragraph *Set-Off by Borrowers: The CBC's rights and the Trustee's enforcement of pledges in respect of Transferred Receivables may be limited by Borrowers' set-off rights against Originators. As a result, the CBC and/or the Trustee may be unable to meet their payment obligations fully and/or timely under the Transaction Documents to holders of the Covered Bonds* above), a Borrower may invoke defences purporting to establish that an amount equal to the amount standing to the credit of the Bank Savings Account in respect of which the set-off is applied is deducted from the Transferred Receivable he owes to the CBC (the risk that such defence is successfully invoked together with the risk of any set-off by operation of law is hereinafter referred to as the "**Bank Savings Deduction Risk**") if for any reason the Bank Savings Deposit Bank does not (fully) pay out such amounts standing to the credit of the Bank Savings Account. The Borrower will then do so on the basis of the same arguments as set out in the previous paragraph.

On the above basis the Issuer has been advised that insofar as the Deduction Risk is concerned, the products to which the Eligible Receivables relate can generally be divided into four categories (as further set out below). The Bank Savings Deduction Risk will only be relevant for Category 4 Receivables.

*In summary and as further set out below for each of the four categories:*

- (a) the Deduction Risk does not apply to products with no savings part, no investment part and no Mixed Insurance Policy;
- (b) the Deduction Risk may apply to:
  - (i) products with a Mixed Insurance Policy where the Borrower selects the insurer;
  - (ii) products with a Mixed Insurance Policy where the Originator pre-selects the insurer; and
- (c) the Bank Savings Deduction Risk may apply to products with a savings part (but no Mixed Insurance Policy).

The four categories can be divided as follows:

1. *Products with no savings, no investment part and no Mixed Insurance Policy*

Certain Eligible Receivables do not relate to any savings and/or investment product or Mixed Insurance Policy. Under or pursuant to the Guarantee Support Agreement, each Originator represents and warrants in relation to any of its Eligible Receivables which is related to an Interest-Only Loan, an Annuity Loan or a Linear Loan, that the relevant Receivable does not relate to any savings and/or investment product or Mixed Insurance Policy.

*Therefore, **provided that** these representations and warranties are correct, the Deduction Risk does not apply to Loans containing no savings, investment part or Mixed Insurance Policy.*

2. *Products with Mixed Insurance Policy where Borrower selects insurer*

*The Deduction Risk may apply to Eligible Receivables relating to a Mixed Insurance Policy where Borrowers select insurers.*

Certain Eligible Receivables are linked to a Mixed Insurance Policy between the relevant Borrower and an insurer chosen by the Borrower (and approved by the relevant Originator). The Mixed Insurance Policy provides for (a) a risk element for which risk premium is paid and (b) a capital element for which capital premium is paid and which consists of a savings or an investment part. The insurer administers the savings or the investments in its own name. The Issuer has been advised that for Eligible Receivables of this category, the Deduction Risk cannot be excluded, as there may be specific circumstances, which justify an erroneous impression with the relevant Borrower that he was not entering into two separate relationships. For example, (a) sales people or sales materials may have created an impression (or sales people may have allowed to subsist an apparent impression) with the Borrower that his payments of capital premium should be considered as repayments of the relevant loan or that the Borrower could not himself choose the relevant insurer

and/or (b) the insurance conditions may have been printed on the letterhead of, or otherwise contain eye catching references to, the relevant Originator (or *vice versa*). However, the Issuer has been advised that absent such specific circumstances, it is unlikely for the Deduction Risk to apply to Eligible Receivables of this category. The fact that the Borrower selects an insurer of his own choice (subject to prior approval by the relevant Originator) emphasises that it concerns two separate relationships. Also, a factor which generally decreases the extent to which the Deduction Risk applies, is that Eligible Receivables of this category relate to different insurers.

Under or pursuant to the Guarantee Support Agreement, each Originator represents and warrants in relation to any of its Eligible Receivables which is related to a Loan falling under this category, that (i) the relevant Mixed Insurance Policy and the relevant Loan are not offered as one product or under one name and (ii) the relevant Borrowers are not obliged to enter into a Mixed Insurance Policy with an insurer which is a group company of the relevant Originator and are free to choose the insurer (subject to prior approval by the relevant Originator).

3. *Products with Mixed Insurance Policy where Originator pre-selects insurer*

*The Deduction Risk may apply to Eligible Receivables relating to a Mixed Insurance Policy where Originators pre-select insurers.*

Certain Eligible Receivables relate to a Mixed Insurance Policy between the relevant Borrower and an insurer pre-selected by the relevant Originator. A factor which may increase the extent to which the Deduction Risk becomes relevant in respect of Eligible Receivables of this category, is that there is only a limited number of insurers which are pre-selected by the Originators. The Mixed Insurance Policy provides for (a) a risk element for which risk premium is paid and (b) a capital element for which capital premium is paid and which consists of a savings or an investment product. In case it relates to a savings product, the insurer administers the savings in its own name. The Issuer has been advised that for Eligible Receivables of this category, the Deduction Risk cannot be excluded, as there may be specific circumstances which justify an erroneous impression with the relevant Borrower that he was not entering into two separate relationships. For example, sales people or sales materials may have created an impression (or sales people may have allowed to subsist an apparent impression) with the Borrower that his payments of capital premium were 'as good as' repayments of the relevant loan. The Issuer has been advised that, although such specific circumstances may be absent, in general there may still be a certain Deduction Risk for Eligible Receivables of this category. As the Borrower has no option to choose an insurer this could, possibly with other circumstances, have led the Borrower to believe that he was not entering into two separate relationships. Other relevant circumstances include whether:

- (a) the mortgage loan agreement and the insurance agreement, respectively, or documents or general terms and conditions pertaining thereto, have been printed on the letterhead of, or otherwise contain eye catching references to, the insurer or the relevant Originator, respectively;
- (b) the representative of the relevant Originator also represents the insurer (or *vice versa*), for example in taking care of the medical acceptance of the Borrower or otherwise in entering into, executing or carrying out the insurance or mortgage loan agreement;
- (c) the insurer is, or was when entering into the agreements, an affiliate of or otherwise associated with the relevant Originator; and/or
- (d) as is the case in respect of Savings Loans, the interest base applicable to the savings is linked to the interest base applicable to the relevant Savings Loan.

Depending on the factors described above, the CBC may be unable to recover or recover fully on Eligible Receivables relating to a Mixed Insurance Policy where the Originators select the insurers. The Deduction Risk in relation to Transferred Receivables of this category resulting from a Life Loan will not be addressed.

The Deduction Risk will be addressed only in relation to Transferred Receivables of this category resulting from a Savings Loan (such Transferred Receivables, the "**Category 3 Receivables**") in the manner described below.

### 3.2 *Deduction from Asset Cover Test and Amortisation Test*

Unless and until a Master Sub-Participation Agreement is in effect in relation to the relevant Category 3 Receivables, an amount calculated on the basis of a method notified to the Rating Agency by the Administrator relating to the relevant paid-in savings premium amounts will be deducted for the purposes of the Asset Cover Test and the Amortisation Test in relation to Category 3 Receivables. Such a deduction means that the outcome of the Asset Cover Test and the Amortisation Test will be negatively influenced each time when further savings premiums are paid to the insurer by the relevant Borrower (unless further Eligible Assets are transferred to the CBC under or pursuant to the Guarantee Support Agreement).

### 3.3 *Master Sub-Participation Agreement*

Each Originator undertakes in the Guarantee Support Agreement to use reasonable endeavours to procure that upon the occurrence of a Notification Event, a Master Sub-Participation Agreement in relation to Category 3 Receivables is, or is put, in place between the relevant insurer and the CBC and signed for acknowledgement by the relevant Originator.

Pursuant to a Master Sub-Participation Agreement relating to any such Category 3 Receivable, an Initial Settlement Amount and Further Settlement Amounts will be payable by the relevant Participant to the CBC in return for a Participation. If the relevant Borrower invokes against the CBC his right to deduct lost Savings Proceeds from the relevant Transferred Receivable, the relevant Participation of the relevant Participant will be reduced with an amount equal to such lost Savings Proceeds, in accordance with the relevant Master Sub-Participation Agreement.

Unless and until (i) both an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, all amounts expressed to be payable by or to the CBC under the relevant Master Sub-Participation Agreement, shall instead be payable by or to the Issuer for its own account in accordance with the Pre-Notice-to-Pay Priority of Payments. However, if (i) an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC Acceleration Notice is served, all further Initial Settlement Amounts and Further Settlement Amounts will be collected by or on behalf of the CBC and be applied in accordance with the Post-Notice-to-Pay Priority of Payments or Post-CBC-Acceleration-Notice Priority of Payments, as the case may be. For the purpose of the Asset Cover Test and the Amortisation Test, the Net Outstanding Principal Balance of the relevant Transferred Receivable will be taken into account. This means that in relation to Category 3 Receivables in respect of which a Master Sub-Participation Agreement is in effect, an amount equal to the relevant Participation will be deducted.

Once a Master Sub-Participation Agreement enters into force, the Participant may not be in a position to on-pay savings premiums to the CBC, for example because it has in principle committed itself to keep the savings in its bank account with the relevant Originator. In such circumstances and unless otherwise agreed between the relevant Originator and the relevant Participant, the monthly on-payment obligations of the relevant Participant will be funded by a loan from the relevant Originator to such relevant Participant (the "**Sub-Participation Loan**"). If:

- (a) the Participant becomes insolvent and the Borrower claims that he may deduct the lost Savings Proceeds from the relevant Eligible Receivable, then (i) the Participant will not be paid under the Master Sub-Participation Agreement and (ii) the Originator will set-off (x) its obligation to pay out to the Participant the savings standing to the credit of the Participant's bank account against (y) its right to receive repayment of the Sub-Participation Loan; or
- (b) the Originator becomes insolvent and as a result, the Participant is not able to pay out the Savings Proceeds to the Borrower and the Borrower claims that he may deduct the lost Proceeds from the relevant Eligible Receivable, then (i) the Participant will not be paid under the Master Sub-Participation Agreement and (ii) the Participant will set-off (x) its receivable for the savings balance in its bank account with the Originator against (y) its obligation to repay the Sub-Participation Loan to the Originator.

Notwithstanding the measures described in paragraphs 3.1 to 3.3 above, the CBC may face difficulties in enforcing claims against relevant Borrowers in connection with Eligible Receivables

relating to insurance policies where the Borrowers are to pay risk premiums and capital premiums to insurers pre-selected by the Originators if the relevant insurer becomes subject to an Insolvency Proceeding or for some other reason does not make payments in respect of the relevant insurance policy or in respect of the relevant Savings Loan. Thus, the CBC's ability to meet its obligations under the Guarantee may be adversely affected.

4. *Products with savings part (but no investment part and no Mixed Insurance Policy)*

*The Bank Savings Deduction Risk (as defined above) may apply to Loans with savings part but no investment part and no Mixed Insurance.*

This Bank Savings Deduction Risk in relation to Transferred Receivables arising under Loans with a savings part but no investment part and that are not linked to a Mixed Insurance Policy ("**Category 4 Receivables**") will be addressed on the same basis as the set-off risk that exists in relation to the Bank Savings Receivables (see the paragraph *Set-Off by Borrowers* above). This means that amounts standing to the credit of the related Bank Savings Account will be deducted for the purpose of the Asset Cover Test and the Amortisation Test (unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance). Such deductions mean that the outcome of the Asset Cover Test and the Amortisation Test will be negatively influenced each time when further deposits are made by the relevant Borrower (unless further Eligible Assets are transferred to the CBC under or pursuant to the Guarantee Support Agreement). In order to mitigate the Bank Savings Deduction Risk relating to Category 4 Receivables, the Bank Savings Deposit Bank will enter into a Master Sub-Participation Agreement prior to the first transfer by a relevant Originator of Bank Savings Receivables to the CBC in accordance with the Guarantee Support Agreement.

Pursuant to a Master Sub-Participation Agreement relating to any Category 4 Receivables, an Initial Settlement Amount and Further Settlement Amounts will be payable by the Bank Savings Deposit Bank as Participant to the CBC in return for a Participation. If the relevant Borrower invokes any defence purporting to establish that he may deduct an amount from the Participation Receivable based on any default by the Bank Savings Deposit Bank in the performance of any of its obligations in respect of the related Bank Savings Account and, as a consequence thereof, the CBC will not have received such amount in respect of such Participation Receivable, the relevant Participation of the Bank Savings Deposit Bank will be reduced by such amount. Unless and until (a) both an Issuer Acceleration Notice and a Notice to Pay are served or (b) a CBC Acceleration Notice is served, all amounts expressed to be payable by or to the CBC under the relevant Master Sub-Participation Agreement, shall instead be payable by or to the Issuer for its own account in accordance with the Pre-Notice-to-Pay Priority of Payments. However, if (a) an Issuer Acceleration Notice and a Notice to Pay are served or (b) a CBC Acceleration Notice is served, all Initial Settlement Amounts and Further Settlement Amounts will be collected by or on behalf of the CBC and be applied in accordance with the Post-Notice-to-Pay Priority of Payments or Post-CBC-Acceleration-Notice Priority of Payments, as the case may be. For the purpose of the Asset Cover Test and the Amortisation Test, the Net Outstanding Principal Balance of the relevant Transferred Receivable will be taken into account, this means in relation to Category 4 Receivables that an amount equal to the relevant Participation will be deducted.

For set-off risk in relation to Bank Savings Receivables reference is made to the paragraph *Set-Off by Borrowers* above.

Furthermore, under or pursuant to the Guarantee Support Agreement, each Originator represents and warrants in relation to any of its Eligible Receivables which is related to a Bank Savings Loan, that the relevant Receivable does not relate to any investment product or Mixed Insurance Policy.

Notwithstanding the measures described above taken to mitigate the Bank Savings Deduction Risk in respect of Loans where Borrowers make payments to a Bank Savings Account but no principal payments on the Loans, the Banks Savings Deduction Risk cannot be fully eliminated. Thus, the CBC may be unable to enforce fully its claims against the relevant Borrowers in respect of Loans with a savings part if the Bank Savings Deposit Bank becomes subject to an Insolvency Proceeding or for some other reason does not make payments in respect of the relevant Bank Savings Account

and therefore, may be unable to meet fully and/or timely its payment obligations to Covered Bondholders under the Guarantee.

*The CBC may be unable to recover fully with respect to Loans which have been arranged so that the Borrower, instead of making principal payments, makes investments in certain investment products, the proceeds of which are intended to be used to repay the Loan. As a result, the CBC may be unable to make full and/or timely payments due to holders of the Covered Bonds under the Guarantee.*

Some of the Eligible Receivables relate to a mortgage loan agreement between the Borrower and the relevant Originator, which is connected to an investment product, i.e. Life Loans. The Borrower of such an Eligible Receivable does not repay principal during the term of the relevant mortgage loan, but instead invests in the investment product (where applicable combined with or part of a Mixed Insurance Policy). The intention is that at maturity, the principal proceeds of the investment can be used to repay the loan, in whole or in part. However, it is possible that the value of the investment will have reduced considerably and will be insufficient to repay the loan in full (such shortfall the "**Investment Loss**").

In addition to this general risk, there might in such circumstances be a risk that the Borrower successfully claims that he was not properly informed of the risks involved in making the investment and, for example, that therefore he may deduct an amount equal to the Investment Loss from the Transferred Receivable he owes to the CBC or he may claim a breach of contract (*wanprestatie*) or tort (*onrechtmatige daad*) and as a result he may dissolve (*ontbinden*) or nullify (*vernietigen*) the relevant contract. The Issuer has been advised that for Eligible Receivables of this category, the risk that such a claim is successful cannot be excluded.

There may in certain circumstances be a risk that a Borrower successfully claims that he was not properly informed of:

- (a) the cost element applied by the relevant insurer to the investment premiums paid by such Borrower and/or that the insurer did not properly perform the related insurance agreement in applying the cost element; or
- (b) the allocation of insurance premium between the investment part and the risk element of the Mixed Insurance Policy. A shortfall in the performance of the investment part increases the required amount of the insurance premium being allocated to the risk element and thus results in less insurance premium being allocated to the investment part, which may in turn negatively affect the performance of the investment part even further.

In either case there may in certain circumstances be a risk that, for example, a Borrower may terminate the insurance policy (which in turn could affect the collateral granted to the Originator (e.g. Beneficiary Rights and rights of pledge in respect of such insurance policy) and trigger early termination of the related loan) and/or deduct from, or set-off against, the Transferred Receivable he owes to the CBC an amount equal to any (additional) amount owed to him under or in respect of such insurance policy as a result of or in connection with such claim.

Since 2006 the costs of investment insurance policies (*beleggingsverzekeringen*), such as the Mixed Insurance Policies with an investment part, have been a matter of dispute. This is commonly known as the "usury insurance policy affair" (*woekerpolisaffaire*). It is generally alleged that the costs of some of these products are disproportionately high, that in some cases a legal basis for such costs is lacking and that the information provided to the insured regarding those costs has not been transparent. On this topic there have been (i) several reports, including reports from the AFM, (ii) several letters from the Dutch Minister of Finance to Parliament and (iii) a recommendation, at the request of the Minister of Finance, by the Dutch Financial Services Ombudsman to insurers to compensate customers of investment insurance policies for costs exceeding a certain level. Since June 2015 the Further Regulations on the Supervision of the Conduct of Financial Undertakings (Financial Supervision Act) (*Nadere regeling gedragstoezicht financiële ondernemingen Wft*) states how and when insurers should activate their clients with investment insurance policies. The activation program, coordinated by the AFM, was completed in December 2017. The AFM has checked whether insurers have involved all customers with a mortgage-linked unit-linked insurance in the activation trajectory. The mortgage linked insurances have all been activated by the insurers. Furthermore, there have been press articles stating (a) that individual law suits and class actions may be, and have been, started against individual insurers and (b) that certain individual insurers have reached agreement with claimant organisations about compensation of its customers for the costs of investment



insurance policies entered into with the relevant insurer. The discussion on the costs of the investment insurance policies is still continuing, as some consumer television programmes and some "no-win, no fee" legal advisors argue that the agreements reached with claimant organisations do not offer adequate compensation. Rulings of courts and of the Dutch Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*) have been published, some of which are still subject to appeal. On 29 April 2015, the Court of Justice of the European Union rendered its decision on this subject. The Court of Justice of the European Union ruled, among others, that Member States are allowed to require life insurance companies to provide their policyholders with certain information additional to the information they are required to send to policyholders under Council Directive 92/96/EEC of 10 November 1992 on the coordination of laws, regulations and administrative provisions relating to direct life assurance and amending Directives 79/267/EEC and 90/619/EEC (Third Life Assurance Directive). The exact meaning and consequences of this decision are subject to further decisions to be given by the Dutch courts. The Dutch Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*) has published five directional decisions. These decisions are in general in favour of the insurer. The Dutch Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*) will start with the handling of 700 pending cases along the lines of the directional decisions.

If Mixed Insurance Policies with an investment part are for reasons described in this paragraph dissolved or terminated, this would affect the collateral granted to secure the related Life Loans. The Issuer has been advised that in such case the related Life Loans could also be dissolved or nullified, depending on the particular circumstances involved. Even if the related Life Loans were not affected, the policyholder may invoke set-off or other defences against the Issuer. No actions have yet been announced against the Initial Originators in relation to the risks described above in relation to Life Loans.

The Issuer has been advised that the above risks largely depend on which specific information has been provided to the relevant Borrower through sales people and/or sales materials and that in this respect it is also relevant whether applicable statutory and contractual duties, including statutory duties to provide information to prospective investors, have been complied with. The risks described in this paragraph Investment products will not be mitigated through the Asset Cover Test or the Amortisation Test in connection with the calculations of the deductions.

Under or pursuant to the Guarantee Support Agreement, each Originator represents and warrants in relation to any of its Eligible Receivables which is connected to an investment product where the related investment product is offered by the relevant Originator itself (and not by a third party securities institution or bank), that such investment product has been offered in accordance with all applicable laws and legal requirements prevailing at the time of origination, including those relating to the information that is to be provided to prospective investors.

In view of the potential inability of Borrowers to repay Loans where investment proceeds are insufficient for such repayment or the potentially successful claims by Borrowers that they were not properly informed of the risks involved in making the investments in question, as well as the potential for other actions against the Originators in relation to the Loans described above, there is a risk that the CBC would not be able to recover fully on Transferred Receivables based on Loans arranged as part of an investment product. Consequently, the CBC may be unable to meet fully and/or timely its obligations to Covered Bondholders under the Guarantee.

*The CBC's rights under insurance policies pledged by Borrowers or containing a beneficiary clause or partner instruction in favour of the relevant Originator may be subject to limitations under Dutch insolvency law.*

Some of the Eligible Receivables relate to a mortgage loan agreement between the Borrower and the relevant Originator which is connected to (a) an insurance policy with a risk and/or capital element, (b) a securities account, or (c) a Bank Savings Account, as the case may be. If the relevant mortgage conditions provide that rights of such Borrower in respect of such an insurance policy, securities account or a Bank Savings Account, as the case may be, are to be pledged, such rights of such a Borrower have been pledged to the relevant Originator. The above considerations on pledge and insolvency, made in the context of pledges to the Trustee (see *Section B.3 Asset Backed Guarantee - Pledges to Trustee* above), apply *mutatis mutandis* to pledges and mortgages by the Borrowers.

In particular, the Issuer has been advised that under Dutch law it is possible that the receivables purported to be pledged by the Borrowers in respect of insurance policies, qualify as future receivables. As mentioned

above, if an asset is a future asset at the moment a bankruptcy, suspension of payments or debt restructuring arrangement (*schuldsaneringsregeling*) takes effect in relation to the relevant pledgor, such assets are no longer capable of being pledged (unless the relevant insolvency official would agree). The Issuer has been advised that under Dutch law there is no clear rule to determine whether a claim arising from an insurance policy is an existing or a future claim. As a result, it is uncertain whether and to what extent the pledges of receivables under said insurance policies by the Borrowers are effective. The Issuer has been advised that, in respect of capital insurances (*sommenverzekeringen*) it is likely that the beneficiary's claims against the insurer corresponding with premiums which have already been paid to the insurer are existing claims, while claims relating to periods for which no premiums have yet been paid may very well be future claims. The Issuer has been advised that in respect of risk insurances (*schadeverzekeringen*) it is not clear whether the beneficiary's claim can be characterised as an existing claim before the insured event occurs.

Accordingly, if insurance claims qualify as future assets, the CBC's ability to recover the full amount of the related Loans may be adversely affected, which may in turn adversely affect the CBC's ability to meet timely and/or fully its obligations under the Guarantee.

*The CBC's rights in insurance policies pledged by Borrowers may be limited by Dutch law.*

Some of the Eligible Receivables relate to a mortgage loan agreement between the Borrower and the relevant Originator, which is connected to an insurance policy with a risk and/or capital element. In addition to being granted a pledge of rights under insurance policies, as abovementioned, either:

the relevant Originator has been appointed as beneficiary or has been granted a power of attorney to appoint a beneficiary (including itself) under the relevant insurance policy (the rights of the relevant Originator as a beneficiary under an insurance policy: the "**Beneficiary Rights**"); or

if another person (the "**Partner**") has been appointed as beneficiary, the Partner has irrevocably authorised the relevant insurer to pay out the insurance proceeds to the relevant Originator (a "**Partner Instruction**").

#### 1. *Beneficiary Rights*

With respect to the first alternative, the Issuer has been advised that under Dutch law it is uncertain whether Beneficiary Rights will follow the relevant Eligible Receivable upon assignment thereof to the CBC (and subsequent pledge thereof to the Trustee). For this purpose the Beneficiary Rights will, insofar as they will not follow the relevant Eligible Receivable upon assignment, themselves be assigned by the relevant Originator to the CBC by way of silent assignment and be pledged by the CBC to the Trustee by way of silent pledge. The assignment and pledge of the beneficiary rights must be notified to the relevant insurance company before becoming effective *vis-à-vis* the relevant insurance company. In addition, the appointment as beneficiary must be accepted to become binding. In the Guarantee Support Agreement the relevant Originator undertakes to, upon the occurrence of a Notification Event, notify the relevant insurer of the (purported) transfer and pledge. However, the Issuer has been advised that under Dutch law it is uncertain whether such assignment (and subsequent pledge) will be effective.

Insofar as the transfer of the Beneficiary Rights as abovementioned is not effective each Originator will:

- (a) in each deed of assignment to be executed with the CBC pursuant to the Guarantee Support Agreement to the extent possible, (a) appoint the CBC as beneficiary in its place and (b) to the extent such appointment is ineffective, waive its Beneficiary Rights. The Issuer has been advised that it is uncertain whether such appointment and/or waiver is effective. If such appointment is ineffective and such waiver is effective, either the relevant Borrower, or any other person ranking behind the relevant Originator as beneficiary (a "**Second Beneficiary**"), will become the beneficiary under the relevant insurance policy. Under or pursuant to the Guarantee Support Agreement each Originator represents and warrants that if the relevant Receivable relates to a Life Loan or Savings Loan, all receivables under the relevant Mixed Insurance Policy have been validly pledged by the relevant Borrower to the relevant Originator for at least that part by which the relevant Receivable exceeds 50 per cent. of the market value of the relevant Property, which pledge has been notified to the relevant insurer. As mentioned above, a pledge is in principle an accessory right, so that upon a transfer of the relevant Receivable to the CBC, the CBC will in principle become entitled to (a share in) the pledge, **provided that** following the waiver of the Beneficiary Rights by the relevant Originator, the Borrower will have become the beneficiary. If, however,

following a waiver of Beneficiary Rights by the relevant Originator, a Second Beneficiary will have become the beneficiary, the pledge by the Borrower will not be effective; and

- (b) in the Guarantee Support Agreement undertake to, upon the occurrence of a Notification Event, use its best endeavours to procure the entry into of a beneficiary waiver agreement between itself, the CBC, the Trustee and the relevant insurer (each a "**Beneficiary Waiver Agreement**"), in which it is, amongst other things, agreed that to the extent necessary:
  - (i) the insurer (a) accepts the (purported) appointment of the CBC as beneficiary in the relevant Originator's place and (b) to the extent such appointment is ineffective, accepts the waiver by such Originator of its Beneficiary Rights; and
  - (ii) the Originator and insurer will use their best endeavours to obtain the co-operation from all relevant Borrowers and, where applicable, Second Beneficiaries to change the Beneficiary Rights in favour of the CBC.

The Originator may not be able to enter into a Beneficiary Waiver Agreement without the co-operation of the liquidator, if and to the extent that such Notification Event has occurred as a result of any such Originator having become subject to any Dutch Insolvency Proceedings.

## 2. *Partner Instruction*

With respect to the Partner Instruction, the Issuer has been advised that it is uncertain whether the Partner Instruction implies that the insurer should pay the insurance proceeds to the relevant Originator or, following assignment of the relevant Eligible Receivable, to the CBC. This depends on the interpretation of the Partner Instruction. Insofar as the Partner Instructions do not imply that the relevant insurer should, following assignment of the relevant Eligible Receivable, pay the insurance proceeds to the CBC, the CBC, the Trustee and the relevant insurer will agree in each Beneficiary Waiver Agreement that the Originator and the insurer will use their best efforts to obtain the co-operation from all relevant Borrowers and Partners to change the Partner Instructions in favour of the CBC.

If:

- (a) (i) the transfer of the Beneficiary Rights is not effective, (ii) the appointment of the CBC as beneficiary in the place of the relevant Originator is not effective and (iii) the waiver of Beneficiary Rights by the relevant Originator is ineffective or, if it is effective, results in a Second Beneficiary having become the beneficiary; or
- (b) the Partner Instructions do not imply that insurance proceeds should be paid to the CBC,

and, in either case, (a) no Beneficiary Waiver Agreements has been entered into with each relevant insurer and/or (b) the relevant Borrowers, Second Beneficiaries and/or Partners do not co-operate as described above, then the proceeds under the relevant insurance policies could, as the case may be, either be paid to:

- (a) the relevant Originator, in which case such Originator will be obliged to on-pay the proceeds to the CBC or the Trustee, as the case may be. If an Originator breaches such payment obligation, for example because the Originator is subject to an Insolvency Proceeding, this may result in the proceeds not being applied in reduction of the relevant Eligible Receivable and in a Deduction Risk; or
- (b) the Second Beneficiary or the Partner, which may result in the proceeds not being applied in reduction of the relevant Eligible Receivable.

Accordingly, the CBC's rights in insurance policies pledged by Borrowers or containing a beneficiary clause or Partner Instruction in favour of the relevant Originator may be limited by Dutch law, which in turn may limit the CBC's ability to fulfil its obligations fully and/or timely under the Guarantee.

*The CBC's interest reset right in relation to Loans may be subject to limitations under Dutch law, particularly in the event of a Dutch Insolvency Proceeding against the relevant Originator.*

The Issuer has been advised that it is uncertain whether any interest reset right will transfer to the CBC with the assignment of the relevant Receivable. If such interest reset right remains with the relevant Originator despite the assignment, this means that in case the relevant Originator becomes subject to a Dutch Insolvency Proceeding, the co-operation of the liquidator in insolvency would be required to reset the interest rates (unless such right is transferred to the CBC prior to the Dutch Insolvency Proceeding taking effect, but this may require the co-operation of the Borrower). Accordingly, the ability of the CBC to reset the interest on Loans may be limited, thereby affecting adversely the CBC's ability to influence the interest rates applicable to the Loans, in turn limiting the CBC's ability to meet fully and/or timely its obligations under the Guarantee.

*The CBC's rights to full payment under the Transferred Receivables may be limited in cases where the relevant Loans entail an arrangement under which an Originator deposits funds into a blocked deposit account, to be applied at a later stage in connection with construction or improvement costs incurred by the Borrowers and the relevant Originator becomes subject to Insolvency Proceedings.*

Certain Eligible Receivables result from a mortgage loan agreement under which the relevant Borrower has requested part of the loan to be disbursed into a blocked deposit account specifically opened in his name for such purpose, in anticipation of construction or improvement costs to be incurred by him at a later stage in connection with the Property (a "**Construction Deposit**"; *bouwdepot*). The intention is that when the applicable conditions are met, the Construction Deposit is applied towards the relevant construction or improvement costs of the Borrower and/or in repayment of the relevant part of the loan. In the Guarantee Support Agreement it is agreed that in cases as abovementioned, the full Eligible Receivable will be transferred to the CBC. The Construction Deposits are held with the relevant Originator. There is a risk that the relevant Originator becomes subject to an Insolvency Proceeding and that the relevant Originator cannot pay out the Construction Deposits. If this happens, a Borrower may be allowed to set-off his receivable in respect of the Construction Deposit against the related Transferred Receivable. To address this risk, it has been agreed in the Asset Monitor Agreement that an amount equal to the Construction Deposit will be deducted from the Current Balance of the Transferred Receivables for the purpose of the Asset Cover Test and the Amortisation Test.

Thus, the CBC's rights to the Construction Deposits may be limited in the event of an Insolvency Proceeding against the relevant Originator, adversely affecting the CBC's rights to full payment under the Transferred Receivables and in turn, the CBC's ability to fulfil fully and/or timely its obligations under the Guarantee.

*Certain Loans may become due and payable prior to their proposed terms and earlier than anticipated as a result of early termination of a long lease due to a leaseholder default or for other reasons, thereby potentially limiting the CBC's recovery of the full value of the Loans and, in turn, the CBC's ability to meet its full obligations under the Guarantee.*

Certain Eligible Receivables are secured by a mortgage on a long lease (*erfpacht*). A long lease will, amongst other things, end as a result of expiration of the long lease term (in the case of a lease for a fixed period), or termination of the long lease by the leaseholder or the landowner. The landowner can terminate the long lease in the event the leaseholder has not paid the long lease fee due for a period exceeding two consecutive years or seriously breaches other obligations under the long lease. In case the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the mortgage will, by operation of law, be replaced by a pledge on the claim of the (former) leaseholder on the landowner for such compensation. The amount of the compensation will, amongst other things, be determined by the conditions of the long lease and may be less than the market value of the long lease.

In cases where a mortgage is vested on long lease, a paragraph is added to the relevant mortgage deed, providing that the relevant loan becomes immediately due and payable in the event the long lease is terminated or the leaseholder has not paid the long lease fee or seriously breaches other obligations under the long lease. When underwriting a loan to be secured by a mortgage on a long lease, the relevant Originator has taken into consideration the conditions of the long lease, including the term thereof in comparison to the proposed term of the loan.

Accordingly, certain Loans may become due and payable prior to their proposed terms and earlier than anticipated as a result of early termination of a long lease due to a leaseholder default or for other reasons,

thereby potentially limiting the CBC's recovery of the full value of the Loans and, in turn, the CBC's ability to meet its full obligations under the Guarantee.

By way of exception, Eligible Receivables may be secured by a mortgage on a right of superficies (*opstal*). The above paragraphs relating to long lease applies, *mutatis mutandis*, to a right of superficies, **provided that** where the context so permits, all references therein to a "long lease" and "leaseholder" are for this purpose deemed to be references to a right of superficies and a superficiary (*opstaller*), respectively.

*Certain Loans may become due and payable after the Extended Due for Payment Date, thereby potentially limiting the CBC's recovery of the full value of the Loans and, in turn, the CBC's ability to meet its full obligations under the Guarantee.*

The conditions applicable to some of the Loans do not provide for a maturity date (the "**Long Term Loans**"). The Borrower is only obliged to repay the principal sum of the Loan (or the relevant loan-part) in certain events provided for in the applicable general terms and conditions of the loan. One of these events is death of a Borrower. It is uncertain whether or when any of the other events will occur and, consequently, it is possible that such long term Loans will only become due and repayable upon death of a Borrower.

*Valuations may not accurately reflect the value or condition of the Property, thereby potentially limiting the CBC's recovery of the full value of the Loans and, in turn, the CBC's ability to meet its full obligations under the Guarantee.*

In general, valuations represent the analysis and opinion of the person performing the valuation at the time the valuation is prepared and are not guarantees of, and may not be indicative of, present or future value of the relevant Property. There can be no assurance that another person would have arrived at the same valuation, even if such person used the same general approach to and same method of valuing the property.

*The CBC may not have full proprietary or security rights to certain Substitution Assets transferred to it thereby potentially limiting the CBC's ability to meet its full obligations under the Guarantee.*

Under the Guarantee Support Agreement the Originators are permitted to transfer to the CBC Substitution Assets which are not deposited with Euroclear or of which the transfer is not subject to the Wge and which are not credited to a securities account in the name of the transferor of the assets in the Netherlands or Belgium. This means that such Substitution Assets may not be protected in case of insolvency of the custodian or other parties through which those Substitution Assets are held. The Substitution Assets may only be transferred if Rating Agency Confirmation is obtained and the CBC and the Trustee, respectively, are satisfied that they will receive proprietary rights or security rights, respectively, of equivalent status and ranking for such Substitution Assets as they would have received if Eligible Receivables or Eligible Collateral had been transferred and pledged, respectively.

Nevertheless, there is a risk that the CBC and the Trustee may not obtain proprietary and security rights to such Substitution Assets transferred to them equivalent to those which they receive in respect of Eligible Receivables or Eligible Collateral potentially. Thus, the CBC's and the Trustee's rights to such Substitution Assets may be limited, thereby affecting adversely their ability to fulfil their respective obligations under the relevant Transaction Documents.

*The Covered Bondholders will receive only limited information in relation to the Transferred Assets which may adversely impact their ability to fully evaluate their potential investment.*

Covered Bondholders will receive only certain statistical and other information in relation to the Transferred Assets, as set out in the Monthly Investor Reports which shall be prepared by the Administrator with assistance from the Servicer. Such information will not reflect any subsequent changes to the Portfolio between the relevant cut-off date for the preparation of such information and the relevant date on which it is published. It is expected that the constitution of the Transferred Assets may constantly change due to, for instance:

- (a) the Originators transferring additional and/or new types of Eligible Assets to the CBC;
- (b) New Originators acceding to the Transaction and transferring Eligible Assets to the CBC;
- (c) Originators re-acquiring Transferred Assets pursuant to their obligations, or right of pre-emption, under the Guarantee Support Agreement; and

- (d) payments made by the debtors in respect of the relevant Transferred Assets.

There is no assurance that the characteristics of new Eligible Assets will be the same as, or similar to, those of the Eligible Assets in the Portfolio as at the relevant Transfer Date. Nevertheless, on each Transfer Date, each Transferred Receivable and Substitution Asset will be required to meet the applicable eligibility criteria and the Representations and Warranties set out in the Guarantee Support Agreement (although such eligibility criteria and Representations and Warranties may change in certain circumstances). At the same time, the ability of the holders of the Covered Bonds to fully evaluate their potential investment may be limited by the fact that they will not receive detailed statistics or information in relation to the Transferred Assets.

*Changes to Dutch laws on tax deductibility of interest may result in an increase of Loan defaults, thereby adversely affecting the CBC's ability to recover fully and/or timely on the Transferred Receivables related to such Loans and, as a consequence, adversely affect the CBCs ability to meet fully and/or timely its obligations under the Guarantee.*

The Dutch tax system allows borrowers to deduct, subject to certain limitations, mortgage interest payments for owner-occupied residences from their taxable income. The period allowed for deductibility is restricted to a term of 30 years. Since 2004, the tax deductibility of mortgage interest payments has been restricted under the so-called additional borrowing regulation (*Bijleenregeling*). On the basis of this regulation, if a home owner acquires a new home and realises a surplus value on the sale of his old home in respect of which interest payments were deducted from taxable income, the interest deductibility is limited to the interest that relates to an amount equal to the purchase price of the new home less the net surplus value realised on the sale of the old home. Special rules apply to moving home owners that do not (immediately) sell their previous home.

As of 1 January 2013, interest deductibility in respect of newly originated mortgage loans is only available in respect of mortgage loans which amortize over 30 years or less and are repaid on a linear or annuity basis.

In addition to these changes further restrictions on the interest deductibility have entered into force as of 1 January 2014. The tax rate against which the mortgage interest payments may be deducted is being gradually reduced beginning January 2014. For taxpayers previously deducting mortgage interest at the highest income tax rate (51.95 per cent. in 2018), the interest deductibility has been reduced by 0.5 per cent. per year to 49.5 per cent. in 2018 and will be gradually reduced until the rate is equal to 38 per cent. in 2041.

These changes and any other or further changes in the tax treatment could have an effect on, amongst other things, house prices and the rate of recovery on mortgage loans for mortgage loan providers (including the Initial Originators) and may result in an increase of defaults, prepayments and repayments of mortgage loans (including Loans).

On 10 October 2017, the new Dutch government released their coalition agreement (*Regeerakkoord*) 2017 – 2021, in which it announced, among others, that from 2020 the decrease of the maximum interest deductibility for mortgage loans will be accelerated and will decrease with 3 per cent. annually to 36.93 per cent. in 2023. Many aspects of these policy intentions remain unclear. However, if the policy intentions are implemented they may have an adverse effect on tax deductibility of interest and other factors relevant in relation to the mortgage loans (including the Loans).

Accordingly, defaults on Loans in relation to Transferred Receivables due to changes in Dutch laws on tax deductibility of interest may decrease the CBC's proceeds from such Transferred Receivables, thereby adversely affecting the CBC's ability to meet fully and/or timely its obligations under the Guarantee.

*Borrowers' defaults on their obligations under the Transferred Receivables may adversely affect the CBC's realisation on such Transferred Receivables, thereby adversely affecting the CBC's ability to fulfil its obligations under the Guarantee.*

Upon service of a Notice to Pay on the CBC (provided no CBC Acceleration Notice has been served), the CBC is expected to make payments under the Guarantee. The ability of the CBC to meet its obligations under the Guarantee will depend solely on the proceeds of the Transferred Assets. In this respect it should be noted that Borrowers may default on their obligations due under the Transferred Receivables. Defaults

may occur for a variety of reasons. The Transferred Receivables are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to make the required payments under the Transferred Receivables. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers or the Borrowers becoming subject to debt rescheduling arrangements (*schuldsaneringsregelingen*), and could ultimately have an adverse impact on the ability of Borrowers to make the required payments under the Transferred Receivables. In addition, the ability of a Borrower to sell a Property at a price sufficient to repay the amounts outstanding under that Transferred Receivable will depend upon a number of factors, including the availability of buyers for that Property, the value of that Property and property values in general at the time. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and Transferred Receivables which are three months or more in arrears will be included for 30 per cent. of the Current Balance of such Transferred Receivable in the calculation of the Amortisation Test.

As a Borrower's ability to meet its obligations under the Transferred Receivables depends on numerous factors beyond the control of the CBC, Borrowers may default on such obligations at any point, thereby adversely affecting the CBC's realisation under affected Transferred Receivables and, in turn, the CBC's ability to meet its obligations under the Guarantee.

*Property values may change, thereby potentially limiting the CBC's recovery of the full value of the Loans and, in turn, the CBC's ability to meet its full obligations under the Guarantee.*

No assurance can be given that values of the Property remain or will remain at the level at which they were on the date of origination of the related Loans. House prices in the Netherlands have, on average (regional differences in the rate of change can be noticed), declined until the second half of 2013 and increased in recent years (see in this respect *Section 3.4 Overview of the Dutch Residential Mortgage Market*). If the CBC is required to pay under the Guarantee, a decline in value may result in losses to the Covered Bondholders if the relevant security rights on the Property are required to be enforced. The Originators will not be liable for any losses incurred by the Covered Bondholders, or for any deficiency incurred by the CBC as a result of such decline in value in connection with the relevant Loans. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and the Amortisation Test.

*The CBC's ability to meet its obligations under the Guarantee may be adversely affected by the relatively slow rate of principal repayment of Borrowers.*

The fiscal incentives mentioned above in relation to interest deductibility have resulted in a tendency amongst borrowers to opt for products that do not directly involve principal repayment. The most common mortgage loan types in the Netherlands are interest-only, linear, savings, life and investment mortgage loans or a combination of these types. Under the interest-only, savings, life and investment types of mortgage loans no principal is repaid during the term of the contract. Instead, save in the case of interest-only mortgage loans, the Borrower makes payments into a savings account, towards endowment insurance or into an investment fund. Upon maturity, amounts available pursuant to the savings accounts, the insurance contract or the investment funds are applied to repay the mortgage loans.

Prepayment penalties that are incorporated in mortgage loan contracts tend to lower prepayment rates in the Netherlands. Penalties are generally calculated as the net present value of the interest loss to the lender upon prepayment.

Lower rates of prepayment may lead to slower repayments of the principal amount outstanding of mortgage loans in the Netherlands. As a result, the exposure of the Originators to the Borrowers of the Loans tends to remain high over time. If and to the extent that the CBC has to rely on cashflow on the Loans to fund its obligation under the Guarantee, the relatively slower rate of principal repayment may adversely impact the Transferred Assets' value realisation, and, consequently, the CBC's ability to meet fully and/or timely its obligations under the Guarantee.

*Unpredictable variations in the rate of prepayment on the Loans may adversely affect the CBC's ability to realise sufficient funds to meet fully and/or timely its obligations under the Guarantee.*

The rate of prepayment of Loans granted pursuant to the Loan Agreements is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including but not limited to amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrower's behaviour (including but not limited to home-owner mobility). No assurance can be given as to the level of prepayment that the Loans granted pursuant to the Loan Agreements may experience, and variation in the rate of prepayments of principal on the Loans granted pursuant to the Loan Agreements may affect the ability of the CBC to realise sufficient funds to make payments under the Guarantee.

*Interest rate averaging offered to borrowers may adversely affect the CBC's ability to meet its obligations under the Guarantee.*

In the Netherlands borrowers of mortgage loans may generally prepay their mortgage loans before the maturity date. If the prepayment exceeds a certain limited amount in a year and does not result from certain predefined events, such as a sale of the mortgaged property, the provider of a mortgage loan may charge a prepayment penalty. A prepayment penalty may also be charged in case the borrower applies for interest rate averaging (*rentemiddeling*, as further described below) which is offered by certain offerors of mortgage loans, including the Originators.

Pursuant to the entry into force of Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 (the "**Mortgage Credit Directive**") on 14 July 2016, prepayment penalties may not exceed the financial loss incurred by the provider of the mortgage loan. In view of the Mortgage Credit Directive the AFM investigated the calculation method for, and the prepayment penalties charged by different providers of mortgage loans. As a result, the AFM published guidelines on 20 March 2017 with principles for calculating the prepayment penalty that may be charged in case of a prepayment of a mortgage loan (*Leidraad Vergoeding voor vervroegde aflossing van de hypotheek*).

According to these AFM guidelines, the guidelines may be used for the calculation of the prepayment penalties charged as of 14 July 2016. Some consumer organisations have argued that a recalculation of prepayment penalties charged should also take place over a five year period prior to 14 July 2016 and potentially be repaid to the borrowers. The Dutch Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*), however, ruled in its decision of 31 July 2017 that these new guidelines do not have retroactive effect. Although unlikely, it cannot be ruled out that prepayment penalties charged before 14 July 2016 are considered to be unfair and/or deemed too high on the basis of the same reasoning or on the basis of other legal requirements. In such case also (parts of) prepayment penalties charged before 14 July 2016 shall have to be repaid by the relevant Originator.

In case of interest rate averaging (*rentemiddeling*) a borrower of a mortgage loan is offered a new fixed interest rate whereby the (agreed-upon) fixed interest will be reduced taking into account the current interest rate offered by such offeror for the relevant period, the risk profile, the break costs for the fixed interest and (sometimes) a small surcharge. The Originators offer interest rate averaging (*rentemiddeling*) to borrowers as of 1 July 2016. It should be noted that interest rate averaging (*rentemiddeling*) - when offered to a borrower - may adversely impact the amount of interest to be received by the CBC in respect of the Transferred Assets, and, consequently, the CBC's ability to meet fully and/or timely its obligations under the Guarantee.

The AFM guidelines referred to above do not directly apply to interest rate averaging, however, the AFM expects providers of mortgage loans to act in the best interest of the borrower. Furthermore, the AFM announced that it will investigate whether providers of mortgage loans always act in accordance with the borrowers' interest. In this respect, the AFM could decide to apply these guidelines to interest rate averaging or adjust the guidelines for interest rate averaging. The AFM could also decide to request the government to adjust the regulations in this respect. This may have a downward effect on the amounts received as interest or prepayment penalties to be received by the CBC in respect of the Transferred Assets, and, consequently, the CBC's ability to meet fully and/or timely its obligations under the Guarantee.



*Changes to the Lending Criteria of the Originators may lead to increased defaults by Borrowers, thereby adversely affecting the realisable value of the Transferred Receivables and, as a consequence, adversely affecting the CBC's ability to fulfil fully and/or timely its obligations under the Guarantee.*

Each of the Receivables originated by each Originator will have been originated in accordance with its Lending Criteria at the time of origination. It is expected that each Originator's Lending Criteria will generally consider the type of Property, term of loan, age of applicant, loan-to-value ratio, loan-to-income ratio, mortgage indemnity guarantee policies, high loan-to-value fees, status of applicants, credit history and Valuation Procedures. In the event of a transfer of Receivables by an Originator to the CBC, each Originator will represent and warrant only that such Receivables were originated in accordance with such Originator's Lending Criteria applicable at the time of origination. Each Originator retains the right to revise its Lending Criteria from time to time, **provided that** it acts as a Reasonable Prudent Lender. If the Lending Criteria change in a manner that affects the creditworthiness of the Receivables, that may lead to increased defaults by Borrowers and may affect the realisable value of the Transferred Receivables, or part thereof, and the ability of the CBC to make payments under the Guarantee. However, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and the Amortisation Test.

Accordingly, the CBC's ability to meet fully and/or timely its obligations under the Guarantee may be adversely affected by changes to the Lending Criteria of the Originators.

*New Originators transferring assets to the CBC may have different Lending Criteria from the Initial Originators, which may lead to increased defaults under Transferred Receivables and, subsequently, adversely affect the realisable value of the Transferred Receivables by the CBC and the CBC's ability to meet fully and/or timely its obligations under the Guarantee.*

The Issuer may propose that any member of the Group will become a New Originator and be allowed to transfer Eligible Assets to the CBC. However, this would only be permitted if the conditions precedent relating to New Originators acceding to the Programme are met in accordance with the Programme Agreement, including Rating Agency Confirmation.

Any Receivables originated by a New Originator will have been originated in accordance with the Lending Criteria of the New Originator, which may differ from the Lending Criteria of Receivables originated by the Initial Originators. If the Lending Criteria differ in a way that affects the creditworthiness of the Receivables, that may lead to increased defaults by Borrowers and may affect the realisable value of the Transferred Receivables or any part thereof or the ability of the CBC to make payments under the Guarantee. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and the Amortisation Test.

Nevertheless, as described above, different Lending Criteria by New Originators transferring the Transferred Receivables to the CBC may increase the defaults under such Transferred Receivables, thereby decreasing the CBC's realisation value on the Transferred Receivables and the CBC's ability to fulfil its obligations fully and/or timely under the Guarantee.

*The CBC has only limited recourse to the Originators, limiting its ability to recover fully in the event of an Originator's breach of a Representation or Warranty, which in turn, may affect the CBC's ability to fulfil its obligations under the Guarantee.*

The CBC and the Trustee have not undertaken and will not undertake any investigations, searches or other actions on any Receivable and have relied and will rely instead on the Representations and Warranties given in the Guarantee Support Agreement by the relevant Originators in respect of the Transferred Receivables.

Subject to the terms of the Guarantee Support Agreement, if any Transferred Receivable was in material breach of the Receivable Warranties as of the relevant Transfer Date or is or becomes a Defaulted Receivable, then such Transferred Receivable will be excluded from the Asset Cover Test and the Amortisation Test.

There is no further recourse to the relevant Originator in respect of a breach of a Representation or Warranty. There is no other recourse to the assets of the Originators if an Issuer Event of Default occurs or a CBC Event of Default occurs (save as is generally the case insofar as the assets of the Issuer for its obligations under the Covered Bonds are concerned).

Due to the CBC's limited recourse to the Originators, the CBC may not be able to fully recover on the Transferred Assets which, in turn, may adversely affect the CBC's ability to fulfil its obligations under the Guarantee.

*The CBC's right to payment under the NHG Guarantee which applies to certain Eligible Receivables may be limited if the relevant Originators have not complied with the terms and conditions of the NHG Guarantee, because the redemption structure of an Eligible Receivable may differ from the mandatory redemption structure set forth in the terms and conditions of an NHG Guarantee and, as of 1 January 2014, because of a 10 per cent. "own risk" participation in any loss claims made under the NHG Guarantee, the CBC may not be able to fully recover any loss incurred from the WEW under an NHG Guarantee, which may adversely affect the realisable value of the Transferred Receivables and the CBC's ability to fulfil fully and/or timely its obligations under the Guarantee.*

Certain Eligible Receivables have the benefit of an NHG Guarantee. Pursuant to the terms and conditions of the NHG Guarantee, the Stichting Waarborgfonds Eigen Woningen ("WEW") has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the terms and conditions of the NHG Guarantee. Under or pursuant to the Guarantee Support Agreement, each Originator represents and warrants in relation to any of its Eligible Receivables which is secured by an NHG Guarantee that:

- (a) the NHG Guarantee is granted for the full amount of the relevant Receivable outstanding at origination, and constitutes legal, valid and binding obligations of the WEW, enforceable in accordance with such NHG Guarantee's terms;
- (b) all terms and conditions (*voorwaarden en normen*) applicable to the "Nationale Hypotheek Garantie" at the time of origination of the related Loans were complied with; and
- (c) the relevant Originator is not aware of any reason why any claim under any NHG Guarantee, if applicable, in respect of the relevant Receivable should not be met in full and in a timely manner.

The terms and conditions of an NHG Guarantee (irrespective of the type of redemption of the mortgage loan) stipulate that the guaranteed amount is reduced on a monthly basis by an amount which is equal to the amount of the monthly repayments plus interest as if the mortgage loan were to be repaid on a thirty year annuity basis. The actual redemption structure of an Eligible Receivable can be different. Furthermore, for mortgage loans originated after 1 January 2014, the mortgage lender is obliged to participate for 10 per cent. in any loss claims made under the NHG Guarantee. The lender is not entitled to recover this amount from the borrower. The foregoing may result in the lender not being able to fully recover any loss incurred from the WEW under NHG Guarantee and consequently, in the CBC having insufficient funds to meet its obligations under the Guarantee. See *Section 3.5 NHG Guarantee Programme* below for further information on the WEW and the NHG Guarantee.

## **B.5 Asset Monitoring**

*Improper maintenance of the collateral value of the Transferred Assets may adversely affect the realisable value of the Transferred Assets and, thereby, the CBC's ability to meet its payment obligations under the Guarantee.*

If the collateral value of the Transferred Assets has not been maintained in accordance with the terms of the Asset Cover Test or the Amortisation Test, then that may affect the realisable value of the Transferred Assets or any part thereof (both before and after the occurrence of a CBC Event of Default) and/or the ability of the CBC to make payments under the Guarantee.

Prior to the service of a Notice to Pay or a Breach of Asset Cover Test Notice, the Asset Monitor will, no later than five Business Days following receipt of the relevant information, test the arithmetic of the calculations performed by the Administrator in respect of the Asset Cover Test on the Calculation Date immediately preceding each anniversary of the Programme Date, i.e. once a year and will carry out such tests more frequently in certain circumstances. Following the service of a Notice to Pay or Breach of Asset Cover Test Notice, the Asset Monitor will no later than five Business Days following receipt of the relevant information be required to test the calculations performed by the Administrator on each Calculation Date in respect of each Amortisation Test.

The Trustee shall not be responsible for monitoring compliance with, nor the monitoring of, the Asset Cover Test, the Amortisation Test or any other test, or supervising the performance by any other party of its obligations under any Transaction Document.

Accordingly, to the extent that Transferred Assets are not maintained and monitored properly, the realisable value of such Transferred Assets by the CBC may be adversely affected, along with the CBC's ability to meet its obligations under the Guarantee.

*Market conditions may limit the CBC's ability to meet fully and/or timely its obligations under the Guarantee if a certain Issuer Event of Default has occurred.*

If an Issuer Event of Default has occurred and results in, amongst other things, a Notice to Pay being served on the CBC, the CBC may be obliged to sell or refinance Selected Receivables (selected on a random basis) in order to make funds available to the CBC to make payments to the CBC's creditors including to make payments under the Guarantee.

There is no guarantee that a buyer will be found to acquire Selected Receivables at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Guarantee.

Furthermore, there is no limit on the amount of Selected Receivables that may be elected for such sale or refinancing in proportion to other Transferred Receivables and other Transferred Assets of the CBC, which would take into account the CBC's guarantee obligations in respect of later maturing Covered Bonds. Although the intention of the Asset Cover Test and the Amortisation Test is to ensure that the ratio of the Transferred Assets to the Covered Bonds is maintained at a certain level, there can be no guarantee or assurance that, following any such sale or refinancing of Selected Receivables in relation to Earliest Maturing Covered Bonds or any other Series, there are sufficient Transferred Assets available to the CBC to make payments under, amongst other things, the Guarantee in respect of later maturing Covered Bonds.

Thus, the CBC may be unable to fulfil fully and/or timely its payment obligations under the Guarantee.

*Lack of representations and warranties in connection with a sale of Selected Receivables may adversely affect the realisable value of such Selected Receivables, thereby limiting the CBC's ability to meet its payment obligations under the Guarantee.*

Following the service of a Notice to Pay on the CBC, but prior to the service of a CBC Acceleration Notice, the CBC may be obliged to sell Selected Receivables to third party purchasers, subject to a right of pre-emption enjoyed by the Originators pursuant to the terms of the Guarantee Support Agreement. In respect of any sale or refinancing of Selected Receivables to third parties, however, the CBC will not be permitted to give warranties or indemnities in respect of those Selected Receivables (unless expressly permitted to do so by the Trustee). There is no assurance that the Originators would give any warranties or representations in respect of the Selected Receivables. Any Representations or Warranties previously given by the Originators in respect of the Transferred Receivables may not have value for a third party purchaser if the Originators are subject to an Insolvency Proceeding. Accordingly, there is a risk that the realisable value of the Selected Receivables could be adversely affected by the lack of representations and warranties, which in turn may adversely affect the ability of the CBC to meet its obligations under the Guarantee.

*Not all risk mitigating factors are deducted from all components of the Asset Cover Test and the Amortisation Test*

As the Asset Cover Test and the Amortisation Test are composed of multiple tests, not all tests included therein provide for deduction of certain risks in the manner described herein. In particular certain set-off risks and other risks which are deducted from the Adjusted Aggregate Asset Amount are not deducted for the purpose of the calculation of the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount. Therefore, the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount do not include a deduction in respect of these risk mitigating factors. Therefore, where in the risk factors it is stated that such risks are to be deducted from the Asset Cover Test and/or the Amortisation Test, this means that these will be deducted from the Adjusted Aggregate Asset Amount and/or Amortisation Test Aggregate Asset Amount and does not mean that these are deducted from the First Regulatory Current Balance Amount and the Second Regulatory Balance Amount.

## **B.6 Servicing and Custody**

*If the Initial Servicing Agreement is terminated, the CBC will have to appoint a New Servicer which is licensed under the Wft or could, in theory, try to obtain a consumer credit licence itself under the Wft. If the CBC does not appoint such a licensed Servicer or does not obtain a licence itself, the servicing and custody of the Transferred Receivables may be interrupted or otherwise adversely affected, which, in turn, may adversely affect the rights of the holders of the Covered Bonds.*

By acquiring the Eligible Receivables, the CBC is deemed to provide consumer credit, which is a licensable activity under the Wft. The CBC can rely on an exemption from this licence requirement, if the CBC outsources the servicing of the Eligible Receivables and the administration thereof to an entity which is adequately licensed under the Wft to act as consumer credit provider and intermediary and which complies with certain information duties towards the Borrowers. Pursuant to the Initial Servicing Agreement, the CBC outsources the servicing and administration of the Eligible Receivables to the Initial Servicer. In the Initial Servicing Agreement, the Initial Servicer represents and warrants that it is, and covenants that it shall remain, adequately licensed under the Wft to act as consumer credit provider and intermediary and undertakes to comply with the information duties towards the Borrowers under or pursuant to the Wft. Furthermore, the Initial Servicer has covenanted that it shall only engage any sub-contractor with due observance of the applicable rules under the Wft. If the Initial Servicing Agreement is terminated, the CBC will need to appoint a New Servicer which must be adequately licensed in order for the CBC to keep the benefit of exemptive relief. Alternatively, the CBC could, in theory, obtain a licence itself, although it is not certain that it would be able to do so. The Initial Servicing Agreement stipulates that the Initial Servicer may only terminate the Initial Servicing Agreement if a New Servicer is appointed prior to such termination which holds the requisite licences, including being duly licensed under the Wft to act as consumer credit provider and intermediary.

If the CBC does not appoint such a licensed Servicer or alternatively does not manage to obtain a licence itself, the servicing and custody of the Transferred Receivables may be interrupted or otherwise adversely affected, which, in turn, may adversely affect the rights of the holders of the Covered Bonds.

## **B.7 Swaps**

*Following the occurrence of certain events, the CBC is required to enter into Structured Swaps in relation to any Covered Bond not denominated in Euro and may enter into Portfolio Swaps and Interest Swaps. Any Swap may be insufficient to hedge fully against mismatches which may adversely affect the realisation value of the Transferred Receivables by the CBC and/or adversely affect the CBC's ability to fulfil fully and/or timely its obligations under the Guarantee.*

There may be certain mismatches between the currency in which interest and principal are received on the Transferred Assets, the Substitution Assets, the Authorised Investments and the balance of the AIC Account and in which interest and principal are payable under the Covered Bonds. The CBC will provide, to a certain extent, a hedge against these mismatches by entering into Structured Swaps. Such Structured Swaps will only be required following the occurrence of certain events described in the Swap Undertaking Letter.

These Structured Swaps are entered into to hedge certain interest rate and/or currency risks of any possible mismatch between (i) any (fixed or floating) interest basis as determined by the Issuer and the rate of interest payable under any non-euro denominated Series and/or (ii) euro denominated Principal Receipts and amounts of principal payable under any non-euro denominated Series.

The CBC may, but is not required to, enter into any Portfolio Swap or any Interest Swap to mitigate any mismatch possible in the rates of interest and revenue received on the Transferred Receivables (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate) or the rates of interest or revenue payable on the other Transferred Assets, the Substitution Assets, the Authorised Investments and the balance of the AIC Account and the rate of interest and principal payable on the outstanding Covered Bonds. Any Portfolio Swap may be entered into to hedge the risk of any mismatches between (i) the interest to be received on part of the Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account multiplied by the Portfolio Swap Fraction and (ii) (x) the amounts of interest payable under one or more Series or all Series of Covered Bonds or (y) any amount payable under any Structured Swap and/or any Interest Rate Swap in respect of a specific Series of Covered Bonds.

Any Interest Rate Swap may be entered into to hedge the risk of any possible mismatch between any (fixed or floating) interest basis as determined by the Issuer and the rate of interest payable under any euro denominated Series.

Pursuant to the Swap Undertaking Letter, the Issuer undertakes to, or to procure an Eligible Swap Provider to, enter into one or more (as agreed between the CBC and such Eligible Swap Provider) Swap Agreements with the CBC governing (a) Structured Swap(s) for each Series if (i) a Notification Event occurs, (ii) a Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice is served, or (iii) the rating(s) of the Issuer are, or fall, below the minimum rating(s) set for an Eligible Swap Provider in which case Structured Swaps will be required) or (b) as may be determined by the Issuer, one or more Portfolio Swap(s) and/or one or more Interest Rate Swap(s) for any Series.

The Swaps may be insufficient to correct mismatches in the rates of interest and revenue on the Transferred Receivables or the rates of interest or revenue payable on the other Transferred Assets, the Substitution Assets, the Authorised Investments and the balance of the AIC Account, foreign currency and euro exchange rates and the rate of interest and principal payable on the outstanding Covered Bonds, as well as other mismatches which may adversely affect the realisation value of the Transferred Receivables, and/or the CBC's ability to fulfil its obligations under the Guarantee.

*Defaults under the Swap Agreements may expose the CBC to changes in the relevant currency exchange rates and to any changes in the relevant rates of interest on the Transferred Receivables, thereby adversely affecting the CBC's ability to fulfil its obligations under the Guarantee.*

If the CBC (or the Issuer on its behalf) fails to make timely payments of amounts due under any Swap, then it will have defaulted under that Swap and the relevant Swap Agreement may be terminated. If a Swap Agreement terminates or the Swap Provider defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the CBC on the payment date under the Swap Agreements, the CBC will be exposed to changes in the relevant currency exchange rates to euro and to any changes in the relevant rates of interest. As a result, unless a replacement swap is timely entered into, the CBC may have insufficient funds to make payments under the Guarantee.

*The CBC's obligation to make a termination payment under a Swap Agreement may adversely affect the ability of the CBC to meet its obligations under the Guarantee.*

A Swap Agreement may govern the terms of a Portfolio Swap and/or one or more Interest Rate Swaps and/or one or more Structured Swaps. There is no obligation for the CBC and the relevant Eligible Swap Provider to enter into a Swap Agreement for each Swap separately. Therefore, a default or termination event under a Swap Agreement could result in early termination of all Swaps governed by such Swap Agreement. If a Swap terminates, then the CBC may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the CBC will have sufficient funds available to make such a termination payment, nor can there be any assurance that the CBC will be able to enter into a replacement swap agreement, or if one is entered into, that the rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by a Rating Agency.

If the CBC is obliged to make a termination payment under the Swap Agreement governing a Swap, such termination payment for an amount not exceeding the Capped Portfolio Termination Amount will rank ahead of amounts due under the Guarantee in respect of each Series except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. If the CBC is obliged to make a termination payment under any Swap Agreement governing one or more Interest Rate Swaps and/or Structured Swaps, such termination payment (or any remaining termination payment attributable to the relevant Interest Rate Swap or Structured Swap if the relevant Swap Agreement also governs a Portfolio Swap) will rank *pari passu* with amounts due under the Guarantee in respect of each Series except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. The obligation to make a termination payment other than arising from default by, or downgrading of, the Swap Provider, may adversely affect the ability of the CBC to meet its obligations under the Guarantee.

*The difference in timing between the obligations of the CBC and the relevant Swap Provider may adversely affect the CBC's ability to make payments under the Guarantee.*

With respect to the Interest Rate Swaps and the Structured Swaps, the CBC (or the Issuer on its behalf) may be obliged to make monthly payments to the relevant Swap Provider, whereas the relevant Swap Provider may not be obliged to make corresponding swap payments for up to twelve months. If the relevant Swap Provider does not meet its payment obligations to the CBC, the CBC may have a larger shortfall than it would have had if the relevant Swap Provider's payment obligations had coincided with CBC's payment obligations under the relevant Swap Agreement. Hence, the difference in timing between the obligations of the CBC and the relevant Swap Provider may adversely affect the CBC's ability to make payments under the Guarantee.

*A Swap Provider's default under a Swap Agreement with the CBC, when the Post-Notice-to-Pay Priority of Payments applies, may result in interest and principal payments due under the Guarantee in respect of the relevant hedged Series not being paid timely and/or in full.*

If the Post-Notice-to-Pay Priority of Payments applies, it is funded on each CBC Payment Date by the Available Revenue Receipts and the Available Principal Receipts, which are amounts actually received by the CBC prior to such CBC Payment Date. To avoid that amounts received by the CBC in respect of interest or principal under any Portfolio Swap, Interest Rate Swap or Structured Swap during a CBC Payment Period need to be retained for application until the next CBC Payment Date, such amounts (for the avoidance of doubt excluding Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) are credited to the Swap Interest Ledger or the Swap Principal Ledger, as the case may be. Amounts which are credited to the Swap Interest Ledger or the Swap Principal Ledger in a CBC Payment Period in respect of a particular Series, are (a) on-paid to the Trustee or the Principal Paying Agent to cover Scheduled Interest or Scheduled Principal that is Due for Payment in such CBC Payment Period under the Guarantee in respect of such Series or (b) in the event that there is an excess over such Scheduled Interest or Scheduled Principal that is Due for Payment, for credit to the Revenue Ledger or the Principal Ledger, as the case may be.

When the Post-Notice-to-Pay Priority of Payments applies, there is a risk that, should a Swap Provider default in the performance of its obligation to pay to the CBC an amount of interest or principal under any Portfolio Swap, Interest Rate Swap or Structured Swap, the corresponding Scheduled Interest or Scheduled Principal that is Due for Payment in such CBC Payment Period under the Guarantee in respect of such Series cannot be paid. This risk is mitigated in two ways in the manner described below (focusing on Scheduled Interest hedged pursuant to Interest Rate Swaps below by way of example, similar mitigants apply to Scheduled Interest and Scheduled Principal hedged pursuant to Portfolio Swaps, Structured Swaps, *mutatis mutandis*, **provided that** in respect of Scheduled Principal references below to the Swap Interest Ledger shall be construed to refer to the Swap Principal Ledger).

Firstly, if on or before a CBC Payment Date it is expected that a Swap Provider will default in the performance of its obligation to pay to the CBC an amount of interest under any Interest Rate Swap in the immediately succeeding CBC Payment Period, then, subject to any higher or *pari passu* ranking items under the Post-Notice-to-Pay Priority of Payments, a payment or provision, as the case may be, will be made as of such CBC Payment Date for the corresponding amount of Scheduled Interest that is Due for Payment on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date and the Available Revenue Receipts and/or the Available Principal Receipts will be applied accordingly. However, this first mitigant will only be effective if as at the CBC Payment Date on which the CBC Payment Period started in which the Swap Provider defaults, (i) it was expected by or on behalf of the CBC that the relevant Swap Provider would so default and (ii) there were sufficient Available Revenue Receipts and/or Available Principal Receipts to pay or provide for all higher and *pari passu* ranking items in the Post-Notice-to-Pay Priority of Payments.

Secondly, if during a CBC Payment Period (i) there is an unexpected default by a Swap Provider in the performance of its obligation to pay to the CBC an amount of interest under any Interest Rate Swap and (ii) on the CBC Payment Date on which such CBC Payment Period starts, remaining monies have been deposited in the AIC Account for application on the next CBC Payment Date, then those remaining monies may be credited to the Swap Interest Ledger (a) for on-payment to the Trustee or the Principal Paying Agent to cover Scheduled Interest that (i) is Due for Payment in such CBC Payment Period under the Guarantee in respect of the relevant Series and (ii) could otherwise not be funded from amounts credited to the Swap Interest Ledger in respect of such Series or (b) in the event there is an excess over such Scheduled Interest

that is Due for Payment, for credit to the Revenue Ledger. However, this second mitigant will only be effective to the extent that as at the CBC Payment Date on which the CBC Payment Period started in which there is an unexpected default by a Swap Provider, remaining monies were deposited in the AIC Account for application on the next CBC Payment Date.

As a result of the foregoing, in a given CBC Payment Period the Hedged Series Amounts in respect of one or more Series may not be paid, or not be paid in full, from the Swap Interest Ledger, whereas the Hedged Series Amounts in respect of one or more other Series may be fully paid in that same CBC Payment Period if each of the following conditions is met: (i) the Post-Notice-to-Pay Priority of Payments applies, (ii) a Swap Provider defaults in its obligation to pay to the CBC an amount (other than a termination amount) of interest under the Interest Rate Swap in such CBC Payment Period in respect of such Series and (iii) as of the CBC Payment Date on which such CBC Payment Period starts the CBC (or the Administrator on its behalf) did not expect the Swap Provider to default and no, or insufficient, remaining monies were deposited in the AIC Account for application on the next CBC Payment Date.

The mitigants and consequences described in the previous three paragraphs in respect of Scheduled Interest and Interest Rate Swaps, apply *mutatis mutandis* to Scheduled Interest and Scheduled Principal hedged pursuant to Structured Swaps or Portfolio Swaps, **provided that** in respect of Scheduled Principal references above to the Swap Interest Ledger shall be construed to refer to the Swap Principal Ledger.

Despite the risk mitigation described above, a Swap Provider's default under a Swap Agreement with the CBC, when the Post-Notice-to-Pay Priority of Payments applies, continues to present a risk that interest and principal payments due under the Guarantee in respect of the relevant hedged Series may not be paid timely and/or in full.

*Compliance with Regulation (EU) 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("EMIR"), and other regulations relating to derivative contracts, may give rise to additional costs and expenses for the Issuer and the CBC, which may in turn reduce amounts available to make payments with respect to the Covered Bonds.*

EMIR introduced requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR requires entities that enter into any form of derivative contract to: (a) report every derivative contract entered into to a trade repository and (b) implement new risk management standards for all bilateral over-the-counter ("**OTC**") derivative trades that are not cleared by a central counterparty. In addition, certain entities are also required to clear, through a central counterparty, OTC derivatives that are subject to a mandatory clearing obligation or, for any OTC derivatives that are not subject to such mandatory clearing obligation, to post mandatory margin. CRR aims to complement EMIR by applying higher capital requirements for bilateral, OTC derivative trades. Lower capital requirements for cleared trades are only available if the central counterparty is recognised as a 'qualifying central counterparty', which has been authorised or recognised under EMIR (in accordance with related binding technical standards). Further significant market infrastructure reforms have been introduced in January 2018 by MiFID II and its subordinate regulations and technical standards as well as from Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse ("**SFTR**"). In particular, MiFID II requires transactions in certain classes of OTC derivatives to be executed on a trading venue. In this respect, it is difficult to predict the full impact of these regulatory requirements on the CBC.

Under regulatory technical standards (the "**IRS RTS**") adopted on 6 August 2015 by the European Commission, which entered into force on 21 December 2015, a mandatory clearing obligation as regards interest rate swaps denominated in the G4 currencies (being, USD, EUR, GBP and JPY), and entered into by certain types of entity, is in the process of being phased-in. Timeframes for mandatory clearing of certain other classes of OTC derivatives contracts are also being established. In addition, OTC derivatives contracts that are not cleared by a central counterparty, and entered into by certain types of entities, may be subject to compulsory margin requirements, which phased in from March 2017. The regulatory technical standards relating to compulsory margin requirements (the "**Margin RTS**") were adopted by the European Commission on 4 October 2016 and entered into force on 4 January 2017.

Pursuant to each of the IRS RTS and the Margin RTS covered bond vehicles are exempt from such clearing requirements and the requirement to post margin, provided certain conditions are met (including that the transactions are entered into only for hedging purposes). No draft regulatory technical standards have been published which would relate to mandatory clearing of any of the cross currency swaps entered into by the

CBC and therefore it is unclear whether any exemption for covered bond vehicles will be included in any such regulatory technical standards.

Following the adoption of Regulation (EU) No 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (the "**Securitisation Regulation**") certain amendments are proposed to EMIR. Consequently the European Supervisory Authorities launched on 4 May 2018 a consultation on a draft regulatory technical standards specifying criteria for establishing which arrangements under covered bonds or securitisations adequately mitigate counterparty risk. The European Supervisory Authorities proposes, inter alia, to migrate the conditions to benefit from an exemption from the clearing obligation from the IRS RTS to a new regulatory technical standard or, where relevant, amend the IRS RTS to avoid duplication with EMIR (as it stands following the adoption of the Securitisation Regulation). The draft regulatory technical standard is currently going through the EU legislative process and until it is in final form, it is uncertain if and how the proposals affect the Issuer and/or the CBC.

If the exemptions discussed above do not (continue to) apply to covered bond vehicles and the CBC is required to comply with any clearing and/or margin requirements under EMIR, this may give rise to additional costs and expenses for the CBC, which may in turn reduce amounts available to the CBC to make payments under the Guarantee. In addition, compliance by the CBC may also require certain amendments to be made to the Programme and/or the entry into new agreements by the CBC. Further, based on the Margin RTS, if the exemption from the margin requirement discussed above would not be available to any swap counterparty to the CBC, such counterparty would be required to comply with the margin requirements. The potential impact of the margin requirements on the swap counterparties to the CBC is unclear but it is possible that the CBC may find it more difficult or costly to replace any existing swap counterparty following the introduction of mandatory margin requirements.

On 4 May 2017, the European Commission published a proposal for a regulation amending EMIR (the "**Amending Regulation**"). The Amending Regulation proposes, among others, to bring securitisation special purpose entities into the definition of financial counterparties (which must clear OTC derivative contracts that are entered into on or after the effective date for the clearing obligation, **provided that** such class of OTC derivative contracts has been declared subject to the clearing obligation) and consequently must comply with any margin requirements. It appears that the Amending Regulation, as originally proposed, does not propose to also add entities such as the CBC to the definition of financial counterparty. The Amending Regulation, however, is currently going through the EU legislative process and until it is in final form, it is uncertain if and how the proposals will affect the Issuer and/or the CBC. Finally, the timing for the implementation of the Amending Regulation as at the date of this Base Prospectus is unclear.

*Uncertainty as to the validity and/or enforceability of "flip clauses" may adversely affect the CBC's ability to meet its obligations under the Guarantee.*

The validity of contractual priorities of payments such as those contemplated in the Transaction Documents has been challenged in the English and U.S. courts. In particular, there is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of the same debtor, upon the occurrence of insolvency proceedings relating to that creditor. Recent cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such swap counterparty (so-called "**flip clauses**") and have considered whether such flip clauses breach the "anti-deprivation" principle under English and U.S. insolvency law. Flip clauses are similar in effect to the terms which are included in the Transaction Documents relating to the subordination of Excluded Swap Termination Amounts)

The "anti-deprivation" principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. In the English proceedings it was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Supreme Court of the United Kingdom in *Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc 2011 UKSC 38* unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of similar priorities of payment, stating that, **provided that** such provisions form part of a commercial transaction entered into in good faith which does not have, as its predominant purpose or one of its main purposes, the deprivation of the property of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provisions.



In parallel proceedings in New York, the U.S. Courts declined to follow the judgement of the English courts and ruled that a similar provision in the payments priorities offended the "ipso factor rule" of U.S. bankruptcy law. Whilst leave to appeal had been granted, the case was settled before an appeal was heard in New York.

This is an aspect of cross border insolvency law which remains untested. Whilst the priority issue is considered largely resolved in England and Wales, concerns still remain that the English and U.S. courts will diverge in their approach, which the case of an unfavourable decision in the U.S., may adversely affect the CBC's ability to make payments under the Guarantee. The Issuer has been advised that such a flip clause would be valid under Dutch law.

In light of the above, if a creditor of the CBC (such as a Swap Provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales or the Netherlands (including, but not limited to, the United States), and it is owed a payment by the CBC, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English and Dutch law governed Transaction Documents (such as a provision of each of the Post-Notice-to-Pay Priority of Payments and the Post-CBC-Acceleration-Notice Priority of Payments which refers to the ranking of the Swap Provider's payment rights in respect of Excluded Swap Termination Amounts). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a Swap Provider which has assets and/or operations in the U.S. and notwithstanding that it is a non-US established entity (and/or with respect to any replacement counterparty or other Swap Provider, depending on certain matters in respect of that entity). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales or the Netherlands and any relevant foreign judgment or order was recognised by the English or Dutch courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the CBC to satisfy its obligations under the Guarantee.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of Excluded Swap Termination Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English or Dutch courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

## **B.8 Cash Flows**

*Cash flows from the Transferred Assets will run through the CBC only upon a Notification Event and service of a Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice on the CBC, thereby leaving the CBC with no control over such cash flows until such an event occurs, creating a potential for delays of cash flows transfers which may in turn adversely affect the CBC's ability to fulfil its obligations under the Guarantee.*

For as long as no Notification Event has occurred and no Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served on the CBC, no cash flows will run through the CBC. In those circumstances the Originators will be entitled to receive and retain the proceeds from the Transferred Assets for their own benefit. In addition, the Issuer will, as consideration for the CBC assuming the Guarantee, pay all costs and expenses of the CBC and make, receive all payments to be made or received by the CBC under any Swap Agreement (if any) and fund the Reserve Fund up to the Reserve Fund Required Amount. Upon the earlier to occur of a Notification Event and service of a Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice on the CBC, cash flows will run through the CBC and will be applied in accordance with the relevant Priority of Payments (except that any collateral to be provided by a Swap Provider following its downgrade will be delivered to the CBC irrespective of whether any Notification Event has occurred or any Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served at such time). As the CBC does not have control over the cash flows from Transferred Receivables unless one of the events described above occurs, the CBC's ability to fulfil its obligations under the Guarantee may be limited. If the Issuer for whatever reason does not make the requested payments for the CBC and the Originators received and retained the relevant proceeds for their

own benefit this may potentially adversely affect the CBC's ability to fulfil its obligations under the Guarantee.

## **B.9 General Information**

*The Covered Bonds and the Guarantee represent obligations only of the Issuer and the CBC and solely in their corporate capacity.*

The Covered Bonds and the Guarantee will not represent an obligation or be the responsibility of the Arranger, the Dealer(s), the Originators, the Trustee or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and the CBC, respectively. The Issuer and the CBC will be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and the Guarantee, respectively, and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators. To the extent that the Issuers' and the CBC's corporate assets are not sufficient to fulfil their obligations under the Covered Bonds and Guarantee, Covered Bondholders may not be able to take recourse against third parties for payment and the CBC's obligations under the Guarantee may not be fully met.

*Actual results might differ substantially from the projections in this Base Prospectus.*

Forecasts and estimates in this Base Prospectus are forward looking statements which relate, but are not limited, to the Issuer's potential exposure to various types of market risks, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk and are speculative in nature. Such statements are subject to risks and uncertainties and therefore not historical facts and represent only the Issuer's beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond the control of the Issuer. It can be expected that some or all of the assumptions underlying the projections will not prove to be correct or will vary from actual results. Consequently, the actual result might differ from the projections and such differences might be significant.

*If at any point the Covered Bonds fail to be compliant with the CB Legislation, CRR and/or the UCITS Directive, holders of the Covered Bonds may be adversely affected.*

On the Programme Date, DNB admitted the Issuer and the Covered Bonds to the DNB-register in accordance with the CB Legislation and the Covered Bonds comply with both Article 52(4) UCITS and are in the DNB-register registered as being compliant with Article 129 CRR.

The CB Legislation imposes ongoing obligations, including ongoing administration and reporting obligations towards DNB, on an issuer of DNB-registered covered bonds and includes ongoing obligations to comply with asset quality and quantity requirements (including statutory minimum overcollateralisation and liquidity buffer requirements) and ongoing audit and stress-testing obligations. DNB will perform certain supervision and enforcement related tasks in respect of covered bonds admitted to its register, including monitoring compliance with ongoing requirements.

If a covered bond no longer meets such requirements, or if the relevant issuer no longer complies with its ongoing obligations towards DNB, DNB can take several measures, which include, without limitation, cancelling an issuer's registration, imposing an issuance-stop and/or fines and penalties on the issuer. However, DNB cannot cancel the registration of outstanding covered bonds registered under the CB Legislation. Cancellation of registration of an issuer in itself should not result in loss of the preferential treatment under Article 52(4) UCITS for outstanding covered bonds registered in accordance with the CB Legislation.

DNB also registers in the DNB-register whether the Covered Bonds comply with Article 129 CRR. Pursuant to the CB Legislation, DNB may cancel such registered compliance with Article 129 CRR, if the Issuer or the CBC would not provide the required information to DNB to monitor compliance with Article 129 CRR or if the Covered Bonds would no longer comply with Article 129 CRR.

To date there is no example and/or guidance as to how DNB will apply the discretionary powers that it has been given. In addition, if at any time the Issuer's registration would be cancelled or the Covered Bonds would no longer comply with Article 52(4) UCITS and/or Article 129 CRR, a Covered Bondholder may, depending on its reasons for investing in the relevant Covered Bonds, experience adverse consequences, including an adverse effect on the market value of its Covered Bonds as a result of other Covered Bondholders disposing of their Covered Bonds and less demand for these Covered Bonds in the market.

No Transaction Document grants any right to any party or imposes any obligation on the Issuer or any other party in connection with any Covered Bond no longer complying with Article 52(4) UCITS and/or Article 129 CRR.

In particular, none of the Transaction Documents prescribes the occurrence of an Issuer Event of Default or imposes an obligation on the Issuer to notify any Covered Bondholder in the event that Covered Bonds would no longer comply with Article 52(4) UCITS and/or Article 129 CRR or in the event that the Issuer does not comply with the CB Legislation in itself. In the Trust Deed, the Issuer has undertaken to use its reasonable efforts to comply with the obligations of a bank issuing registered covered bonds (*geregistreerde gedekte obligaties*) within the meaning of the CB Legislation.

Depending on their reasons for investing in Covered Bonds, Covered Bondholders should, among other things, conduct their own thorough analysis, and consult their own legal advisers or the appropriate regulators from time to time to determine the appropriate status of Covered Bonds under any applicable risk based capital or similar rules, including, without limitation, Article 52(4) UCITS and Article 129 CRR and any technical standards relating thereto. Non-compliance by the Covered Bonds with any such rules might adversely affect the Covered Bondholders.

On 30 September 2015 the European Commission published a consultation document entitled 'Covered Bonds in the European Union' as part of its Capital Markets Union project which aims at tackling fragmentation and market inefficiencies. The consultation period closed on 6 January 2016 and, according to the mid-term consultation document published by the European Commission on 20 January 2017, a study is ongoing looking at specific aspects of covered bonds. On 20 December 2016, the European Banking Authority published its recommendations on harmonisation of the covered bond framework in the EU including a recommendation to develop an EU covered bond framework (in the form of a directive). The report by the EU Parliament's Committee on Economic and Monetary Affairs (ECON) which was published in July 2017 supports a pan-European covered bonds framework under the CRR and, *inter alia*, calls for a principles-based approach at EU level as well as a clear definition of covered bonds in a European directive. On 12 March 2018 the European Commission adopted legislative proposals for the adoption of a new directive and regulation on the issue of covered bonds and covered bond public supervision and a regulation on amending Regulation (EU) No 575/2013 as it regards to exposures in the form of covered bonds. The legislative proposals build on the analysis and the advice of the European Banking Authority. Following the publication of the legislative proposals, the EU legislative process will need to be followed. Until the EU legislative process has been finalised and the proposals are available in their final form, it remains uncertain if or how the proposals will affect the Issuer, the CBC and/or the Covered Bonds.

See also Section 1.9 (*Description of the Dutch Covered Bond Legislation*) below.

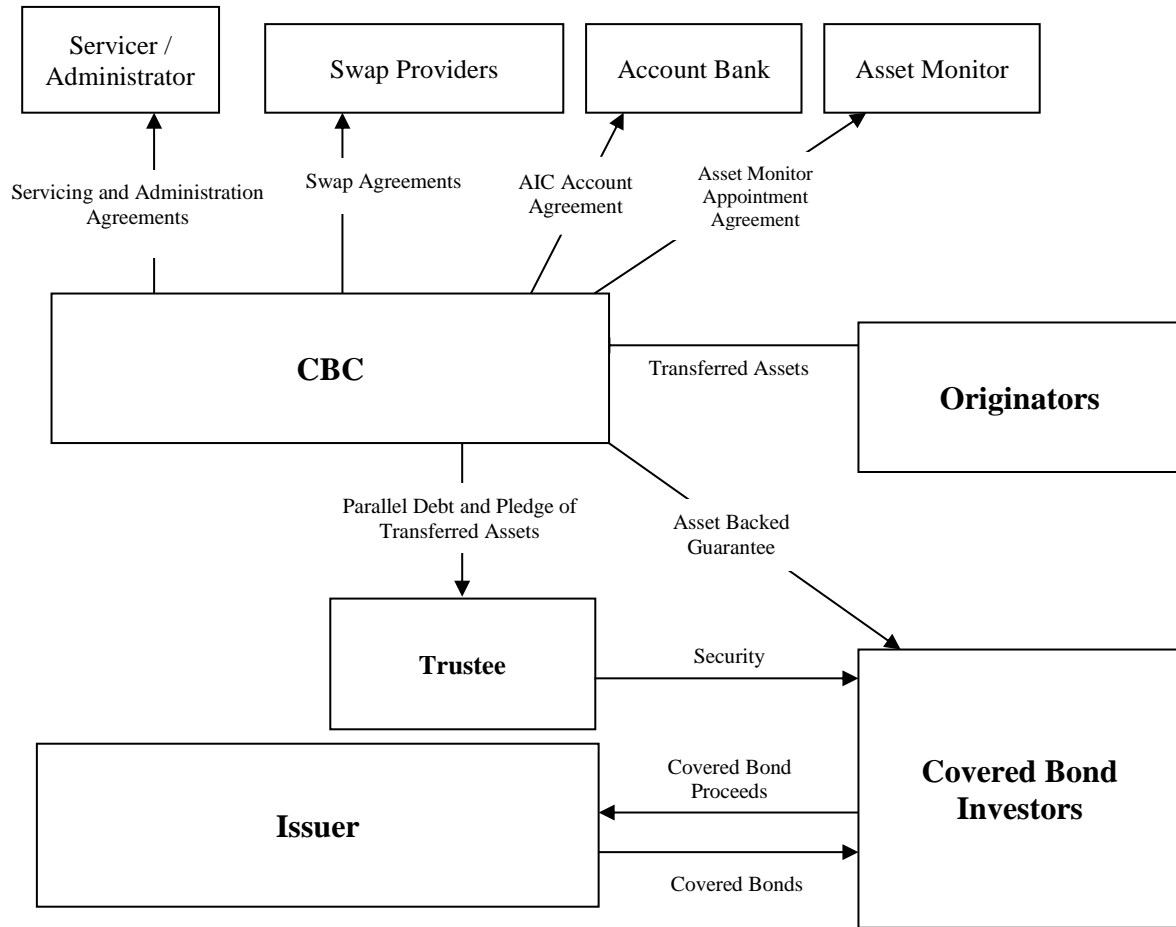
*Under Dutch law, a party cannot contract with itself.*

Rabobank acts in different capacities under the Transaction Documents, including, but not limited to, as Issuer, Originator, Arranger, Dealer, Servicer, Administrator and Structured Swap Provider. The Issuer has been advised that, as a matter of Dutch law, a party is not capable of contracting with itself. However, this does in itself not prevent such party (like Rabobank) from acting with other parties (such as the Trustee and the CBC).

Accordingly, if pursuant to any Transaction Document Rabobank in a particular capacity assumes obligations against Rabobank in a different capacity such obligations may not be enforceable which may potentially adversely affect the CBC's ability to fulfil its obligations under the Guarantee or the Trustee's obligations under the Trust Deed unless such obligations of Rabobank are also assumed against the CBC or the Trustee (as the case may be).

## C. STRUCTURE DIAGRAM; PRINCIPAL TRANSACTION PARTIES

### C.1 Structure Diagram



## C.2 Principal Transaction Parties

*The following list does not purport to be complete and is qualified in all respects by the remainder of this Base Prospectus. The parties set out below may be replaced from time to time.*

<b>Account Bank:</b>	Rabobank
<b>Administrator:</b>	Rabobank
<b>Arranger:</b>	Rabobank
<b>Asset Monitor:</b>	KPMG Accountants N.V.
<b>CBC:</b>	Rabo Covered Bond Company B.V. (" <b>CBC</b> ")
<b>CBC's Director:</b>	Intertrust Management B.V.
<b>Dealer:</b>	Rabobank
<b>Guarantor:</b>	CBC
<b>Holding:</b>	Stichting Holding Rabo Covered Bond Company (" <b>Holding</b> ")
<b>Initial Originators:</b>	Rabobank and Rabohypothekbank N.V.
<b>Initial Servicer:</b>	Rabobank
<b>Issuer:</b>	Rabobank
<b>Listing Agent:</b>	In relation to any Covered Bonds to be listed on Euronext Amsterdam: Rabobank  In relation to any Covered Bonds to be listed on the Luxembourg Stock Exchange: Deutsche Bank Luxembourg S.A.
<b>Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Registrar (for Covered Bonds evidenced by a Registered Covered Bonds Deed):</b>	Citigroup Global Markets Deutschland AG
<b>Trustee:</b>	Stichting Security Trustee Rabo Covered Bond Company (" <b>Trustee</b> ")
<b>Trustee's Director:</b>	Amsterdamsch Trustee's Kantoor B.V. (" <b>Trustee's Director</b> ")

## **D. INCORPORATION BY REFERENCE; DEFINITIONS & INTERPRETATION; FINAL TERMS AND DRAWDOWN PROSPECTUSES; OTHER IMPORTANT INFORMATION**

### **D.1 Incorporation by reference**

This Base Prospectus is to be read in conjunction with the relevant Final Terms and the following documents which have been previously published or are published simultaneously with this Base Prospectus and that have been approved by the AFM or filed with it and shall be incorporated in, and form part of, this Base Prospectus:

- (a) the articles of association of Rabobank, last amended on 29 December 2017, effective from 1 January 2018;
- (b) the audited consolidated financial statements of Rabobank Group for the years ended 31 December 2015, 2016 and 2017 (in each case, together with the independent auditor's reports thereon and explanatory notes thereto);
- (c) the audited unconsolidated financial statements of Coöperatieve Rabobank U.A. for the years ended 31 December 2015, 2016 and 2017 (in each case, together with the independent auditor's reports thereon and explanatory notes thereto);
- (d) the articles of association of the CBC; and
- (e) the CBC's audited annual report for the year ended 31 December 2017, including the independent auditor's report thereon.

Save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

The Issuer and the CBC will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above, in which case the modified or superseding version of such document will be provided. Requests for such documents should be directed either to the Issuer (at its registered office at: Croeselaan 18, 3521 CB Utrecht, The Netherlands or by telephone: + 31 (0)30 216 0000) or the CBC at its office set out at the end of this Base Prospectus. In addition, such documents will be available upon request from the principal office of the Listing Agent, the Principal Paying Agent, any Paying Agent and, in the case of Registered Covered Bonds, the Registrar. Such documents can also be obtained in electronic form from the Issuer's website ([www.rabobank.com/en/investors/funding/funding-programmes/index.html](http://www.rabobank.com/en/investors/funding/funding-programmes/index.html)). The other information included on or linked to through this website or in any website referred to in any document incorporated by reference into this Base Prospectus is not a part of this Base Prospectus.

The Issuer and the CBC will, in the event of a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds issued by the Issuer prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds by the Issuer to be admitted to trading on an EU regulated market or to be offered to the public in the EU.

### **D.2 Definitions & Interpretation**

Capitalised terms, which are used but not defined in any section of this Base Prospectus, will have the meaning attributed thereto in any other section of this Base Prospectus (including in the information incorporated by reference into this Base Prospectus (see Section D.1 *Incorporation by Reference* above)). An alphabetical index of certain definitions is contained at the end of this Base Prospectus, listing the page or pages where such definitions can be found.

Any reference to any Transaction Document or any other agreement or document in this Base Prospectus shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement

or document as the same may have been, or may from time to time be, amended, varied, novated, supplemented or replaced.

A reference to any transaction party in this Base Prospectus or in the Conditions shall be construed in order to include its successors and transferees and any subsequent successors and transferees in accordance with their respective interests.

The language in this Base Prospectus is English. Certain references and terms have been cited in their original language in order that the correct meaning may be ascribed to them under applicable law.

Headings used in this Base Prospectus are for ease of reference only and shall not affect the interpretation thereof.

### **D.3 Final Terms and Drawdown Prospectuses**

Each Tranche of Covered Bonds will be issued on the terms set out herein under *Section 1.3 Terms and Conditions of the Covered Bonds* below, as amended and/or supplemented by the Final Terms specific to such Tranche, or in a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") as described below or without a prospectus. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Covered Bonds which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

In this *Section D.3 Final Terms and Drawdown Prospectuses* the expression "**necessary information**" means, in relation to any Tranche of Covered Bonds, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the CBC and of the rights attaching to the Covered Bonds. In relation to the different types of Covered Bonds which may be issued under the Programme the Issuer and the CBC (in respect of the CBC, regarding information relating to the CBC) have endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Covered Bonds which is not known at the 2018 Programme Date and which can only be determined at the time of an individual issue of a Tranche of Covered Bonds.

Any information relating to a Tranche of Covered Bonds which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to such Tranche will be contained either in the relevant Final Terms or in a separate Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Covered Bonds, may be contained in a supplement to the Base Prospectus under Article 16 of the Prospectus Directive or, in case of a Tranche of Covered Bonds which is the subject of a Drawdown Prospectus, in a Drawdown Prospectus.

For a Tranche of Covered Bonds which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Covered Bonds which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Covered Bonds which is the subject of a Drawdown Prospectus will be the Conditions either contained in such Drawdown Prospectus, or as contained in this Base Prospectus as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Covered Bonds which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (a) by a single document containing the necessary information relating to the Issuer and the CBC and the relevant Covered Bonds or (b) by a registration document containing the necessary information relating to the Issuer and the CBC, a securities note containing the necessary information relating to the relevant Covered Bonds and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a registration document and a securities

note, any significant new factor, material mistake or inaccuracy relating to the information included in that registration document which arises or is noted between the date of the registration document and the date of the securities note which is capable of affecting the assessment of the relevant Covered Bonds will be included in the securities note.

#### **D.4 Other Important Information**

##### ***Key performance indicators and non-IFRS measures***

This Base Prospectus presents certain financial measures that are not measures defined under IFRS, including operating results. These non-IFRS financial measures are not measures of financial performance under IFRS and should not be considered as a replacement for any IFRS financial measure. In addition, such measures, as defined by Rabobank Group, may not be comparable to other similarly titled measures used by other companies, because the above-mentioned non-IFRS financial measures are not defined under IFRS, other companies may calculate them in a different manner than Rabobank Group which limits their usefulness as comparative measures. Rabobank Group believes that these non-IFRS measures are important to understand Rabobank Group's performance and capital position.

This Base Prospectus also presents certain financial measures that are not measures defined under EU IFRS, including regulatory capital, risk-weighted assets and underlying results. As of 2014, capital metrics and risk exposures are reported under the Basel III framework.

##### ***Rounding and negative amounts***

Certain figures contained in this Base Prospectus, including financial information, have been rounded. Accordingly, in certain instances the sum of the numbers in the text or a column or a row in tables contained in this Base Prospectus may not conform exactly to the total figure given for that column or row.

In tables, negative amounts are shown between brackets. Otherwise, negative amounts are shown by "-" or "negative" before the amount.



## **E. RABOBANK GROUP**

### **E.1 Description of business of Rabobank Group**

#### **General**

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. Rabobank Group comprises Rabobank as the top holding entity together with its subsidiaries in the Netherlands and abroad. Rabobank Group operates in 40 countries. Its operations include domestic retail banking, Wholesale, Rural & Retail ("**WRR**"), leasing and real estate. It serves approximately 8.5 million clients around the world. In the Netherlands, its focus is on maintaining Rabobank Group's position in the Dutch market and, internationally, on food and agriculture. Rabobank Group believes that its entities have strong interrelationships due to Rabobank Group's cooperative structure.

Rabobank Group's cooperative core business is carried out by the local Rabobanks. With 446 branches and 1,967 cash-dispensing machines at 31 December 2017, the local Rabobanks form a dense banking network in the Netherlands. Together the local Rabobanks serve approximately 6.4 million retail clients, and approximately 750,000 corporate clients, offering a comprehensive package of financial services. Clients can become members of Rabobank.

Historically, Rabobank Group has engaged primarily in lending to the agricultural and horticultural sectors in the Dutch market. Since the 1990s, Rabobank Group has also offered a wide variety of commercial banking and other financial services not only in the Netherlands but also internationally. As part of an on-going programme, Rabobank Group has increased both the number and type of products and services available to its customers in order to diversify from a traditional savings and mortgage-based business to become a provider of a full range of financial products and services, both in the Netherlands and internationally. Rabobank Group provides an integrated range of financial services comprising primarily domestic retail banking, WRR, leasing, real estate and distribution of insurance products to a wide range of both individual and corporate customers.

As at 31 December 2017, Rabobank Group had total assets of €603.0 billion, a private sector loan portfolio of €411.0 billion, amounts due to customers of €340.7 billion (of which savings deposits total €142.1 billion) and equity of €39.6 billion. Of the private sector loan portfolio, €198.0 billion, virtually all of which were mortgages, consisted of loans to private individuals, €115.2 billion of loans to the trade, industry and services sector and €97.8 billion of loans to the food and agriculture sector. As at 31 December 2017, its CET1 Ratio, which is the ratio between Common Equity Tier 1 Capital and total risk-weighted assets, was 15.8 per cent. and its capital ratio, which is the ratio between qualifying capital and total risk-weighted assets, was 26.2 per cent. For the year ended 31 December 2017, Rabobank Group's cost/income ratio, which is the ratio between total operating expenses (regulatory levies excluded) and total income, was 67.1 per cent. For the year ended 31 December 2016, this was 67.1 per cent. For the year ended 31 December 2017, Rabobank Group realised a net profit of €2,674 million. As at 31 December 2017, Rabobank Group employed 43,810 employees (internal and external full time employees ("**FTEs**")).

The return on invested capital ("**ROIC**") is calculated by dividing net profit realised after non-controlling interests by the core capital (actual Tier 1 capital plus the goodwill in the balance sheet at the end of the reporting period) minus deductions for non-controlling interests in Rabobank's equity. For the year ended 31 December 2017, Rabobank's ROIC was 6.9 per cent. As at 31 December 2016, it was 6.0 per cent.

For the years ended 31 December 2017 and 2016, Rabobank's return on Tier 1 capital was 7.2 per cent. and 5.8 per cent.

## Group Overview

The overview below provides an overview of the business of Rabobank Group. The figures presented in the overview are provided as at 31 December 2017.

### Rabobank at a glance

**Mission** } Growing a better world together

More than 8.5 million customers



7.3 million Dutch customers\*

1.2 million international customers\*\*

#### Banking for the Netherlands

102 local Rabobanks



446  
offices

1.9  
million  
members

13,635  
FTEs

1,967  
ATMs

6.5  
million private  
customers

0.8  
million  
commercial  
customers

#### Market shares



Dutch private mortgages  
€ 193 billion



Private savings  
€ 117 billion



Private sector lending  
to Food & Agri  
€ 36.9 billion



Private sector lending to  
trade, industry and services  
€ 81.2 billion

#### Banking for Food

40 countries



€ 60.9  
billion  
private sector  
lending to  
Food & Agri\*

€ 38.4  
billion  
private sector  
lending to trade,  
industry and services\*

389  
offices\*

7,909  
FTEs\*

\* the Netherlands not included

#### Example value chain

Farm inputs → Farming → Manufacturing/processing → Trade → Distribution → Retail → Food service

\* Wholesale, Rural & Retail

\*\* Direct Banking, Indonesia and RNA

## **Business activities of Rabobank Group**

Through the local Rabobanks, Rabobank and its other subsidiaries, Rabobank Group provides services in the following core business areas: domestic retail banking, wholesale rural and retail, leasing and real estate.

### ***Domestic retail banking***

The domestic retail banking business comprises the local Rabobanks, Obvion N.V. ("**Obvion**") and Rabohypotheekbank N.V. ("**Rabohypotheekbank**"). In the Netherlands, Rabobank is a significant mortgage bank, savings bank and insurance agent. Based on internal estimates, Rabobank believes it is also the leading bank for the small and medium-sized enterprises sector in the Netherlands. Obvion focuses exclusively on collaboration with independent brokers.

As at 31 December 2017, Rabobank Group's domestic retail banking operations had total assets of €285.9 billion, a private sector loan portfolio of €280.0 billion, deposits from customers of €228.8 billion (of which savings deposits total €117.0 billion). For the year ended 31 December 2017, Rabobank Group's domestic retail banking operations accounted for 59 per cent., or €7,053 million, of Rabobank Group's total income and 76 per cent., or €2,028 million, of Rabobank Group's net profit. As at 31 December 2017, Rabobank Group's domestic retail banking operations employed 13,635 FTEs.

### ***Local Rabobanks***

Proximity and commitment to their clients enhances the local Rabobanks' responsiveness and speed of decision-making. Their commitment is reflected in their close ties with local associations and institutions. The local Rabobanks are committed to providing maximum service to their clients by making optimum use of different distribution channels, such as branch offices, the internet and mobile telephones. Many private individuals have current, savings or investment accounts or mortgages with the local Rabobanks. The local Rabobanks constitute a major financier of Dutch industry, from small high street shops to listed enterprises. Furthermore, the local Rabobanks traditionally have had close ties with the agricultural sector and, together, they are the largest insurance broker in the Netherlands (source: Insurance Magazine Yearbook 2016 (AM Jaarboek 2016)).

### ***Obvion***

Obvion is a provider of mortgages and a number of service products, including guarantees and bridging loans. Obvion focuses exclusively on collaboration with independent brokers.

### ***Rabohypotheekbank***

Rabohypotheekbank, with its statutory seat in Amsterdam, the Netherlands, provides mortgage-lending documentation services to all of the local Rabobanks and was owned 100 per cent. by Rabobank as at 31 December 2017.

Rabohypotheekbank also serves as a supplementary financing vehicle for the local Rabobanks in the event that they choose not to make certain mortgage loans to their customers entirely on their own, either for liquidity or lending-limit reasons or because of the nature of the required financing. The majority of Rabohypotheekbank's loans are secured by mortgages on residential property. Its loans are funded by term loans from, or guaranteed by, Rabobank and by the issuance of mortgage bonds. Rabohypotheekbank does not engage in the financing of real estate development. As at 31 December 2017, Rabohypotheekbank had assets of €5.8 billion. Rabohypotheekbank is a participant in the cross guarantee system. It is intended that this system will be terminated during the course of 2018 (see under 'Structure and Governance of Rabobank Group').

### ***Wholesale rural and retail***

WRR focuses its activities on the food and agri sector and has an international network of branches with offices and subsidiaries in various countries. Rabobank also operates RaboDirect internet savings banks. The wholesale banking division serves the largest domestic and international companies (Corporates, Financial Institutions, Traders and Private Equity). Rural banking is focused on offering financial solutions for the specific needs of leading farmers and their communities in a selected number of key food & agri countries. The total number of internal and external employees in wholesale, rural and retail stood at 7,909 FTEs at year-end 2017.

All sectors in the Netherlands are being serviced, while outside the Netherlands Rabobank focuses on the food & agri and trade-related sectors. Internationally, Rabobank Group services food & agri clients, ranging from growers to the industrial sector, through its global network of branches. Rabobank Group services the entire food value chain, with specialists per sector. Rabobank Group advises its clients and prospects in these sectors by offering them finance, knowledge and its network. Rabobank is active in the main food-producing countries such as the United States, Australia, New Zealand, Brazil and Chile and main food consumption countries.

As at 31 December 2017, Rabobank Group's wholesale, rural and retail banking operations had total assets of €131.9 billion and a private sector loan portfolio of €101.5 billion. For the year ended 31 December 2017, Rabobank Group's wholesale, rural and retail banking operations accounted for 30 per cent., or €3,660 million, of Rabobank Group's total income and 22 per cent., or €599 million of Rabobank Group's net profit.

### ***Leasing***

Within Rabobank, DLL International B.V. ("**DLL**") is the entity responsible for Rabobank Group's leasing business supporting manufacturers and distributors selling products and services worldwide with vendor finance. DLL, active in more than 30 countries, is a global provider of asset-based financial solutions in the agriculture, food, healthcare, clean technology, transportation, construction, industrial and office technology industries. DLL is committed to delivering integrated financial solutions that support the complete asset life cycle. Its mobility solutions entity Athlon was sold to Daimler Financial Services on 1 December 2016. As of 31 December 2017, DLL employed 4,637 FTEs (including external staff).

Rabobank owned a 100 per cent. equity interest in DLL as at 31 December 2017. Its issued share capital amounts to €98,470,307, all of which is owned by Rabobank. As at 31 December 2017, Rabobank's liabilities to DLL amounted to €2,070 million. As at 31 December 2017, Rabobank's claims on DLL amounted to €25,445 million (loans, current accounts, financial assets and derivatives). DLL is a participant in the cross guarantee system. It is intended that this system will be terminated during the course of 2018 (see under 'Structure and Governance of Rabobank Group').

As at 31 December 2017, DLL had a private sector loan portfolio of €27.1 billion. For the year ended 31 December 2017, DLL accounted for 11 per cent., or €1,290 million, of Rabobank Group's total income and 18 per cent., or €491 million, of Rabobank Group's net profit.

### ***Real estate***

The real estate segment results comprise the results of Bouwfonds Property Development ("**BPD**"), Rabo Real Estate Group (comprising Bouwfonds IM and a financial holding company) and FGH Bank. Responsible for developing residential real estate areas, BPD focuses on residential areas, multifunctional projects and public facilities. BPD has been positioned as a direct subsidiary of Rabobank since 1 July 2017. As real asset investment management division Bouwfonds IM aims to deliver sustainable value by investing capital raised from its clients through investment funds and by actively managing these portfolios. In 2017, a large part of the FGH Bank clients were transferred from the real estate segment to the domestic retail banking segment and wholesale (part of the WRR segment). In line with the Rabobank real estate strategy, real estate financier FGH Bank's expertise will remain within the bank, in the real estate finance organisation. Rabo Real Estate Finance is a centre of expertise in the area of commercial real estate financing. It advises local Rabobanks about commercial real estate lending. As of 31 December 2017, the real estate segment employed 1,178 FTEs (including external staff).

For the year ended 31 December 2017, BPD sold 10,897 houses. As at 31 December 2017, Bouwfonds IM managed €4.0 billion of real estate assets. The loan portfolio of the real estate segment amounted to €1.8 billion. For the year ended 31 December 2017, the real estate operations accounted for 5 per cent., or €595 million, of Rabobank Group's total income and 11 per cent., or €293 million, of Rabobank Group's net profit.

### ***Participations***

As of 31 December 2017, Rabobank held a 29 per cent. interest in Achmea B.V. ("**Achmea**"). Rabobank does not exercise control over Achmea and therefore does not consolidate Achmea as a subsidiary in Rabobank's audited consolidated financial statements. Achmea is accounted for as an associate in Rabobank's audited consolidated financial statements in accordance with the equity method. Achmea is a

major insurance company in the Netherlands, where it serves a broad customer base of private individuals as well as government agencies and corporate clients. Achmea occupies a relatively minor position outside the Netherlands, operating in four other European countries and Australia. Rabobank and Achmea work closely together in the area of insurance.

### ***Recent Developments***

#### ***Rabobank, National Association settles compliance program matters***

On 7 February 2018 Rabobank announced that Rabobank, National Association ("**RNA**"), its California-based subsidiary, has entered into agreements with the U.S. Department of Justice and the Office of the Comptroller of the Currency ("**OCC**"). The agreements conclude previously reported investigations involving Bank Secrecy Act / Anti-Money Laundering compliance program deficiencies and related conduct by certain former employees before 2014. The OCC terminated the related Consent Order issued in December 2013.

RNA has agreed to pay approximately €298 million (\$369 million) in forfeiture and civil money penalties and fines. The settlement amount is in line with the provision that was announced on 2 January 2018 and is accounted for in the full year results of 2017. RNA has also agreed to plead guilty to one charge of conspiring to obstruct a regulatory examination.

#### ***FGH Bank sells loan portfolio to RNHB BV***

On 13 March 2018 Rabobank announced that FGH Bank N.V. ("**FGH Bank**") has entered into an agreement to sell to RNHB B.V. a part of its loan portfolio. The closing of the transaction is expected to take place in the second quarter of 2018, subject to necessary regulatory approvals and successful completion of the consultation process with the employee representative bodies. FGH Bank intends to phase out its activities in the course of 2018. FGH Bank would then cease to exist as a separate legal entity.

### **Rabobank's credit ratings**

At the date of this Base Prospectus, Rabobank has been assigned the following ratings: S&P ('A+'), Moody's ('Aa3'), Fitch ('AA-') and DBRS ('AA'). The Outlook remained 'stable' with Fitch and DBRS. Moody's revised its outlook from 'negative' to 'stable' in March 2018. S&P revised its outlook from 'stable' to 'positive' in September 2017 citing the broad based economic expansion in the Netherlands and further recovery of the housing market.

All the rating agencies view Rabobank's leading position in the Dutch banking sector and the International Food and Agri sector as important rating drivers. Rabobank has a significant buffer of equity and subordinated debt, which offers protection to non-subordinated bondholders, and also plays an important role in our ratings.

A rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. Actual or anticipated declines in Rabobank's credit ratings may affect the market value of the Covered Bonds. There is no assurance that a rating will remain unchanged during the term of the Covered Bonds of any series.

The ratings represent the relevant rating agency's assessment of Rabobank's financial condition and ability to pay its obligations, and do not reflect the potential impact of all risks relating to the Covered Bonds. Any rating assigned to the long term unsecured debt of Rabobank does not affect or address the likely performance of the Covered Bonds other than Rabobank's ability to meet its obligations.

Rabobank Group's access to the unsecured funding markets is dependent on its credit ratings. A downgrading or announcement of a potential downgrade in its credit ratings, as a result of a change in the agency's view of Rabobank, its industry outlook, sovereign rating, rating methodology or otherwise, could adversely affect Rabobank Group's access to liquidity alternatives and its competitive position, and could increase the cost of funding or trigger additional collateral requirements all of which could have a material adverse effect on Rabobank Group's results of operations.

## ***Strategy of Rabobank Group***

In 2017, Rabobank continued the implementation of its Strategic Framework 2016-2020, which describes how it wants to achieve its ambitions. This strategy provides a sharpened focus on improving customer service and realising a fundamental improvement in financial performance across Rabobank in order to safeguard its future success. To fulfil its ambitions for 2020, Rabobank is focusing on the following three core objectives.

1. *Excellent customer focus.* In the Netherlands, Rabobank strives to be the most customer-focused bank in the country and Rabobank aims for a sharp increase in customer satisfaction outside the Netherlands as well. The management of Rabobank believes that this is where its strength and distinctiveness lie. Rabobank expects to undergo a fundamental transformation in the coming years in terms of working methods, culture, attitudes and conduct. By doing so, Rabobank is responding to changes in customer needs, the uncertain economic climate, expectations of society and the stricter requirements of regulators. Rabobank wants to become the most customer-focused bank in the Netherlands and in the food & agri sector internationally by excelling in basic services, being the closest to its customers at key moments and fulfilling its role as a financial partner serving our customers. This will enable Rabobank to expand its services as an intermediary, for example in the fields of crowdfunding and working with institutional investors.
2. *Increased flexibility and reduction of the balance sheet.* In the years to come, Rabobank anticipates a further tightening of the regulatory environment. For example the implementation of the proposed reforms to Basel III and implementation of MREL require Rabobank's balance sheet to be more flexible. Rabobank wants to achieve balance sheet optimisation by, among other things, placing parts of its loan portfolio with external parties and maintaining a liquidity buffer that is in line with the reduced balance sheet total. Rabobank is carefully monitoring ongoing developments with regard to the pending Basel regulations, the final outcome of which will ultimately determine the extent of the required balance sheet reduction, but without changing its other financial targets for 2020.
3. *Performance improvement.* Rabobank aims to improve its performance by improvements in efficiency and cost reductions within Rabobank's central organisation, the local Rabobanks and the international organisation. The improvement should be effected by both higher revenues and lower costs through increasing efficiency and new ways of working (e.g. increased digitalisation and more flexible working spaces). Reaching this level of profit improvement is expected to improve the cost/income ratio to approximately 53-54 per cent. in 2020, and Rabobank aims to achieve an ROIC of at least 8 per cent in 2020.

## ***Implementation accelerators***

The strategy calls for a substantial transformation of Rabobank. In view of the challenges Rabobank faces, Rabobank has identified three accelerators to realise and strengthen the transformation:

1. *Strengthening innovation:* Innovation allows Rabobank to improve its services and respond rapidly to opportunities in the market. In addition, innovation is essential to provide support to Rabobank's customers.
2. *Empowering employees:* Achieving the strategic objectives will require a transformation into an organisation in which there is scope for professionalism and entrepreneurship, with a continual focus on development and training, employee diversity and a good, learning corporate culture.
3. *Creating a better cooperative organisation:* The new governance structure (see "*Structure and Governance of Rabobank Group*") will contribute to the transformation that Rabobank as an organisation must go through to fulfil its strategy. This will allow an organisation to emerge that is flexible for the future and centres on maximum local entrepreneurship.

## ***Strategy implementation***

The Strategic Framework 2016-2020 has initiated a group wide transition process consisting of a wide range of change initiatives that impact Rabobank's organisational structure, the way it works and the way it serves its customers. In addition to many initiatives in the line organisation, several large, strategic projects are also expected to be implemented. The strategic implementation agenda has been designed along

four strategic pillars: Complete customer focus, Rock-solid bank, Meaningful cooperative and Empowered employees. The transition process is dynamic and is expected to be adjusted based on evolving circumstances.

An integrated process for the coordination of the transition is essential to ensure timely and coherent implementation of the strategic goals. This process began in 2016 and is expected to continue in the coming years. Strategy implementation is facilitated by a central oversight and coordination office for performance and strategic initiatives, which reports frequently to the Managing Board, Supervisory Board and supervisors. Processes have been established to ensure short-cycle steering by the Managing Board members in their respective domains, based on goals that have been translated into concrete activities, key performance indicators ("KPI") and clearly allocated responsibilities. This approach enables the line organisation to remain in the lead of the transition process.

### ***Competition in the Netherlands***

Rabobank Group competes in the Netherlands with several other large commercial banks such as ABN AMRO and ING Group, with insurance companies and pension funds and also with smaller financial institutions in specific markets. Rabobank Group expects competition in the Dutch savings market to continue.

The Dutch mortgage loan market is highly competitive. Driven by the tax deductibility of mortgage loan interest payments, Dutch homeowners usually take out relatively high mortgage loans. This does not necessarily indicate a high risk for banks with mortgage-lending operations. The local Rabobanks and Obvion have a balanced mortgage loan portfolio with a weighted loan-to-value of approximately 69 per cent. Historically, mortgage lending in the Netherlands has been relatively low risk and all mortgage loans are collateralised. Mortgage loan defaults do not occur frequently, either in Rabobank Group's mortgage-lending operations or in the Netherlands generally. Almost all mortgages in the Netherlands have a maturity of 30 years. Generally, mortgages have a long-term (greater than five years) fixed interest rate, after which period the rate is reset at the current market rate. Customers generally only have the option to prepay a certain percentage on the principal amount on their mortgage loan without incurring a penalty fee, thus reducing the interest rate risks related to mortgage loan refinancing for Rabobank Group.

### ***Market Shares in the Netherlands***

Rabobank Group offers a comprehensive package of financial products and services in the Netherlands. Set forth below is information regarding Rabobank Group's shares in selected markets. The percentages of market share should be read as percentages of the relevant Dutch market as a whole.

*Residential mortgages:* As at 31 December 2017, Rabobank Group had a market share of 22.00 per cent. of the total amount of new home mortgages in the Dutch mortgage market by value (18.07 per cent. by local Rabobanks and 4.0 per cent. by Obvion; source: Dutch Land Registry Office (Kadaster)). Rabobank Group is the largest mortgage-lending institution in the Netherlands (measured by Rabobank's own surveys).

*Saving deposits of individuals:* As at 31 December 2017, Rabobank Group had a market share of 33.6 per cent. of the Dutch savings market (source: Statistics Netherlands (Centraal Bureau voor de Statistiek)). Rabobank Group is one of the largest savings institutions in the Netherlands measured as a percentage of the amount of saving deposits (source: Statistics Netherlands).

*Lending to small and medium-sized enterprises:* As at 31 December 2017, Rabobank Group had a market share of 39 per cent. of domestic loans to the trade, industry and services sector (i.e., enterprises with a turnover of less than €250 million; measured by Rabobank Group's own surveys).

*Agricultural loans:* As at 31 December 2017, Rabobank Group had a market share of 85.74 per cent. of loans and advances made by banks to the Dutch primary agricultural sector (measured by Rabobank's own surveys).

### ***Property, Plant and Equipment***

Rabobank and the local Rabobanks typically own the land and buildings used in the ordinary course of their business activities in the Netherlands. Outside the Netherlands, some Group entities also own the land and buildings used in the ordinary course of their business activities. In addition, Rabobank Group's investment portfolio includes investments in land and buildings. Rabobank Group believes that its facilities are

adequate for its present needs in all material respects. The table below provides an overview of Rabobank Group's material owned facilities:

<u>Location</u>	<u>Country</u>	<u>Owned / Rented</u>	<u>Encumbrances</u>
Croeselaan 18 – 22, Utrecht	The Netherlands	Owned	None
Bloemmolen 2 – 4, Boxtel	The Netherlands	Owned	None

### ***Material Contracts***

There are no contracts, other than contracts entered into in the ordinary course of business, to which Rabobank or any member of Rabobank Group is party, for the two years prior to the date of this Base Prospectus that are material to Rabobank Group as a whole. There are no other contracts (not being contracts entered in the ordinary course of business) entered into by any member of Rabobank Group which contain any provision under which any member of Rabobank Group has any obligation or entitlement which is material to Rabobank Group as at the date of this Base Prospectus.

### ***Insurance***

On behalf of all entities of Rabobank Group, Rabobank has taken out a group policy that is customary for the financial industry taking into consideration the scope and complexity of the business of Rabobank Group. Rabobank Group is of the opinion that this insurance, which is banker's blanket and professional indemnity, is of an adequate level for the business of Rabobank Group.

### ***Legal and Arbitration Proceedings***

Rabobank Group is active in a legal and regulatory environment that exposes it to substantial risk of litigation. As a result, Rabobank Group is involved in legal cases, arbitrations and regulatory proceedings in the Netherlands and in other countries, including the United States. The most relevant legal and regulatory claims which could give rise to liability on the part of Rabobank Group are described on pages 204, 205, 206 and 207 in Rabobank Group's audited consolidated financial statements for the year ended 31 December 2017, including the notes thereto, incorporated by reference into this Base Prospectus. If it appears necessary on the basis of the applicable reporting criteria, provisions are made based on current information; similar types of cases are grouped together and some cases may also consist of a number of claims. The estimated loss for each individual case (for which it is possible to make a realistic estimate) is not reported, because Rabobank Group feels that information of this type could be detrimental to the outcome of individual cases.

When determining which of the claims is more likely than not (i.e., with a likelihood of over 50 per cent.) to lead to an outflow of funds, Rabobank Group takes several factors into account. These include (but are not limited to) the type of claim and the underlying facts; the procedural process and history of each case; rulings from legal and arbitration bodies; Rabobank Group's experience and that of third parties in similar cases (if known); previous settlement discussions; third party settlements in similar cases (where known); available indemnities; and the advice and opinions of legal advisers and other experts.

The estimated potential losses, and the existing provisions, are based on the information available at the time and are for the main part subject to judgements and a number of different assumptions, variables and known and unknown uncertainties. These uncertainties may include the inaccuracy or incompleteness of the information available to Rabobank Group (especially in the early stages of a case). In addition, assumptions made by Rabobank Group about the future rulings of legal or other instances or the likely actions or attitudes of supervisory bodies or the parties opposing Rabobank Group may turn out to be incorrect. Furthermore, estimates of potential losses relating to the legal disputes are often impossible to process using statistical or other quantitative analysis instruments that are generally used to make judgements and estimates. They are then subject to a still greater level of uncertainty than many other areas where Rabobank Group needs to make judgements and estimates.

The group of cases for which Rabobank Group determines that the risk of future outflows of funds is higher than 50 per cent. varies over time, as do the number of cases for which Rabobank can estimate the potential



loss. In practice the end results could turn out considerably higher or lower than the estimates of potential losses in those cases where an estimate was made. Rabobank Group can also sustain losses from legal risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognised. For those cases where (a) the possibility of an outflow of funds is less likely than not but also not remote or (b) the possibility of an outflow of funds is more likely than not but the potential loss cannot be estimated, a contingent liability is shown.

Rabobank Group may settle legal cases or regulatory proceedings or investigations before any fine is imposed or liability is determined. Reasons for settling could include (i) the wish to avoid costs and/or management effort at this level, (ii) to avoid other adverse business consequences and/ or (iii) pre-empt the regulatory or reputational consequences of continuing with disputes relating to liability, even if Rabobank Group believes it has good arguments in its defence. Furthermore, Rabobank Group may, for the same reasons, compensate third parties for their losses, even in situations where Rabobank Group does not believe that it is legally required to do so.

Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Rabobank is aware), during the 12 months prior to the date of this Base Prospectus which may have, or have had in the past, significant effects on Rabobank and Rabobank Group's financial position or profitability are described under "*Legal and arbitration proceedings*" in Rabobank Group's audited consolidated financial statements for the year ended 31 December 2017, including the notes thereto, incorporated by reference into this Base Prospectus.

## E.2 Structure and Governance of Rabobank Group

### *Rabobank structure*

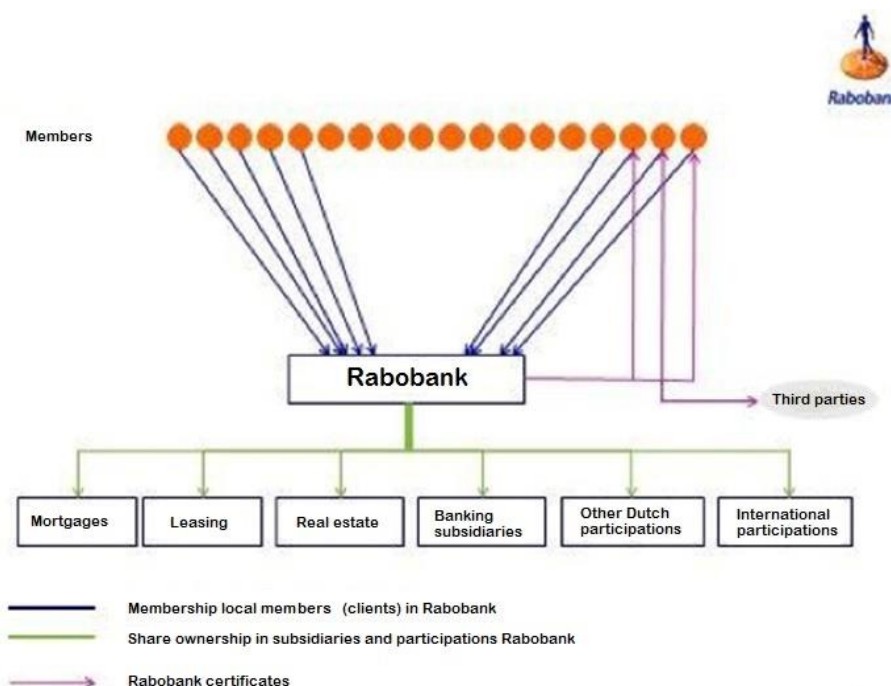
Rabobank Group comprises Coöperatieve Rabobank U.A. and its subsidiaries and participations in the Netherlands and abroad. Rabobank operates not only from the Netherlands but also from branches and representative offices all over the world. These branches and offices all form part of the legal entity Rabobank. Rabobank branches are located in Sydney, Antwerp, Toronto, Beijing, Shanghai, Dublin, Frankfurt, Madrid, Paris, Mumbai, Milan, Labuan, Wellington, New York, Singapore, Hong Kong and London. Rabobank representative offices are located in Mexico City, Buenos Aires, Istanbul, Kuala Lumpur, Tokyo, Atlanta, Chicago, Dallas, San Francisco, Nairobi and St. Louis.

Rabobank also conducts business through separate legal entities worldwide. Rabobank is shareholder of such entities. Rabobank has its executive office in Utrecht (Croeselaan 18, 3521 CB), the Netherlands (telephone number +31 (0)30 216 0000). Its statutory seat is in Amsterdam, the Netherlands. Rabobank is registered in the commercial register of the Chamber of Commerce under number 30046259. Rabobank uses various tradenames.

### *General*

Rabobank is a licensed bank, in the legal form of a cooperative with excluded liability (coöperatie U.A.). It was established under Dutch law. Rabobank uses amongst others the trade names Rabobank Nederland and Rabobank. Rabobank was formed as a result of the merger of the Coöperatieve Centrale Raiffeisen Bank and the Coöperatieve Centrale Boerenleenbank, the two largest banking cooperative entities in the Netherlands. It was established with unlimited duration on 22 December 1970. Until 1 January 2016, the Dutch local Rabobanks were separate legal cooperative entities. On 1 January 2016, a legal merger under universal title took place between Rabobank and all 106 local banks. Rabobank was the surviving entity.

The Managing Board is responsible for the management of Rabobank, including the local banks and, indirectly, its affiliated entities. Managing Board members are appointed or nominated by the Supervisory Board. The Supervisory Board is responsible for the supervision of the management by the Managing Board. Supervisory Board members are appointed by the General Members' Council of Rabobank. For further information regarding the governance of Rabobank Group, see "*Member influence within Rabobank Group*" below and "*Governance of Rabobank Group*".



Various legal entities belonging to Rabobank Group are internally liable under an intragroup cross guarantee system. Under this system the participating entities are bound internally, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow the deficient participant to satisfy its creditors. The system is a remnant of Rabobank's previous cooperative structure that was in effect until 31 December 2015, when the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ("**Rabobank Nederland**") and the local member banks merged into a single legal entity: Coöperatieve Rabobank U.A. Therefore, it is intended that the system will be terminated during the course of 2018.

For the avoidance of doubt, this cross guarantee system does not and will not form part of the terms and conditions of the Covered Bonds.

### ***Corporate purpose***

The objective of a cooperative is to provide for certain material needs of its members by whom it is effectively owned and controlled. Pursuant to Article 3 of the Rabobank Articles, the corporate object of Rabobank is to promote the interests of its members and to do so by:

- (i) conducting a banking business, providing other financial services, and, in that context, concluding agreements with its members;
- (ii) participating in, otherwise assuming an interest in, and managing other enterprises of any nature whatsoever, and financing third parties, providing security in any way whatsoever or guaranteeing the obligations of third parties;
- (iii) contributing to society, including promoting economic and social initiatives and developments; and
- (iv) performing any activities which are incidental to or may be conducive to this object.

Rabobank is furthermore authorised to extend its activities to parties other than its members.

### ***Member influence within Rabobank Group***

As a cooperative, Rabobank has members, not shareholders. Customers of Rabobank in the Netherlands have the opportunity to become members of Rabobank. As at the date of this Base Prospectus, Rabobank has approximately 1.9 million members. Members do not make capital contributions to Rabobank and do not have claims on the equity of Rabobank. The members do not have any obligations and are not liable for the obligations of Rabobank.

### **Main characteristics of Governance**

Rabobank is a decentralised organisation with decision making powers at both a local and central level. The governance reflects the unity of cooperative and bank. Although the Dutch Corporate Governance Code does not apply to the cooperative, Rabobank's corporate governance is broadly consistent with this code. Rabobank also observes the Dutch Banking Code.

The members of Rabobank are organised, based on, amongst other things, geographical criteria into about 100 Departments. Each local bank is linked to a Department. Within each Department, members are organised into delegates' election assemblies. These assemblies elect the members of the local members' councils.

The local members' councils consist of 30 to 50 members and were established pursuant to the Articles of Association. Local members' councils report to and collaborate with the management team of the local bank on the quality of services and the contribution on social and sustainable development of the local environment. These councils have a number of formal tasks and responsibilities. One of the powers of the local members' council is appointment, suspension and dismissal of the local supervisory body, including its chairman.

The local supervisory body consists of three to seven members and is part of the Department. It is a corporate body established pursuant to the local bank rules and performs various tasks and has various responsibilities, including a supervisory role on the level of the local bank. As part of that role, the Managing Board has granted the local supervisory body a number of powers in respect of material decisions

of the management team chairman. The local supervisory body monitors the execution by the management team chairman of the local strategy. The local supervisory body also exercises the functional employer's role in relation to the management team chairman of the local bank. The local supervisory body is accountable to the local members' council.

Regional assemblies are not formal corporate bodies in the Rabobank governance. These assemblies are important for the preparation for the General Members' Council of Rabobank. The assemblies are consultative bodies where the chairmen of the supervisory bodies and the management chairmen of the local banks meet to discuss.

The members of the local supervisory body have to be members of Rabobank. Every chairman of a local supervisory body represents the members of its Department in the General Members' Council of Rabobank. This council is the highest decision making body in the Rabobank governance. Although the chairmen of the local supervisory bodies participate in the General Members' Council of Rabobank without instruction and consultation, they will also take the local points of view into account. The General Members' Council of Rabobank has a focus on strategy, identity, budget and financial results and has powers on these matters. On behalf of the members, the General Members' Council of Rabobank safeguards continuity as well as acts as the custodian of collective values. The General Members' Council of Rabobank has three permanent committees: the urgency affairs committee, the coordination committee and the committee on confidential matters.

The members of the Supervisory Board of Rabobank are appointed by the General Members' Council of Rabobank. Two thirds of the number of members of the Supervisory Board must be members of Rabobank. The Supervisory Board performs the supervisory role and is accountable to the General Members' Council of Rabobank. In this respect, the Supervisory Board monitors compliance with laws and regulations and *inter alia* achievement of Rabobanks' objectives and strategy. The Supervisory Board has the power to approve material decisions of the Managing Board. The Supervisory Board also has an advisory role in respect to the Managing Board. The Supervisory Board has several committees, *inter alia* a risk committee and an audit committee that perform preparatory and advisory work for the Supervisory Board. For further information regarding the Supervisory Board, see "*Governance of Rabobank Group*".

The local business is organised through about 100 local banks. These local banks are not separate legal entities but are part of the legal entity Rabobank. To preserve local orientation and local entrepreneurship as distinguishing features of Rabobank, the Managing Board of Rabobank has granted the management team chairmen of the local banks a number of authorisations. Consequently, these chairmen are able to perform their tasks locally and to take responsibility for their designated local bank. The management team chairmen have additional responsibilities for the Department that is connected with the local bank.

The Managing Board of Rabobank is responsible for the management of Rabobank including the local banks and, indirectly, its affiliated entities. The Managing Board has the ultimate responsibility for defining and achieving the targets, strategic policy and associated risk profile, financial results and corporate social responsibility aspects. In addition, the Managing Board is in charge of Rabobank Groups' compliance with relevant laws and regulations. Rabobank, represented by the Managing Board, is the hierarchical employer of the management team chairmen of the local banks. The Managing Board members are accountable to the Supervisory Board and the General Members' Council of Rabobank. For further information regarding the Managing Board, see "*Governance of Rabobank Group*".

The directors' conference was established pursuant to the articles of association but is not a decision-making body. It is a preparatory, informative and advisory meeting for proposals and policies concerning the business of the local banks. The Managing Board, management team chairmen of the local banks and directors of local banks participate in this meeting.

#### *Employee Influence within Rabobank Group*

Rabobank Group attaches great value to consultations with the various employee representative bodies. Employee influence within Rabobank Group has been enabled at various levels. Issues concerning the Dutch business of Rabobank are handled by the works council (ondernemingsraad) of Rabobank (the "**Works Council**"). Local issues concerning the business of one, two or three local banks are handled by the local work(s) council(s). Issues concerning a subsidiary are handled by the works council of that subsidiary. Rabobank has also installed a European works council for issues concerning the businesses that operate in more than one EU member state.

**Material Subsidiaries or other interests**

Rabobank also conducts business through separate legal entities, not only in the Netherlands but also worldwide. At 31 December 2017 Rabobank was the (ultimate) shareholder of 852 subsidiaries and participations.

Rabobank has assumed liability for debts arising from legal transactions for 15 of its Dutch subsidiaries under Section 2:403 of the Dutch Civil Code.

### **E.3 Management's discussion and analysis of financial condition and results of operations**

*The following discussion and analysis should be read in conjunction with the rest of the Base Prospectus, including the information set forth in "Selected Financial Information" and the Audited Consolidated Financial Statements and the notes thereto of Rabobank Group incorporated by reference into this Base Prospectus.*

*Certain figures for Rabobank Group at and for the years ended 31 December 2016 and 31 December 2015 included in the following discussion and analysis have been restated as a result of changes in accounting policies and presentation. The restated figures for the year ended 31 December 2016 have been derived from the audited consolidated financial statements for the year ended 31 December 2017. The restated figures for the year ended 31 December 2015 have been derived from the comparative figures as included in the audited consolidated financial statements for the year ended 31 December 2016. See "Change in accounting policies and presentation" below for further information. The Audited Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union and comply with Part 9 of Book 2 of the Dutch Civil Code.*

*The financial data in the (sub) paragraphs in this chapter marked with an asterisk (\*) has not been directly extracted from the Audited Consolidated Financial Statements but instead is derived from the accounting records of Rabobank.*

#### **Material Factors Affecting Results of Operations**

##### ***General market conditions\****

Rabobank Group's results of operations are affected by a variety of market conditions, including economic cycles, fluctuations in stock markets, interest rates and exchange rates, and increased competition. Competition for mortgages and savings in the Netherlands continues in 2018.

In 2017, 63 per cent. of Rabobank Group's operating profit before tax was derived from its Dutch operations. Accordingly, changes in the Dutch economy, the levels of Dutch consumer spending and changes in the Dutch real estate, securities and other markets may have a material effect on Rabobank Group's operations. However, because of Rabobank Group's high level of product diversification, it has not experienced major fluctuations in its levels of profitability in the past. Outside of the Netherlands, the markets Rabobank Group focuses on, i.e. principally food and agri, have historically been impacted by business cycles only in a limited way.

Although Rabobank Group expects that the foregoing factors will continue to affect its consolidated results of operations, it believes that the impact of any one of these factors is mitigated by its high level of product diversification. However, a protracted economic downturn in the Netherlands or Rabobank Group's other major markets could have a material negative impact on its results of operations. See "*Risk Factors — Factors that may affect the Issuer's ability to fulfil its obligations under Covered Bonds issued under the Programme — Business and general economic conditions*".

##### ***Interest rates***

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) can materially affect Rabobank Group's results. For example, a sustained low interest rate environment could adversely affect Rabobank Group's results, as due to the structure of its balance sheet, Rabobank has a significant level of non- and low-interest-bearing liabilities (its reserves, balances on payment accounts and current accounts). Generally, a sustained period of lower interest rates will reduce the yields on the assets that are financed with these liabilities. Conversely, rising interest rates should, over time, increase investment income but may, at the same time, reduce the market value of pre-existing investment portfolios. Rising rates can also lead to higher or lower interest margins depending on whether Rabobank Group's interest-earning assets reprice at a faster rate than interest-bearing liabilities or the degree to which the spreads on assets or liabilities narrow or widen. Rabobank expects that the relatively low interest rate environment that it has faced in the recent past is likely to continue in 2018, with a corresponding impact on Rabobank Group's results.

### ***Critical accounting policies***

The accounting policies that are most critical to Rabobank Group's business operations and the understanding of its results are identified below. In each case, the application of these policies requires Rabobank to make complex judgements based on information and financial data that may change in future periods, the results of which can have a significant effect on Rabobank Group's results of operations. As a result, determinations regarding these items necessarily involve the use of assumptions and judgements as to future events and are subject to change. Different assumptions or judgements could lead to materially different results. See the notes to the Audited Consolidated Financial Statements incorporated by reference into this Base Prospectus for additional discussion of the application of Rabobank Group's accounting policies.

### ***Loan impairment charges***

Rabobank regularly assesses the adequacy of the loan impairment allowance by performing ongoing evaluations of the loan portfolio. Rabobank's policies and procedures to measure impairment are IFRS compliant. Rabobank considers a loan to be impaired when, based on current information and events, it is likely that Rabobank will not be able to collect all amounts due (principal and interest) according to the original contractual terms of the loan.

The loan impairment allowance consists of three components:

- *Specific allowance:* For individual impaired loans a specific allowance is determined. The size of the specific allowance is the difference between the carrying amount and the recoverable amount, which is the present value of the expected cash flows, including amounts recoverable under guarantees, collateral and unencumbered assets, discounted at the original effective interest rate of the loans. If a loan is not collectible it is written-off from the allowance. Specific provisioning for every change that impacts the statement of income by €7.5 million or more is dealt with by the Provisioning Committee.
- *Collective allowance:* In addition to the assessment of individual loans, a collective assessment is made with respect to retail exposures that are not subject to a specific allowance. In these cases the collective assessment is made based on homogenous groups of loans with a similar risk profile with the purpose of identifying the need to recognise an allowance for loan losses.
- *IBNR (Incurred But Not Reported):* For exposures in the portfolio that are impaired, but not yet recognised as such (i.e. incurred but not reported) a general allowance is taken. This allowance is taken because there is always a mismatch period between an event causing a default of a client and the moment the bank becomes aware of the default. The allowance will be determined based on Expected Loss data generated by the Economic Capital models.

The impairment amount thus determined is recorded in the profit and loss account as a loan impairment charge with the corresponding credit posted as an allowance against the loan balance in the balance sheet.

### ***Trading activities***

Rabobank's trading portfolio is carried at fair value based on market prices or model prices if the market prices are not available. The market value of financial instruments in Rabobank Group's trading portfolio is generally based on listed market prices or broker-dealer price quotations. If prices are not readily determinable, fair value is based on valuation models. The fair value of certain financial instruments, including OTC derivative instruments, are valued using valuations models that consider, among other factors, contractual and market prices, correlations, time value, credit, yield curve volatility factors or prepayment rates of the underlying positions.

### ***Change in accounting policies and presentation***

As a result of changes in accounting policies and presentation, certain figures for Rabobank Group for the year ended 31 December 2016 have been restated. See Rabobank Group's audited consolidated financial statements for the year ended 31 December 2017 under note 2.1, "Other changes in accounting policies and presentation". Where the year ended 31 December 2017 is compared with the year ended 31 December 2016, the restated figures for 2016 are discussed.

The income from other operating activities and the corresponding expenses are disclosed separately in the consolidated statement of income to enhance transparency. This leads to the introduction of 'Net income from other operating activities' in the consolidated statement of income for an amount of €741 million and a decrease with the same amount in 'Other income' as per 31 December 2016. Expenses for temporary staff in the local banks have been reclassified from 'Other administrative expenses' to 'Staff costs' for an amount of €159 million as of 31 December 2016 because this better reflects the type of costs incurred. Some fee and commission income in the segment of WRR have an interest character and therefore have been reclassified to interest income for an amount of €92 million as of 31 December 2016.

The provision for tax issues has been transferred from 'Provisions' to 'Current tax liabilities' for an amount of €32 million (2016: €36 million) as these amounts are better presented as part of IAS 12 Income taxes than IAS 37 Provisions. The presentation of cash flows relating to operating leases has been transferred from 'Cash flows from investing activities' to 'Cash flows from operating activities' and the cash flows relating to debt securities in issue have been transferred from 'Cash flows from operating activities' to 'Cash flows from financing activities' as this better represents the operating and financing activities of Rabobank. This resulted in the following adjustments.

The disclosure of credit-related contingent liabilities has been adjusted to better align with supervisory reporting. The non-credit substitute guarantees have been reclassified from 'Financial guarantees' to 'Other commitments' for an amount of €7,045 million as of 31 December 2016. The undrawn (non-loan) credit facilities have been reclassified from 'Loan commitments' to 'Other commitments' for an amount of €8,166 million as of 31 December 2016.

### *Changes in business segments\**

As part of the ongoing change of the Rabobank Group following the update of our strategic objectives, Rabobank Group changed the set-up and internal reporting of the business segments on 1 April 2017. Treasury, which was formerly part of the WRR and Treasury segment, is now reported within other group functions under "Other". Furthermore, in 2017 the portfolio of DLL's Financial Solutions was transferred to the business segment domestic retail banking, and a large part of the loan portfolio of FGH Bank which was previously in the real estate segment was integrated in the domestic retail banking and Wholesale, Rural & Retail segment. The segment information for 2016 is also represented in the new structure and the figures have been adjusted accordingly. This reflects Rabobank Group's organisational structure and forms the basis for internal management reporting. In the table below, the movements between segments due to changes in segment reporting for 2016 are presented.

Where the unadjusted 2016 figures are compared with the 2015 figures, the figures are based on the former segment structure as reported in the consolidated financial statements 2016.

	<b>Domestic Retail Banking 31 December 2016</b>	<b>Wholesale, rural and retail 31 December 2016</b>	<b>Leasing 31 December 2016</b>	<b>Real Estate 31 December r 2016</b>	<b>Other December r 2016</b>
<i>(in millions of euro)</i>					
Other net interest income .....	263	381	(169)	(150)	(325)
Net fee and commission income...	9	(47)	(8)	0	46
Other income.....	0	(285)	0	0	285
<b>Total income .....</b>	<b>272</b>	<b>49</b>	<b>(177)</b>	<b>(150)</b>	<b>6</b>
Staff costs.....	22	(34)	(10)	(15)	37
Other administrative expenses.....	52	(104)	(50)	(7)	109
Depreciation .....	0	0	0	0	0
<b>Total operating expenses.....</b>	<b>74</b>	<b>(138)</b>	<b>(60)</b>	<b>(22)</b>	<b>146</b>
<b>Gross result.....</b>	<b>198</b>	<b>(187)</b>	<b>(117)</b>	<b>(128)</b>	<b>(140)</b>
Loan impairment charges .....	7	0	(7)	0	0
Regulatory levies.....	3	1	0	(9)	5
<b>Operating profit before tax.....</b>	<b>188</b>	<b>186</b>	<b>(110)</b>	<b>(119)</b>	<b>(145)</b>
Income tax.....	46	64	(27)	(31)	(52)
<b>Net profit.....</b>	<b>142</b>	<b>122</b>	<b>(83)</b>	<b>(88)</b>	<b>(93)</b>



## Results of operations

The following table sets forth certain summarised financial information for Rabobank Group for the periods indicated:

	Year ended 31 December		
	2017	2016 (restated) (in millions of euro)	2015
Net interest income .....	8,843	8,835 <sup>(1)</sup>	9,139
Net fee and commission income.....	1,915	1,826 <sup>(2)</sup>	1,892
Other income.....	1,243	2,144	1,983
<b>Total income .....</b>	<b>12,001</b>	<b>12,805</b>	<b>13,014</b>
Staff costs.....	4,472	4,680 <sup>(3)</sup>	4,786
Other administrative expenses.....	3,176	3,476 <sup>(4)</sup>	2,916
Depreciation .....	406	438	443
<b>Total operating expenses.....</b>	<b>8,054</b>	<b>8,594</b>	<b>8,145</b>
<b>Gross result.....</b>	<b>3,947</b>	<b>4,211</b>	<b>4,869</b>
Impairment losses on goodwill and investments in associates	0	700	623
Loan impairment charges .....	(190)	310	1,033
Regulatory levies.....	505	483	344
<b>Operating profit before tax.....</b>	<b>3,632</b>	<b>2,718</b>	<b>2,869</b>
Income tax.....	958	694	655
<b>Net profit.....</b>	<b>2,674</b>	<b>2,024</b>	<b>2,214</b>

### Notes:

- (1) Comparative figure "Net interest income" for the year ended 31 December 2016 was restated from €8,743 million to €8,835 million.
- (2) Comparative figure "Net fee and commission income" for the year ended 31 December 2016 was adjusted from €1,918 million to €1,826 million.
- (3) Comparative figure "Staff costs" for the year ended 31 December 2016 was adjusted from €4,521 million to €4,680 million.
- (4) Comparative figure "Other administrative expenses" for the year ended 31 December was adjusted from €3,635 million to €3,476 million.

### Comparison results of operations for the years ended 31 December 2017 and 31 December 2016

**Total income.** Rabobank Group's total income decreased by €804 million in 2017 to €12,001 million compared to €12,805 million in 2016. The decrease was mainly due to a decrease in other income, as further described below.

**Net interest income.** Net interest income increased by €8 million to €8,843 million in 2017 compared to €8,835 million in 2016. As in 2016, repricing of the loan book had a positive effect on the net interest margin. Extra mortgage repayments at the local Rabobanks moderately lowered the outstanding lending volumes. An increased volume of prepayments in our mortgage books has a negative effect on net interest income going forward. At the same time, higher lending volumes augmented net interest in 2017 for both WRR and DLL. The low interest rate environment still negatively impacted the income from treasury activities related to maintaining the liquidity buffers.

**Net fee and commission income.** Net fee and commission income increased by €89 million to €1,915 million in 2017 compared to €1,826 million in 2016. At the local Rabobanks, net fee and commission income on payment accounts increased. At WRR, net fee and commission income decreased. In 2017, net fee and commission income of WRR Markets division ("**Markets**") reflected lower activity levels with less transactions than in 2016. Net fee and commission income at DLL remained stable (corrected for the deconsolidation of Athlon). Net fee and commission income in the real estate segment increased due to higher performance fees at Bouwfonds IM.

**Other income.** Other income decreased by €901 million to €1,243 million in 2017 compared to €2,144 million in 2016. This decrease can be partly attributed to the de-consolidation of Athlon. Income from Athlon's operational lease contracts added to other results during 2016 as did the book profit on the sale of Athlon. The negative result on hedge accounting and structured notes affected other results significantly. On balance, the gross result on structured notes and hedge accounting decreased from a profit of €106 million in 2016 to a loss of €313 million in 2017. Markets' trading results improved due to better market

conditions than in 2016, which partly offset the decrease. The increase in the number of houses sold at the real estate segment had a positive impact on other results. Furthermore, other results increased due to higher (regular) results on our investment in Achmea (€43 million), the sale of our share in Van Lanschot (€44 million) and the sale of our share in Orix (€42 million). Despite this divestment, Orix/Robeco will remain an important financial partner of Rabobank.

*Total operating expenses.* Rabobank Group's total operating expenses decreased €540 million in 2017 to €8,054 million compared to €8,594 million in 2016, in particular due to a decrease in staff costs and other administrative expenses.

*Staff costs.* Staff costs decreased €208 million to €4,472 million in 2017 compared to €4,680 million in 2016. In 2017, the total number of employees (including external hires) at Rabobank decreased by 1,757 FTEs to 43,810 FTEs as compared to 45,567 FTEs in 2016, mainly because of the large restructuring programme currently underway in the Netherlands. The largest reduction in staff in 2017 was at the local Rabobanks. The decrease in staff costs was moderated by the release of a provision connected to the moderation of fringe benefits in 2016. The costs associated with the 2% pension accrual guarantee given to the pension fund covering the 2014-2020 period increased to €160 million in 2017 compared to €30 million in 2016. The maximum guaranteed amount was almost reached in 2017.

*Other administrative expenses.* Other administrative expenses decreased by €300 million to €3,176 million in 2017 compared to €3,476 million in 2016. The other administrative expenses were negatively impacted by the provision taken by Rabobank National Association of €310 million. Total other administrative expenses were relatively high in 2016 as a result of the provision for adopting the SME interest rate derivative framework (€514 million), which was significantly higher than the addition of €51 million to the provision in 2017. Higher restructuring costs in 2016 (€515 million versus €159 million in 2017) also helped reduce other administrative expenses. Overall, this decrease was somewhat tempered by the release of a provision for legal claims at WRR in 2016.

*Depreciation.* Depreciation was down by €32 million to €406 million in 2017 compared to €438 million in 2016.

*Impairment losses on goodwill and investments in associates.* Impairment losses on goodwill and investments in associates were down €700 million to €0 million in 2017, compared to €700 million in 2016. In 2016, the operating profit before tax was pressured down by €700 million in the aggregate due to non-cash impairments of Rabobank's stake in Achmea. The outlook for the future profitability of Achmea deteriorated during 2016, taking into account recent developments in the health insurance market and the financial results over the first half year of 2016. These elements, combined with the deteriorating business environment of Dutch insurers over the last years, gave triggers of potential impairments for the investment in Achmea. The test to establish whether these potential impairments had occurred resulted in downward adjustments of the book value of the investment in Achmea.

*Loan impairment charges.* Loan impairment charges were down €500 million to minus €190 million in 2017 compared to €310 million in 2016. In 2016, an amount of EUR 310 million was charged to the income statement, which was already a year with very low loan impairment charges. Rabobank saw improvements in nearly all business segments. This is mainly due to the ongoing favourable economic conditions in our domestic market, leading to limited additions and high releases of existing loan loss allowances, particularly in the domestic retail banking business and in real estate. Relative to the average private sector loan portfolio, loan impairment charges amounted to minus 5 (2016: +7) basis points, which is exceptionally low and substantially below the long-term average (period 2007-2016) of 36 basis points.

*Regulatory levies.* Regulatory levies led to an expense item for Rabobank Group of €505 million in 2017, compared to €483 million in 2016. The increase in the contribution to the resolution fund and Rabobank's inaugural contribution to the Dutch Deposit Guarantee Scheme affected net profit negatively.

*Income tax.* The recognised tax expense was €958 million in 2017 compared to €694 million in 2016, which corresponds to an effective tax burden of 26 per cent. in 2017 compared to 26 per cent. in 2016.

*Net profit.* Net profit increased by 32.1 per cent. to €2,674 million in 2017 compared to €2,024 million in 2016. The decrease in the number of employees and lower restructuring costs had a positive impact on the result, whereas in 2016 the gross result was negatively impacted by the impairment on our stake in Achmea and the provision for the interest rate derivatives recovery framework. The add-on provision of €51 million

taken in 2017 was needed to cover for the latest insights and statutory interest. Gross profit in the reporting year was affected by the €310 million provision taken by RNA. The loan impairment charges decreased to minus €190 (2016: 310) million in 2017, positively influencing net profit, which amounted to €2,674 (2016: 2,024) million in 2017.

#### ***Comparison results of operations for the years ended 31 December 2016 and 31 December 2015***

*Total income.* Rabobank Group's total income decreased by €209 million in 2016 to €12,805 million compared to €13,014 million in 2015. The decrease was mainly due to a decrease in net interest income.

*Net interest income.* Net interest income decreased by €396 million to €8,743 million in 2016 compared to €9,139 million in 2015. Lending at local Rabobanks and FGH Bank decreased, resulting in a lower contribution of net interest income. At Wholesale, Rural and Retail ("**WRR**") commercial interest margins stabilised. Amongst other factors negative interest rates, the relatively flat interest rate curve and higher liquidity buffer costs led to lower net interest income from Rabobank Group Treasury activities. Net interest income at DLL was stable.

*Net fee and commission income.* Net fee and commission income increased by €26 million to €1,918 million in 2016 compared to €1,892 million in 2015. At the local Rabobanks, net fee and commission on payments increased. At WRR, net fee and commission income increased in line with the strategy of more fee-generating business and as result of growth of the loan portfolio. Also, at DLL, the growth of the loan portfolio resulted in higher net fee and commission income. However, the rise was tempered by the fall in net fee and commission income from the real estate segment, due to the demerger of Fondsenbeheer Nederland, which contributed to net fee and commission income until June 2015.

*Other income.* Other income increased by €161 million to €2,144 million in 2016 compared to €1,983 million in 2015, mainly as a result of the sale of Athlon. This sale resulted in a book profit of €251 million for DLL. Furthermore, the sale of mortgages by the local Rabobanks contributed to the increase of other income. At WRR, Markets performed better compared to 2015 and also the release of foreign exchange reserves connected to the closing of Rabobank's office in Curaçao contributed to the increase in other income as well. The increase of the other income item was offset by the lower (regular) results on our investment in Achmea and lower results on structured notes and hedge accounting. The gross result on hedge accounting and structured notes decreased by €170 million to €106 million compared to €276 million in 2015.

*Total operating expenses.* Rabobank Group's total operating expenses increased €449 million in 2016 to €8,594 million compared to €8,145 million in 2015, in particular due to an increase in other administrative expenses.

*Staff costs.* Staff costs decreased €265 million to €4,521 million in 2016 compared to €4,786 million in 2015. In 2016, the total number of employees (including external hires) at Rabobank decreased by 6,446 FTEs to 45,567 FTEs mainly as a result of the large restructuring programme "Performance Now" in the Netherlands. The sale of Athlon and staff reductions at WRR in Ireland, Australia, New Zealand and Chile also contributed to the decrease. The largest reduction in staff was at the local Rabobanks. Besides the staff reduction, the moderation of fringe benefits helped to bring staff costs down.

*Other administrative expenses.* Other administrative expenses increased by €719 million to €3,635 million in 2016 compared to €2,916 million in 2015. In 2016 an additional provision of €514 million was made after Rabobank adopted the SME interest rate derivatives recovery framework. Total restructuring costs amounted to €515 million in 2016. As of 31 December 2016, the restructuring provision in the balance sheet amounted to €461 million. This rise in restructuring costs can be attributed mostly to redundancies at Rabobank and, to a lesser extent, FGH Bank, DLL and ACC Loan Management. The digitalisation of services resulted in a decline in the number of employees and branches. The revaluation of property in own use, due to a lower occupancy rate of the local branch premises, also contributed to the increase in other administrative expenses. The increase in the other administrative expenses was partly compensated by a provision release for legal claims at WRR.

*Depreciation.* Depreciation was down by €5 million to €438 million in 2016 compared to €443 million in 2015.

*Impairment losses on goodwill and investments in associates.* Impairment losses on goodwill and investments in associates were up €77 million to €700 million in 2016, compared to €623 million in 2015. In 2016, the operating profit before tax was pressured down by €700 million in the aggregate due to non-cash impairments of Rabobank's stake in Achmea. The outlook for the future profitability of Achmea deteriorated during 2016, taking into account recent developments in the health insurance market and the financial results over the first half year of 2016. These elements, combined with the deteriorating business environment of Dutch insurers over the last years, gave triggers of potential impairments for the investment in Achmea. The test to establish whether these potential impairments had occurred, resulted in downward adjustments of the book value of the investment in Achmea. In 2015, an impairment on goodwill lowered the operating profit before tax by €623 million. Of this sum, €604 million was associated with RNA in the United States.

*Loan impairment charges.* Loan impairment charges were down €723 million to €310 million in 2016 compared to €1,033 million in 2015. Due to the economic recovery in The Netherlands, and economic growth worldwide, all business segments of the bank are performing well. This resulted in significant releases on the loan impairment allowance. Other factors contributing to this positive development include foreclosures at better-than-anticipated collateral values as well as adequate existing allowances. Relative to the average private sector loan portfolio based on month-end balances, loan impairment charges amounted to 7 basis points in 2016 compared to 24 basis point in 2015; this is exceptionally low and substantially below the long-term average (period 2006-2015) of 36 basis points.

*Regulatory levies.* Regulatory levies led to an expense item for Rabobank Group of €483 million in 2016, compared to €344 million in 2015. The increase in the contribution to the resolution fund and Rabobank's inaugural contribution to the Dutch Deposit Guarantee Scheme affected net profit negatively.

*Income tax.* The recognised tax expense was €694 million in 2016 compared to €655 million in 2015, which corresponds to an effective tax burden of 26 per cent. in 2016 compared to 23 per cent. in 2015.

*Net profit.* Net profit decreased by 9 per cent. to €2,024 million in 2016 compared to €2,214 million in 2015. Impairments on Rabobank's stake in Achmea lowered net profit in 2016 by in aggregate €700 million, whereas in 2015 an impairment on goodwill with regard to our retail subsidiary RNA in the United States reduced net profit by €604 million. The net profit was pressured by higher administrative expenses due to the additional provision for adopting the SME interest rate derivatives recovery framework and due to higher restructuring costs. Furthermore, Rabobank's increased contribution to the resolution fund and ex-ante contribution to the Dutch Deposit Guarantee Scheme fund affected net profit by €106 million. The €723 million decrease in loan impairment charges positively influenced net profit.

## Segment Discussion

### Domestic retail banking

The following table sets forth certain summarised financial information for Rabobank Group's domestic retail banking business for the periods indicated:

	Year ended 31 December			
	2017	2016 (adjusted) (1)	2016 (unadjusted) (2)	2015 (restated)
		(in millions of euros)		
Net interest income .....	5,581	5,730	5,467	5,661
Net fee and commission income.....	1,398	1,343	1,334	1,321
Other results .....	74	58	58	18
<b>Total income .....</b>	<b>7,053</b>	<b>7,131</b>	<b>6,859</b>	<b>7,000</b>
Staff costs.....	1,430	1,820	1,798	2,134
Other administrative expenses.....	2,783	3,165	3,113	2,470
Depreciation .....	98	117	117	116
<b>Total operating expenses.....</b>	<b>4,311</b>	<b>5,102</b>	<b>5,028</b>	<b>4,720</b>
<b>Gross result.....</b>	<b>2,742</b>	<b>2,029</b>	<b>1,831</b>	<b>2,280</b>
Loan impairment charges .....	(259)	32	25	343
Regulatory levies.....	270	282	279	171
<b>Operating profit before tax.....</b>	<b>2,731</b>	<b>1,715</b>	<b>1,527</b>	<b>1,766</b>
Income tax.....	703	446	400	445
<b>Net profit.....</b>	<b>2,028</b>	<b>1,269</b>	<b>1,127</b>	<b>1,321</b>

Notes:

<sup>(1)</sup> Prior-year figures adjusted; see paragraph "Changes in business segments".

<sup>(2)</sup> The unadjusted 2016 figures are reported in the consolidated financial statements 2016 and based on the former segment structure. These figures are included for a like-for-like comparison between 2016 and 2015.

### **Comparison results of domestic retail banking for the years ended 31 December 2017 and 31 December 2016**

*Total income.* Domestic retail banking total income decreased by 1 per cent. to €7,053 million in 2017, compared to €7,131 million in 2016 mainly due to a decrease in net interest income.

*Net interest income.* Net interest income decreased 3 per cent. to €5,581 million in 2017, compared to €5,730 million in 2016. As in 2016, Rabobank observed a positive impact from loan repricing. At the same time, the volume of prepayments in our mortgage book remained high. Combined with the decrease in lending volumes due to early repayments, net interest income was pressured.

*Net fee and commission income.* Net fee and commission income increased by 4 per cent. to €1,398 million in 2017, compared to €1,343 million in 2016, due to higher commission on payment accounts.

*Other income.* Other income increased by €16 million to €74 million in 2017, compared to €58 million in 2016. In 2016 as well as in 2017, the sale of mortgages to institutional investors had an upward effect on other results.

*Total operating expenses.* Total operating expenses for domestic retail banking decreased 16 per cent. to €4,311 million in 2017, compared to €5,102 million in 2016, as a result of a decrease in staff costs, other administrative expenses and depreciation.

*Staff costs.* Staff costs decreased by €390 million to €1,430 million in 2017, compared to €1,820 million in 2016. Staff costs fell as the digitalisation and centralisation of services impacted the size of the workforce. The number of internal and external employees in the segment decreased to 13,635 (2016: 17,877) FTEs in 2017. Part of this decrease is the result of employees moving from local Rabobanks to the central organisation to create economies of scale.

*Other administrative expenses.* Other administrative expenses decreased by €382 million to €2,783 million in 2017, compared to €3,165 million in 2016. Other administrative expenses decreased mainly because the provision for adopting the SME interest rate derivatives recovery framework was significantly higher in 2016 (€514 million) than the addition to this provision in 2017 of EUR 51 million. Lower restructuring costs also contributed to a decrease in other administrative expenses.

*Depreciation.* Depreciation decreased by €19 million to €98 million in 2017, compared to €117 million in 2016, as a result of the closing down of offices following our restructuring activities.

*Loan impairment charges.* Loan impairment charges decreased by €291 million to reach minus €259 million in 2017, compared to €32 million in 2016. This translates into minus 9 basis points of the average loan portfolio based on month-end balances in 2017, compared to 1 basis point in 2016, far below the long-term average of 23 basis points. The limited number of newly defaulted loans and high releases on the loan impairment allowances are mainly the result of the favourable conditions of the Dutch economy. Releases are mainly in the sectors that have previously experienced a downturn, such as transport (sea and coastal shipping), glass horticulture and commercial real estate.

*Regulatory levies.* Regulatory levies decreased to €270 million in 2017, compared to €282 million in 2016. The regulatory levies consist of bank tax, contributions to the Single Resolution Fund and the Deposit Guarantee Scheme.

*Income tax.* Income tax increased in 2017 by €257 million to €703 million, compared to €446 million in 2016 as a result of the higher operating profit before tax in 2017.

*Net profit.* Net profit increased by €759 million to €2,028 million in 2017, compared to €1,269 million in 2016. The net result was positively influenced by lower operating expenses and substantially lower loan impairment charges.

### ***Comparison results of domestic retail banking for the years ended 31 December 2016 and 31 December 2015***

*Total income.* Domestic retail banking total income decreased by 2 per cent., to €6,859 million in 2016, compared to €7,000 million in 2015 mainly due to a decrease in net interest income.

*Net interest income.* Net interest income decreased 3 per cent. to €5,467 million in 2016, compared to €5,661 million in 2015. Margins on new lending improved, whereas margins on payment accounts were lower. Combined with the decrease in lending volumes net interest income was pressured and decreased to €5,467 million. The income received from prepayment penalties, which is recognised as part of interest income, was used for the recouping of swaps. By recouping a swap, the historical interest coupon paid is lowered which ultimately will bring down the future total interest rate risk costs.

*Net fee and commission income.* Net fee and commission income increased by 1 per cent. to €1,334 million in 2016, compared to €1,321 million in 2015, due to higher commission on payments.

*Other income.* Other income increased by €40 million to €58 million in 2016, compared to €18 million in 2015, mainly due to the sale of mortgages.

*Total operating expenses.* Total operating expenses for domestic retail banking increased 7 per cent. to €5,028 million in 2016, compared to €4,720 million in 2015, as a result of an increase in other administrative expenses.

*Staff costs.* Staff costs decreased by €336 million to €1,798 million in 2016, compared to €2,134 million in 2015. Staff costs fell as the virtualisation and centralisation of services impacted the size of the workforce. The number of internal and external employees in the segment decreased to 17,455 FTEs in 2016, compared to 24,341 FTEs in 2015. Part of this decrease is the result of the movement of employees from local Rabobanks to the central organisation.

*Other administrative expenses.* Other administrative expenses increased by €643 million to €3,113 million in 2016, compared to €2,470 million in 2015. Other administrative expenses rose mainly due to the additional provision of €514 million in the first half of 2016 following Rabobank's adoption of the SME interest rate derivatives recovery framework. Furthermore, the restructuring costs also increased due to the high level of redundancies compared to 2015.

*Depreciation.* Depreciation increased by €1 million to €117 million in 2016, compared to €116 million in 2015, as a result of higher depreciation on intangible fixed assets.

*Loan impairment charges.* Loan impairment charges decreased by €318 million to reach €25 million in 2016, compared to €343 million in 2015. This translates into 1 basis point of the average loan portfolio based on month-end balances in 2016, compared to 12 basis points in 2015, far below the long-term average of 23 basis points. In the Netherlands, the further recovery of the economy was clearly reflected in the limited number of newly defaulted loans and high releases on the loan impairment allowance. Also the allowances for loans for which a provision had already been taken proved to be sufficient. The low impairment charges were noticeable in almost all sectors, except for the sea and coastal shipping, for which structural problems continued. Although loan impairment charges in greenhouse horticulture were, due to releases, negative for the second consecutive year the sector was still confronted with fragile market conditions. The dairy sector also recorded low loan impairment charges; however, the sector was confronted with liquidity shortages and uncertainties regarding the phosphate policy, which would result in an expected significant decline of the livestock in the coming years.

*Regulatory levies.* Regulatory levies led to an additional expense item of €279 million in 2016 compared to €171 million in 2015.

*Income tax.* Income tax decreased in 2016 by €45 million to €400 million compared to €445 million in 2015.

*Net profit.* Net profit decreased by €194 million to €1,127 million in 2016 compared to €1,321 million in 2015. The net result was negatively affected by higher other administrative expenses.

## Wholesale Rural and Retail

The following table sets forth certain summarised financial information for Rabobank Group's WRR business for the periods indicated:

	2017	Year ended 31 December		2015
		2016 (restated) <sup>(1)</sup>	2016 (unadjusted) <sup>(4)</sup>	
		<i>(in millions of euros)</i>		
Net interest income .....	2,367	2,355 <sup>(2)</sup>	1,974	2,270
Net fee and commission income.....	432	491 <sup>(3)</sup>	538	513
Other income.....	861	812	1,097	653
<b>Total income .....</b>	<b>3,660</b>	<b>3,658</b>	<b>3,609</b>	<b>3,436</b>
Staff costs.....	1,011	1,103	1,137	1,123
Other administrative expenses.....	1,312	919	1,023	1,101
Depreciation.....	56	94	94	107
<b>Total operating expenses.....</b>	<b>2,379</b>	<b>2,116</b>	<b>2,254</b>	<b>2,331</b>
<b>Gross result.....</b>	<b>1,281</b>	<b>1,542</b>	<b>1,355</b>	<b>1,105</b>
Impairment losses on goodwill and investments in associates .....	0	0	0	612
Loan impairment charges .....	95	255	255	526
Regulatory levies.....	171	152	151	139
<b>Operating profit before tax.....</b>	<b>1,015</b>	<b>1,135</b>	<b>949</b>	<b>(172)</b>
Income tax.....	416	369	305	161
<b>Net profit.....</b>	<b>599</b>	<b>766</b>	<b>644</b>	<b>(333)</b>

### Notes:

- (1) Prior-year figures adjusted; see paragraph "Changes in business segments".
- (2) Comparative figure "Net interest income" for the year ended 31 December 2016 was adjusted upwards by €92 million.
- (3) Comparative figure "Net fee and commission income" for the year ended 31 December 2016 was adjusted downwards by €92 million.
- (4) The unadjusted 2016 figures are reported in the consolidated financial statements 2016 and based on the former segment structure. These figures are included for a like-for-like comparison between 2016 and 2015.

### Comparison results of wholesale rural and retail for the years ended 31 December 2017 and 31 December 2016

**Total income.** Wholesale, rural and retail total income increased by €2 million to €3,660 million in 2017 compared to €3,658 million in 2016. This increase was attributable to an increase in other income partly offset by a decrease in net fee and commission income.

**Net interest income.** Net interest income increased by 1 per cent. to €2,367 million in 2017, compared to €2,355 million in 2016 as the underlying commercial interest margins stabilised.

**Net fee and commission income.** Net fee and commission income decreased by 12 per cent. to €432 million in 2017, compared to €491 million in 2016. In 2016, Markets' net fee and commission income reflected the higher levels of activity in that period.

**Other income.** Other income increased by 6 per cent. to €861 million in 2017, compared to €812 million in 2016. Markets' trading results improved due to better market conditions than in 2016.

**Total operating expenses.** Total operating expenses increased by 12 per cent. to €2,379 million in 2017, compared to €2,116 million in 2016. Due to the centralisation of IT services in 2016, WRR staff was relocated to the central organisation, reducing staff costs but increasing recharges from the central organisation, and consequently raising other operating expenses.

**Staff costs.** Staff costs decreased by 8 per cent, to €1,011 million in 2017, compared to €1,103 million in 2016 as WRR staff was relocated to the central organisation, reducing staff costs.

**Other administrative expenses.** Other administrative expenses were up 43 per cent. to €1,312 million in 2017, compared to €919 million in 2016, mainly due to the provision of €310 million taken by RNA. Also the release of a provision for legal issues lowered other administrative expenses in 2016.

*Depreciation.* Depreciation was down 40 per cent. to €56 million in 2017, compared to €94 million in 2016 following several restructuring activities.

*Loan impairment charges.* Loan impairment charges at Wholesale, rural and retail decreased by 63 per cent. to €95 million in 2017, compared to €255 million in 2016. Expressed in basis points of the average loan portfolio based on month-end balances, the loan impairment charges amounted to 9 basis points in 2017, compared to 25 basis points in 2016. The decrease of loan impairment charges can be largely assigned to the overall improvement of weather circumstances and sector developments. Despite the overall decrease, loan impairment charges remained relatively high in Asia and increased in the Netherlands. However, the portfolio in Asia stabilised and Dutch loan impairment charges remained below the long-term average on the back of positive economic developments.

*Regulatory levies.* The regulatory levies led to an expense item of €171 million in 2017, compared to €152 million in 2016.

*Income tax.* Income tax increased in 2017 by €47 million to €416 million, compared to €369 million in 2016.

*Net profit.* Net profit decreased by €167 million to €599 million in 2017, compared to minus €766 million in 2016. The provision of €310 million taken by RNA significantly lowered the operating profit before tax in 2017.

#### ***Comparison results of wholesale, rural and retail for the years ended 31 December 2016 and 31 December 2015***

*Total income.* WRR total income increased by 5 per cent. to €3,609 million in 2016 compared to €3,436 million in 2015. This increase was attributable to an increase in other income partly offset by a decrease in interest income.

*Net interest income.* Net interest income declined by 13 per cent. to €1,974 million in 2016, compared to €2,270 million in 2015. Amongst others negative interest rates, the relatively flat interest rate curve and higher liquidity buffer costs led to lower net interest income from the Treasury. Within the segment WRR, the results of Group Treasury were also presented.

*Net fee and commission income.* WRR's loan portfolio grew, while it also focused, in line with its strategy, on more fee-generating business. As a result, net fee and commission income increased by 5 per cent. to €538 million in 2016, compared to €513 million in 2015.

*Other income.* Other income increased by 68 per cent. to €1,097 million in 2016, compared to €653 million in 2015. The main drivers for this increase were the better performance of Markets compared to 2015 and the release of foreign exchange reserves connected to the closing of Rabobank's office in Curaçao.

*Total operating expenses.* Total operating expenses decreased by 3 per cent. to €2,254 million in 2016, compared to €2,331 million in 2015, mainly as a result of a decrease in other administrative expenses.

*Staff costs.* Despite the increase in the value of the U.S. dollar, staff costs increased marginally to €1,137 million in 2016, compared to €1,123 million in 2015, due to cost-saving initiatives related to our performance improvement programme "Performance Now". Examples of such initiatives include efforts in further standardisation of the organisation and simplification of the IT landscape which facilitates staff reduction.

*Other administrative expenses.* Other administrative expenses were down 7 per cent. to €1,023 million in 2016, compared to €1,101 million in 2015, mainly due to the release of a provision for legal issues.

*Depreciation.* As a result of lower depreciation on software developed in-house, depreciation was down 12 per cent. to €94 million in 2016, compared to €107 million in 2015.

*Impairment losses on goodwill and investments in associates.* Impairment losses on goodwill and investments in associates decreased by €612 million to €0 in 2016, compared to €612 million in 2015. In the first half of 2015 an impairment on goodwill with regard to RNA in the United States lowered the operating profit before taxation by €604 million.



**Loan impairment charges.** Loan impairment charges at WRR decreased by 52 per cent. to €255 million in 2016, compared to €526 million in 2015. Expressed in basis points of the average loan portfolio based on month-end balances, the loan impairment charges amounted to 26 basis points in 2016, compared to 53 basis points in 2015. Loan impairment charges are well below the long-term average (2006-2015) of 59 basis points. In Wholesale, all regions other than Asia, showed significant reductions in loan impairment charges over 2016 compared to 2015. In the Netherlands loan impairment charges decreased below the long-term average, due to improved economic conditions. For Rural & Retail the decrease can mainly be attributed to the exceptionally low loan impairment charges of ACC Loan Management, the wholly-owned Irish subsidiary of the Rabobank.

**Regulatory levies.** The regulatory levies led to an expense item of €151 million in 2016, compared to €139 million in 2015.

**Income tax.** Income tax increased in 2016 by €144 million to €305 million, compared to €161 million in 2015.

**Net profit.** Net profit increased by €977 million to €644 million in 2016 compared to minus €333 million in 2015. The goodwill impairment with respect to RNA of €604 million significantly lowered the operating profit before tax in 2015.

### Leasing

The following table sets forth certain summarised financial information for Rabobank Group's leasing business for the periods indicated:

	Year ended 31 December			2015
	2017	2016 (adjusted) <sup>(1)</sup>	2016 (unadjusted) (2)	
		(in millions of euros)		
Net interest income .....	1,008	917	1,086	1,094
Net fee and commission income.....	75	82	90	57
Other income.....	207	816	816	568
<b>Total income .....</b>	<b>1,290</b>	<b>1,815</b>	<b>1,992</b>	<b>1,719</b>
Staff costs.....	487	606	616	601
Other administrative expenses.....	227	235	285	277
Depreciation.....	28	31	31	38
<b>Total operating expenses.....</b>	<b>742</b>	<b>872</b>	<b>932</b>	<b>916</b>
<b>Gross result.....</b>	<b>548</b>	<b>943</b>	<b>1,060</b>	<b>803</b>
Impairment losses on goodwill and investments in associates .....	0	0	0	10
Loan impairment charges .....	106	94	101	85
Regulatory levies.....	22	22	22	19
<b>Operating profit before tax.....</b>	<b>420</b>	<b>827</b>	<b>937</b>	<b>689</b>
Income tax.....	(71)	170	197	191
<b>Net profit.....</b>	<b>491</b>	<b>657</b>	<b>740</b>	<b>498</b>

#### Notes:

<sup>(1)</sup> Prior-year figures adjusted; see paragraph "Changes in business segments".

<sup>(2)</sup> The unadjusted 2016 figures are reported in the consolidated financial statements 2016 and based on the former segment structure. These figures are included for a like-for-like comparison between 2016 and 2015.

### Comparison results of leasing for the years ended 31 December 2017 ended 31 December 2016

**Total income.** DLL's total income decreased by 29 per cent. to €1,290 million in 2017, compared to €1,815 million in 2016. The decrease was mainly due to a 75 per cent. decrease in other income. However, this decrease can be attributed to the December 2016 sale of Athlon, DLL's mobility solutions entity, including all its subsidiaries. Athlon was still contributing to the income of the leasing segment in 2016. On a like-for-like basis, excluding Athlon results from the 2016 figures, total income was stable at €1,290 million in 2017, compared to €1,293 million in 2016.

**Net interest income.** Net interest increased by 10 per cent. to €1,008 million in 2017, compared to €917 million in 2016.

*Net fee and commission income.* Net fee and commission income decreased by €7 million to €75 million in 2017, compared to €82 million in 2016.

*Other income.* Other income mainly consisted of sales results on end-of-lease assets. In 2016, the income from operational lease contracts from Athlon was accounted for in other results, which resulted, together with an impairment for one of the foreign businesses, in a decrease in other results by €609 million to €207 million in 2017, compared to €816 million in 2016.

*Total operating expenses.* Total operating expenses at DLL were down 15 per cent. to €742 million in 2017, compared to €872 million in 2016. However, excluding Athlon results and related restructuring expenses from the 2016 figures, operating expenses increased by 6 per cent.

*Staff costs.* Staff costs were down €119 million, reaching €487 million in 2017, compared to €606 million in 2016. Staff costs increased in line with the higher number of employees.

*Other administrative expenses.* Other administrative expenses decreased 3 per cent. to €227 million in 2017, compared to €235 million in 2016 in line with the administrative completion of the Athlon sale and the transfer of Financial Solutions to Rabobank.

*Depreciation.* Depreciation decreased by €3 million to €28 million in 2017, compared to €31 million in 2016.

*Loan impairment charges.* DLL's loan impairment charges increased by 13 per cent. to €106 million in 2017, compared to €94 million in 2016. Expressed in basis points of the average loan portfolio based on month-end balances, the loan impairment charges amounted to 36 basis points in 2017, compared to 32 basis points in 2016. Loan impairment charges are well below the long-term average (2006-2015) of 60 basis points. As DLL's lease portfolio is spread over more than 30 countries and 8 industries, the credit risk associated with this portfolio is geographically diverse and well balanced across all industry sectors. In 2017, there were no new significant individual default cases.

*Regulatory levies.* Regulatory levies led to an expense of €22 million in 2017, compared to €22 million in 2016.

*Income tax.* Income tax decreased in 2017 by €241 million to minus €71 million, compared to €170 million in 2016 as a result of the changes in US tax rates.

*Net profit.* Net profit decreased 25 per cent. to €491 million in 2017, compared to €657 million in 2016 due to the decrease in other income.

#### ***Comparison results of leasing for the years ended 31 December 2016 and ended 31 December 2015***

*Total income.* DLL's total income increased by 16 per cent. to €1,992 million in 2016, compared to €1,719 million in 2015. The increase was mainly due to a 44 per cent. increase in other income.

*Net interest income.* Net interest decrease by 1 per cent. to €1,086 million in 2016, compared to €1,094 million in 2015.

*Net fee and commission income.* Net fee and commission income rose by €33 million to €90 million in 2016, compared to €57 million in 2015 as a result of a higher activity level.

*Other income.* Other income mainly consisted of sales results on end-of-lease assets and income from operational lease contracts. In December 2016, the sale of Athlon which resulted in a book profit of €251 million, contributed largely to the increase in other income. Consequently, other income rose by 44 per cent. to €816 million in 2016, compared to €568 million in 2015.

*Total operating expenses.* Total operating expenses at DLL were up 2 per cent. to €932 million in 2016, compared to €916 million in 2015. The increase in the number of employees by 149 FTEs in 2016 compared to 2015 contributed to the increase in operating expenses.

*Staff costs.* Staff costs were up €15 million, reaching €616 million in 2016, compared to €601 million in 2015. Due to the sale of Athlon in December, the total number of employees decreased to 4,675 FTEs, but

Athlon still contributed to DLL staff costs until November. In 2016, staff costs showed a modest rise to €616 million, mainly related to regular yearly salary adjustments.

*Other administrative expenses.* Other administrative expenses rose 3 per cent. to €285 million in 2016, compared to €277 million in 2015 due in part to higher costs for regulation and supervision.

*Depreciation.* Lower depreciation of intangible assets led to a decline in depreciation by €7 million to €31 million in 2016, compared to €38 million in 2015.

*Loan impairment charges.* DLL's loan impairment charges increased by 19 per cent. to €101 million in 2016, compared to €85 million in 2015. Expressed in basis points of the average loan portfolio based on month-end balances, the loan impairment charges amounted to 30 basis points in 2016, compared to 25 basis points in 2015. Loan impairment charges are well below the long-term average (2006-2015) of 66 basis points. In 2016 there were no new significant individual default cases.

*Regulatory levies.* Regulatory levies led to an expense of €22 million in 2016, compared to €19 million in 2015.

*Income tax.* Income tax increased in 2016 by €6 million to €197 million compared to €191 million in 2015.

*Net profit.* Net profit increased 49 per cent. to €740 million in 2016 compared to €498 million in 2015 due to the increase in total income and the decrease in loan impairment charges.

### **Real estate**

The following table sets forth certain summarised financial information for Rabobank Group's real estate business for the periods indicated:

	Year ended 31 December			
	2017	2016 (adjusted) <sup>(1)</sup>	2016 (unadjusted) <sup>(2)</sup>	2015
		(in millions of euro)		
Net interest income .....	57	143	293	348
Net fee and commission income.....	59	16	16	29
Other income.....	479	379	379	302
<b>Total income .....</b>	<b>595</b>	<b>538</b>	<b>688</b>	<b>679</b>
Staff costs.....	180	200	215	196
Other administrative expenses.....	154	135	142	124
Depreciation.....	7	4	4	7
<b>Total operating expenses.....</b>	<b>341</b>	<b>339</b>	<b>361</b>	<b>327</b>
<b>Gross result.....</b>	<b>254</b>	<b>199</b>	<b>327</b>	<b>352</b>
Impairment losses on goodwill and investments in associates.....	0	0	0	1
Loan impairment charges .....	(116)	(75)	(75)	90
Regulatory levies.....	4	4	13	15
<b>Operating profit before tax.....</b>	<b>366</b>	<b>270</b>	<b>389</b>	<b>246</b>
Income tax.....	73	70	101	65
<b>Net profit.....</b>	<b>293</b>	<b>200</b>	<b>288</b>	<b>181</b>

#### **Notes:**

(1) Prior-year figures adjusted; see paragraph "Changes in business segments".

(2) The unadjusted 2016 figures are reported in the consolidated financial statements 2016 and based on the former segment structure. These figures are included for a like-for-like comparison between 2016 and 2015.

### **Comparison results of real estate for the years ended 31 December 2017 and 31 December 2016**

*Total income.* Total income in Rabobank Group's real estate business increased by 11 per cent. to €595 million in the 2017, compared to €538 million in 2016.

*Net interest income.* Net interest income decreased by 60 per cent. to €57 million in 2017 compared to €143 million in 2016. Corrected for integration of parts of the loan portfolio of FGH Bank within Rabobank, FGH Bank's average loan portfolio was smaller.

*Net fee and commission income.* Net fee and commission income increased by €43 million to €59 million in 2017 compared to €16 million in 2016 due to higher performance fees at Bouwfonds IM, which are related to the reduction of non-strategic activities.

*Other income.* The increase in the number of houses sold had an upward effect on other results at the real estate segment which increased by €100 million to €479 million in 2017, compared to €379 million in 2016.

*Operating expenses.* Total operating expenses in Rabobank Group's real estate business remained relatively stable at €341 million in 2017, compared to €339 million in 2016.

*Staff costs.* Staff costs decreased by €20 million to €180 million in 2017, compared to €200 million in 2016. The increased commercial activity led to a small increase in the number of employees at BPD and the number of employees at FGH Bank decreased as part of the integration into Rabobank. The number of employees at Bouwfonds IM decreased as a result of the sale of several significant portfolios.

*Other administrative expenses.* Due to higher expenses at all divisions other administrative expenses increased by €19 million to €154 million in 2017, compared to €135 million in 2016.

*Depreciation.* Depreciation increased by €3 million to €7 million in 2017, compared to €4 million in 2016.

*Loan impairment charges.* Loan impairment charges decreased to minus €116 million in 2017, compared to minus €75 million in 2016. Expressed in basis points of the average loan portfolio based on month-end balances, based on month-end balances, the loan impairment charges amounted to minus 521 basis points in 2017, compared to minus 141 basis points in 2016. Loan impairment charges are well below the long-term average (2006-2015) of 80 basis points.

*Regulatory levies.* Regulatory levies led to an expense item of €4 million in 2017, compared to €4 million in 2016.

*Income tax.* Income tax increased by €3 million to €73 million in 2017, compared to €70 million in 2016.

*Net profit.* Net profit increased by €93 million to €293 million in 2017, compared to €200 million in 2016, primarily due to lower loan impairment charges.

#### ***Comparison results of real estate for the years ended 31 December 2016 and 31 December 2015***

*Total income.* Total income in Rabobank Group's real estate business increase by 1 per cent. to €688 million in the 2016 compared to €679 million in 2015.

*Net interest income.* Net interest income decreased 16 per cent. to €293 million in 2016 compared to €348 million in 2015. The decrease of the loan portfolio at FGH Bank resulted in lower net interest income, which was partly offset by higher income from penalty interest received in connection with the early repayment of loans.

*Net fee and commission income.* The reduction in the loan portfolio and the decrease in assets under management influenced net fee and commission income, which fell by €13 million to €16 million in 2016, compared to €29 million in 2015.

*Other income.* Other income was positively influenced by the rise in the number of residential units sold, and the sale of the building 'De Rotterdam' in June 2016. As a result, other income increased by €77 million to €379 million, compared to €302 million in 2015.

*Operating expenses.* Total operating expenses in Rabobank Group's real estate business increased by 10 per cent. to €361 million in 2016, compared to €327 million in 2015, mainly due to an increase in other administrative expenses and staff costs.

*Staff costs.* At area developer BPD, increased commercial activity led to a small increase of the number of employees. For the complete real estate segment this was more than compensated by the decrease of personnel at RVG Holding. The number of employees also increased at Rabo Real Estate Finance. The integration of FGH Bank into Rabobank resulted in additional activities, for which external employees were hired, increasing staff costs by 10 per cent. to €215 million in 2016, compared to €196 million in 2015. Once the integration is finished, the number of employees is expected to fall.

*Other administrative expenses.* The restructuring provision taken for redundant employees at FGH Bank contributed significantly to the increase in other administrative expenses by 15 per cent. to €142 million in 2016, compared to €124 million in 2015.

*Depreciation.* Depreciation decreased by 43 per cent. to €4 million in 2016, compared to €7 million in 2015.

*Loan impairment charges.* Loan impairment charges decreased to negative €75 million in 2016, compared to €90 million in 2015. Expressed in basis points of the average loan portfolio based on month-end balances, based on month-end balances, the loan impairment charges amounted to minus 54 basis points in 2016, compared to 56 basis points in 2015. Loan impairment charges are well below the long-term average (2006-2015) of 94 basis points. Among others the economic recovery led to an increased demand for commercial real estate and retail premises, while the property investment market saw significant activity from both domestic and foreign investors. Mainly due to initiatives to convert vacant buildings, the number of vacant offices and retail premises was decreasing. However, rental prices were still under pressure in areas outside core locations in large cities.

*Regulatory levies.* Regulatory levies led to an expense item of €13 million in 2016, compared to €15 million in 2015.

*Income tax.* Income tax increased by €36 million to €101 million in 2016 compared to €65 million in 2015.

*Net profit.* Net profit increased by €107 million to €288 million in 2016 compared to €181 million in 2015, primarily due to lower loan impairment charges.

### **Loan Portfolio**

The weakening of the US dollar was the main driver behind currency effects' negative impact on the lending book expressed in euros (negative impact around €11 billion). At domestic retail banking - the mortgage portfolio decreased due to a relative high level of repayments and the sale of some small parts of the portfolio. In October 2017 a share of our mortgage portfolio (around €0.6 billion) was sold to La Banque Postale and in December Rabobank sold its Roparco mortgage loan business (around €0.5 billion) to RNHB. The commercial real estate loan exposure of Rabobank is being actively reduced and amounted to €22.9 billion at 31 December 2017 compared to €23.8 billion at 31 December 2016. Excluding currency effects, WRR's loan portfolio and the portfolio of Rabobank's leasing subsidiary DLL saw modest growth.

Loans and advances to customers decreased by €20.2 billion, to €432.6 billion at 31 December 2017 from €452.8 billion at 31 December 2016. The private sector loan portfolio decreased by €13.6 billion to €411.0 billion at 31 December 2017 from €424.6 billion at 31 December 2016. Loans to private individuals, primarily for mortgage finance, were down €3.2 billion to €198.0 billion at 31 December 2017. Residential mortgage loans are granted by local Rabobanks and by Obvion. These loans are secured on underlying properties and have maturities up to 30 years. Loans to the trade, industry and services sector decreased by €6.14 billion to €115.2 billion at 31 December 2017. Lending to the food and agri sector decreased by €4.2 billion to €97.8 billion at 31 December 2017.

The following table shows a breakdown of Rabobank Group's total lending outstanding to the private sector at 31 December 2017, 31 December 2016 and 31 December 2015, by category of borrower:

	As at 31 December					
	2017		2016		2015 (restated)	
	<i>(in billions of euro and as percentage of total private sector lending)</i>					
Private individuals.....	198.0	48%	201.2	47%	207.8	48%
Trade, industry and services .....	115.2	28%	121.3	29%	127.7	29%
Food and agri. ....	97.8	24%	102.0	24%	98.4	23%
<b>Total private sector lending .....</b>	<b>411.0</b>	<b>100%</b>	<b>424.6</b>	<b>100%</b>	<b>433.9</b>	<b>100%</b>

The maturities of loans granted by Rabobank Group vary from overdraft facilities to 30-year term loans.

The following table provides a breakdown of the remaining maturity of Rabobank Group's total loans and advances to customers (public and private sector) and professional securities transactions at 31 December

2017 and 31 December 2016. These amounts are non-restated for the netting of cash pooling arrangements and correspond to the audited consolidated financial statements for the year ended 31 December 2017:

	As at 31 December			
	2017		2016	
	<i>(in millions of euro and as percentage of total loans and advances to customers)</i>			
Less than 1 year.....	85,860	22%	103,206	22%
More than 1 year .....	346,704	78%	349,601	78%
<b>Total loans and advances to customers.....</b>	<b>432,564</b>	<b>100%</b>	<b>452,807</b>	<b>100%</b>

### **Funding\***

Total deposits from customers decreased by €7.0 billion to €340.7 billion at 31 December 2017, including the effect of the change in accounting policies. The balance held in savings deposits decreased by €0.2 billion to €142.1 billion. Other deposits from customers (including current accounts, repurchase agreements and time deposits) decreased by €7.2 billion to €198.1 billion at 31 December 2017. At 31 December 2017, debt securities in issue (including certificates of deposit, commercial paper and bonds) totalled €134.4 billion compared to €159.3 billion at 31 December 2016. Savings deposits (except fixed-time deposits, from 1 month to 20 years) generally bear interest at rates that Rabobank can unilaterally change.

The following table shows Rabobank Group's sources of funding by source at 31 December 2017, 31 December 2016 and 31 December 2015:

	As at 31 December		
	2017	2016	2015 (restated)
	<i>(in millions of euro)</i>		
Current accounts .....	77,914	76,757	77,966
Deposits with agreed maturity.....	74,536	82,909	96,363
Deposits redeemable at notice.....	178,162	175,943	162,083
Repurchase agreements .....	108	212	488
Other due to customers.....	1	34	607
Debt securities in issue.....	134,423	159,342	174,991
Financial liabilities designated at fair value.....	13,792	16,520	16,991
<b>Total .....</b>	<b>478,936</b>	<b>511,717</b>	<b>529,489</b>

Rabobank Group also receives funds from the inter-bank and institutional markets. Rabobank Group's total due to other banks was €18.9 billion at 31 December 2017, a 14 per cent. decrease from €22 billion at 31 December 2016.

### **Other Financial Assets**

Other financial assets comprise debt securities and other assets. Other financial assets are subdivided into the following categories:

Financial assets held for trading;

Other financial assets at fair value through profit or loss; and

Available-for-sale financial assets.

The tables below show Rabobank Group's financial assets in the years indicated.

Other financial assets as at 31 December 2017				
	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Total
	<i>(in millions of euro)</i>			
Purchased loans.....	193	700	0	893
Short-term government securities.....	2	0	1,362	1,364
Government bonds .....	496	0	22,418	22,914

Other financial assets as at 31 December 2017				
	Financial assets held for trading	Financial assets designated at fair value	Available- for-sale financial assets	Total
	<i>(in millions of euro)</i>			
Other debt securities.....	1,006	126	4,342	5,474
<b>Total debt securities .....</b>	<b>1,697</b>	<b>826</b>	<b>28,122</b>	<b>30,645</b>
Venture capital.....	0	333	0	333
Other equity instruments .....	63	35	567	665
<b>Total other assets.....</b>	<b>63</b>	<b>368</b>	<b>567</b>	<b>998</b>
<b>Total .....</b>	<b>1,760</b>	<b>1,194</b>	<b>28,689</b>	<b>31,643</b>
Category 1 <sup>(1)</sup> .....	1,481	143	24,645	26,269
Category 2 <sup>(2)</sup> .....	216	529	3,512	4,257
Category 3 <sup>(3)</sup> .....	63	522	532	1,117

Other financial assets as at 31 December 2016				
	Financial assets held for trading	Financial assets designated at fair value	Available- for-sale financial assets	Total
	<i>(in millions of euro)</i>			
Purchased loans.....	272	854	0	1,126
Short-term government securities.....	0	0	1,602	1,602
Government bonds .....	603	0	27,010	27,613
Other debt securities.....	1,123	32	5,133	6,288
<b>Total debt securities .....</b>	<b>1,998</b>	<b>886</b>	<b>33,745</b>	<b>36,629</b>
Venture capital.....	0	314	0	314
Other equity instruments .....	587	121	835	1,543
<b>Total other assets.....</b>	<b>587</b>	<b>435</b>	<b>835</b>	<b>1,857</b>
<b>Total .....</b>	<b>2,585</b>	<b>1,321</b>	<b>34,580</b>	<b>38,486</b>
Category 1 <sup>(1)</sup> .....	2,011	48	29,693	31,752
Category 2 <sup>(2)</sup> .....	485	759	4,347	5,591
Category 3 <sup>(3)</sup> .....	89	514	540	1,143

Other financial assets as at 31 December 2015				
	Financial assets held for trading	Financial assets designated at fair value	Available- for-sale financial assets	Total
	<i>(in millions of euro)</i>			
Purchased loans.....	520	1,006	0	1,526
Short-term government securities.....	19	0	1,191	1,210
Government bonds .....	1,073	0	30,053	31,126
Other debt securities.....	1,637	791	5,594	8,022
<b>Total debt securities .....</b>	<b>3,249</b>	<b>1,797</b>	<b>36,838</b>	<b>41,884</b>
Venture capital.....	0	270	0	270
Other equity instruments .....	223	129	935	1,287
<b>Total other assets.....</b>	<b>223</b>	<b>399</b>	<b>935</b>	<b>1,557</b>
<b>Total .....</b>	<b>3,472</b>	<b>2,196</b>	<b>37,773</b>	<b>43,441</b>
Category 1 <sup>(1)</sup> .....	2,385	24	33,068	35,447
Category 2 <sup>(2)</sup> .....	961	1,187	4,111	6,259
Category 3 <sup>(3)</sup> .....	126	985	594	1,705

**Notes:**

<sup>(1)</sup> Category 1: quoted prices in active markets for identical assets or liabilities;

<sup>(2)</sup> Category 2: inputs other than quoted prices included in category 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

<sup>(3)</sup> Category 3: inputs for the asset or liability not based on observable market data.

**Credit-related Commitments\***

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 of unused funds, however, because 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.

	As at 31 December		
	2017	2016 (in millions of euro)	2015 (restated)
Total credit related commitments .....	87,549	113,506	117,474

### ***Investments and Divestments***

The most significant acquisitions and divestments during the period covered by this discussion up to the date of this Base Prospectus is Rabobank's sale of the outstanding share capital of Van Lanschot Kempen which it had acquired as part of the acquisition of Friesland Bank in 2012 on 11 September 2017 for approximately €100 million.

### ***Capital Adequacy***

Rabobank wishes to have an adequate solvency position, which it manages based on a number of ratios. The principal ratios are the CET1 Ratio, the Tier 1 ratio, the total capital ratio and the equity capital ratio. Rabobank's internal targets exceed the regulators' minimum requirements as it anticipates market expectations and developments in laws and regulations. Rabobank seeks to stand out from other financial institutions, managing its solvency position based on policy documents. The Risk Management Committee and the Asset and Liability Committee, the Managing Board and the Supervisory Board periodically discuss the solvency position and the targets to be used.

Rabobank must comply with a number of minimum solvency positions stipulated under the law. The solvency position is determined based on ratios. These ratios compare Rabobank's total capital and Common Equity Tier 1 Capital with the total amount of the risk-weighted assets.

The determination of the risk-weighted assets is based on separate methods for credit risk, operational risk and market risk. The risk-weighted assets are determined for credit risk purposes in many different ways. For most assets the risk weight is determined with reference to internal ratings and a number of characteristics specific to the asset concerned. For off-balance sheet items the balance sheet equivalent is calculated first, on the basis of internal conversion factors. The resulting equivalent amounts are then also assigned risk-weightings. An Advanced Measurement Approach Model is used to determine the amount with respect to the risk-weighted assets for operational risk. With the market risk approach, the general market risk is hedged, as well as the risk of open positions in foreign currencies, debt and equity instruments, as well as commodities.

The CET1 Ratio, the Tier 1 ratio and the total capital ratio are the most common ratios used to measure solvency. The CET1 Ratio expresses the relationship between Common Equity Tier 1 Capital and total risk-weighted assets. At 31 December 2017, Rabobank Group's CET1 Ratio stood at 15.8 per cent. (year-end 2016: 14.0 per cent.). Effective 1 January 2014, the minimum required percentages are determined on the basis of CRD IV/CRR. The total required (end state in 2019) CET1 Ratio amounts to 11.75 per cent.

Risk-weighted assets were down €13.0 billion to €198.2 billion at 31 December 2017 compared to €211.2 billion at 31 December 2016. Common Equity Tier 1 Capital increased by €1.6 billion to €31.2 billion at 31 December 2017 compared to €29.6 billion at 31 December 2016. See "*Regulation of Rabobank Group*" for further discussion of the Basel standards.

The Tier 1 ratio expresses the relationship between Tier 1 capital and total risk-weighted assets. As at 31 December 2017, Rabobank Group's Tier 1 ratio stood at 18.8 per cent. (year-end 2016: 17.6 per cent.). The total required (end state in 2019) Tier 1 ratio amounts to 13.25 per cent.



The total capital ratio is calculated by dividing the total of Tier 1 and Tier 2 capital by the total of risk-weighted assets. At 31 December 2017, the total capital ratio stood at 26.2 per cent. (year-end 2016: 25.0 per cent.). The total required (end state in 2019) total capital ratio amounts to 15.25 per cent. cash flow.

The following table sets forth the development in capital and solvency ratios of Rabobank Group at 31 December 2017, 31 December 2016 and 31 December 2015:

#### *Development in capital and solvency ratios*

	As at 31 December					
	2017		2016		2015	
	<i>(in millions of euros, except percentages)</i>					
Common Equity Tier 1 Capital .....	31,263		29,618		28,754	
CET1 Ratio .....	15.8	%	14.0	%	13.5	%
Fully Loaded CET1 Ratio* .....	15.5	%	13.5	%	12.0	%
Tier 1 capital .....	37,204		37,079		35,052	
Tier 1 ratio.....	18.8	%	17.6	%	16.4	%
Qualifying capital.....	51,923		52,873		49,455	
Total capital ratio .....	26.2	%	25.0	%	23.2	%

#### *Cash flow*

The following table sets forth Rabobank Group's cash flow for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016 (restated)	2015 (restated)
	<i>(in millions of euro)</i>		
Net cash flow from operating activities .....	1,547	35,474 <sup>(1)</sup>	18,060
Net cash flow from investing activities .....	49	1,215 <sup>(2)</sup>	(1,693)
Net cash flow from financing activities .....	(17,807)	(16,422) <sup>(3)</sup>	3,131
Net change in cash and cash equivalents .....	(16,211)	20,267	19,498
Cash and cash equivalents at 1 January .....	84,405	64,943	43,409
Net change in cash and cash equivalents .....	(16,211)	20,267	19,498
Foreign exchange differences on cash and cash equivalents..	(1,333)	(805)	2,036
<b>Cash and cash equivalent.....</b>	<b>66,861</b>	<b>84,405</b>	<b>64,943</b>

#### **Notes:**

- <sup>(1)</sup> Comparative figure 'Net cash flow from operating activities' for the year ended 31 December 2016 was restated from €21,243 million to €35,474 million.
- <sup>(2)</sup> Comparative figure 'Net cash flow from investing activities' for the year ended 31 December 2016 was restated from minus €203 million to €1,215 million.
- <sup>(3)</sup> Comparative figure 'Net cash flow from financing activities' for the year ended 31 December 2016 was restated from minus €773 million to minus €16,422 million.

Net cash flow from operating activities was €1,547 million year ended 31 December 2017 compared to €35,474 million year ended 31 December 2016, mainly due to a net change in assets and liabilities relating to operating activities.

Net cash flow from investing activities was minus €49 million in the year ended 31 December 2017 compared to minus €1,215 million year ended 31 December 2016, mainly due to sales in the available-for-sale financial assets.

Net cash flow from financing activities was minus €17,807 million in the year ended 31 December 2017 compared to minus €16,422 million year ended 31 December 2016, mainly due to the issue of capital securities minus payments on equity instruments.

#### *Working capital*

In the opinion of Rabobank Group, its working capital is sufficient for its present requirements, that is for at least 12 months following the date of this Base Prospectus. Rabobank Group currently complies with the applicable own funds and liquidity requirements as set out in the CRD IV Directive as implemented in the FMSA and CRR.

### Selected Statistical Information\*

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

#### Return on equity and assets

	2017	2016	2015
Return on assets (in percentages) <sup>(1)</sup> .....	0.42	0.30	0.32
Net profit (in millions of euro) .....	2,674	2,024	2,214
Total average assets (month-end balances in billions of euro) .....	635.3	679.1	686.1
Return on equity (in percentages) <sup>(2)</sup> .....	6.58	4.96	5.42
Net profit (in millions of euro) .....	2,674	2,024	2,214
Total average equity (quarter-end balance in billions of euro) .....	40.6	40.8	40.9
Equity to assets ratio (in percentages) <sup>(3)</sup> .....	6.41	6.01	5.95
Total average equity (quarter-end balances in billions of euro) .....	40.6	40.8	40.9
Total average assets (quarter-end balances in billions of euro) .....	633.7	679.1	686.6

#### Notes:

The return on assets states net profit as a percentage of total average assets, based on month-end balances.

<sup>(1)</sup> The return on equity is a profitability ratio which states net profit as a percentage of average equity, based on quarter-end balances.

<sup>(2)</sup> The equity to assets ratio is a leverage ratio and is calculated by dividing average equity by average total assets, based on quarter-end balances.

The following table presents information relating to payments on Rabobank Certificates for the year ended 31 December 2017, 31 December 2016 and 31 December 2015:

	2017	2016	2015
<i>(in millions of eur, except percentages)</i>			
Average outstanding Rabobank Certificates <sup>(1)</sup> .....	7,331	5,948	5,949
Payments .....	484	387	387
Average yield <sup>(2)</sup> .....	6.60 %	6.50 %	6.51 %

#### Notes:

<sup>(1)</sup> Average outstanding Rabobank Certificates based on month-end balances.

<sup>(2)</sup> Average yield is calculated by dividing payments by the average outstanding Rabobank Certificates.

#### Loan portfolio

Rabobank Group's loan portfolio consists of loans, overdrafts, assets subject to operating leases, finance lease receivables to governments, corporations and consumers and reverse repurchase agreements. The following table analyses Rabobank Group's loan portfolio by sector at 31 December 2017, 31 December 2016 and 31 December 2015:

	As at 31 December		
	2017	2016	2015 (restated)
		<i>(in billions of euro)</i>	
Private sector lending .....	411.0	424.6	425.6
Loans to government clients .....	2.3	3.3	3.4
Receivables relating to securities transactions .....	12.9	16.3	19.7
Hedge accounting .....	6.4	8.6	9.0
Change in accounting policy .....	0	0	8.3
<b>Total loans and advances to customers .....</b>	<b>432.6</b>	<b>452.8</b>	<b>466.0</b>
Loan impairment allowance loans and advances to customers .....	(5.4)	(7.5)	(8.4)
Reclassified assets .....	0.01	0.4	0.8
<b>Gross loans and advances to customers .....</b>	<b>437.9</b>	<b>459.9</b>	<b>473.6</b>

The following table sets forth a geographic breakdown of Rabobank Group's private sector loan portfolio at 31 December 2017, 31 December 2016 and 31 December 2015:

	As at 31 December		
	2017	2016	2015 (restated)
	<i>(in millions of euro)</i>		
The Netherlands .....	298,583	304,723	321,798
Other European countries in the EU zone.....	28,493	28,895	27,185
North America.....	41,831	45,985	42,241
Latin America .....	12,467	13,680	12,741
Asia .....	8,076	9,624	9,502
Australia.....	21,191	21,315	20,116
Africa .....	323	329	344
<b>Total private sector lending .....</b>	<b>410,964</b>	<b>424,551</b>	<b>433,927</b>

## Risk Elements

### Breakdown of assets and liabilities by repayment date

The table below shows assets and liabilities grouped according to the period remaining from the reporting date to the contractual repayment date. These amounts correspond with the amounts included in the consolidated statement of financial position.

Current and non-current financial instruments	On 31 December 2017						Total
	On demand	Less than 3 mont hs	3 months to 1 year	1-5 years	Longer than 5 years	No maturit y applica ble	
	<i>in millions of euros</i>						
<b>Financial assets</b>							
Cash and cash equivalents .....	65,700	23	28	—	—	1,110	66,861
Loans and advances to banks ..	14,056	7,873	1,169	616	233	3,307	27,254
Financial assets held for trading .....	54	51	213	754	625	63	1,760
Financial assets designated at fair value .....	—	150	19	167	505	353	1,194
Derivatives .....	877	895	1,810	5,930	15,993	—	25,505
Loans and advances to customers .....	21,716	25,016	32,556	97,912	248,792	6,572	432,564
Available for sale financial assets .....	317	987	4,242	18,707	4,002	434	28,689
Other assets (excluding employee benefits).....	602	2,633	2,297	770	258	1,395	7,955
<b>Total financial assets .....</b>	<b>103,322</b>	<b>37,628</b>	<b>42,334</b>	<b>124,856</b>	<b>270,408</b>	<b>13,234</b>	<b>591,782</b>
<b>Financial liabilities</b>							
Deposits from banks .....	4,991	991	1,716	4,262	1,279	5,683	18,922
Deposits from customers .....	262,247	25,538	10,707	16,036	17,887	8,267	340,682
Debt securities in issue .....	7,326	19,220	30,618	58,132	19,127	—	134,423
Derivatives .....	1,058	1,187	1,817	6,996	16,963	82	28,103
Financial liabilities held for trading .....	—	581	—	—	—	—	581
Other liabilities (excluding employee benefits).....	2,743	2,799	1,351	636	48	402	7,979
Financial liabilities designated at fair value.....	72	181	791	3,794	8,954	—	13,792
Subordinated liabilities .....	—	—	21	4,248	11,901	—	16,170
<b>Total financial liabilities .....</b>	<b>278,437</b>	<b>50,497</b>	<b>47,021</b>	<b>94,104</b>	<b>76,159</b>	<b>14,434</b>	<b>560,652</b>
	<b>(175,115)</b>						
<b>Net balance.....</b>	<b>5</b>	<b>(12,869)</b>	<b>(4,687)</b>	<b>30,752</b>	<b>194,249</b>	<b>(1,200)</b>	<b>31,130</b>

The overview presented above has been composed on the basis of contractual information and does not represent the actual movements of these financial instruments. However, this is taken into account for the day-to-day management of the liquidity risk. Customer savings are an example. Under contract, these are payable on demand. Historically, this is a very stable source of long-term financing that Rabobank has at its disposal.

### ***Interest rate sensitivity\****

The key indicators used for managing the interest rate risk are the Basis Point Value ("BPV"), the Equity at Risk and the Income at Risk.

The BPV is the absolute loss of economic value of equity after a parallel shift of the yield curve with 1 basis point. In 2017, the BPV was 6.9 million.

Long-term interest rate risk is measured and managed using the Equity at Risk concept. Equity at Risk is the sensitivity of Rabobank Group's economic value of equity to interest rate fluctuations. A 100 basis point overnight upward parallel shock of the curve will result in a 2.0 per cent. drop in economic value of equity (figure at 31 December 2017).

Short-term interest rate risk is monitored using the Income at Risk concept. This is the amount of net interest income that is put at risk on an annual basis, based on certain interest rate scenarios. If interest rates were to gradually decrease 10 basis points over a one-year period, net interest income would decrease by €148 million (figure at 31 December 2017).

### ***Cross-border outstandings\****

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

At 31 December 2017, there were no cross-border outstandings exceeding 1 per cent. of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following table analyses cross-border outstandings at the end of each of the last three years and as at 31 December 2017, stating the name of the country and the aggregate amount of cross-border outstandings in each foreign country where such outstandings exceeded 1 per cent. of total assets, by type of borrower:

	<b>Banks</b>	<b>Public authorities</b>	<b>Private sector</b>	<b>Total</b>
	<i>(in millions of euros)</i>			
<b>As at 31 December 2017</b>				
France.....	5,526	3,052	1,280	9,858
United Kingdom.....	10,895	1	8,921	19,817
<b>As at 31 December 2016</b>				
France.....	5,940	3,142	1,261	12,355
United Kingdom.....	7,923	1	9,531	19,910
Switzerland .....	527	7,072	1,867	9,466
<b>As at 31 December 2015</b>				
France.....	6,277	3,441	1,386	11,104
United Kingdom.....	6,888	7	13,544	20,439
Switzerland .....	182	9,910	1,969	12,061
United States .....	1,761	1,388	4,230	7,379
<b>As at 31 December 2014</b>				
France.....	8,522	3,484	3,343	15,349
United Kingdom.....	13,641	1	13,245	26,887
Switzerland .....	382	5,433	1,596	7,411
United States .....	2,851	1,640	4,411	8,902

### ***Diversification of loan portfolio\****

One of the principal factors influencing the quality of the earnings and the loan portfolio is diversification of loans, e.g. by industry or by region. Rabobank Group uses the North America Industry Classification System ("NAICS") as the leading system to classify industries. NAICS distinguishes a large number of sectors, subsectors and industries.

The following table is based on data according to NAICS and represents the loan portfolio of Rabobank Group loans by main sector at 31 December 2017:

	At 31 December 2017		
	On balance	Off balance (in millions of euros)	Total
Grain and oilseeds .....	18,768	418	19,186
Animal protein .....	15,376	152	15,528
Dairy .....	22,175	110	22,285
Fruit and vegetables .....	10,251	178	10,429
Farm inputs .....	9,243	353	9,596
Food retail and food service .....	4,727	128	4,855
Beverages .....	2,915	12	2,927
Flowers .....	1,662	2	1,664
Sugar .....	2,539	23	2,562
Miscellaneous crop farming .....	1,231	1	1,232
Other food and agri .....	8,895	1,052	9,947
<b>Total private sector lending to food and agri .....</b>	<b>97,782</b>	<b>2,429</b>	<b>100,211</b>
Lessors of real estate .....	14,925	31	14,956
Finance and insurance (except banks) .....	11,618	2,215	13,833
Wholesale .....	11,102	4,810	15,913
Activities related to real estate .....	8,689	27	8,716
Manufacturing .....	8,853	738	9,591
Transportation and warehousing .....	6,317	121	6,438
Construction .....	4,647	364	5,011
Healthcare & social assistance .....	5,378	37	5,415
Professional, scientific and technical services .....	9,188	262	9,45
Retail (except food and beverages) .....	4,416	286	4,702
Utilities .....	2,428	623	3,051
Information and communication .....	1,190	5	1,195
Arts, entertainment and recreation .....	1,217	14	1,231
Other services .....	25,224	2,475	26,699
<b>Total private sector lending to trade, industry and services .....</b>	<b>115,192</b>	<b>12,008</b>	<b>127,201</b>
Private individuals .....	197,990	150	198,140
<b>Total private sector lending .....</b>	<b>410,964</b>	<b>12,159</b>	<b>423,123</b>

Apart from loans and advances to banks (€27.2 billion at 31 December 2017 which is 4.5 per cent. of total assets), Rabobank's only significant risk concentration is in the portfolio of loans to private individuals which accounted for 48 per cent. of the private sector loan portfolio at 31 December 2017. This portfolio has a relatively low risk profile as evidenced by the actual losses incurred in previous years. The proportion of the total loan portfolio attributable to the food and agri sector was 24 per cent. at 31 December 2017. The proportion of the total loan portfolio attributable to trade, industry and services was 28 per cent. at 31 December 2017. Loans to trade, industry and services and loans to the food and agri sector are both spread over a wide range of industries in many different countries. None of these shares represents more than 10 per cent. of the total loan portfolio.

#### **Non-performing loans\***

Rabobank focuses on non-performing loans. These meet at least one of the following criteria:

- They are material loans in arrears by more than 90 days. The threshold for materiality amounts to €1,000 per facility for retail exposures and expert judgement for other asset classes within Rabobank Group;
- The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or the number of days past due.

At 31 December 2017, these loans amounted to €18,315 million (2016: €18,873 million). The loan impairment allowance covered 30.0 per cent. (2016: 40.0 per cent.) of the non-performing loans. Over and above the loan impairment allowance, additional coverage is raised through collateral and other securities. Rabobank applies the one-obligor principle for the corporate portfolio, which means that the exposure to all counterparties belonging to the same group is taken into account. In addition, the full exposure to a client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of security or collateral. At 31 December 2017, non-performing loans corresponded to 4.5 per cent. (2016: 4.4 per cent.) of the private sector loan portfolio.

The following table provides an analysis of Rabobank Group's non-performing loans by business at 31 December 2017, 31 December 2016 and 31 December 2015:

	<b>At 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(in millions of euros)</i>	<b>(restated)</b>	<b>(restated)</b>
Domestic retail banking .....	10,036	8,193 <sup>(1)</sup>	9,407
WRR .....	6,329	6,754 <sup>(2)</sup>	5,662
Leasing.....	450	576 <sup>(3)</sup>	682
Real estate .....	1,500	3,350	4,013
<b>Rabobank Group.....</b>	<b>18,315</b>	<b>18,873</b>	<b>19,763</b>

**Notes:**

- <sup>(1)</sup> Comparative figure 'Domestic retail banking' for the year ended 31 December 2016 was restated from €8,185 million to €8,193 million.  
<sup>(2)</sup> Comparative figure 'WRR' for the year ended 31 December 2016 was restated from €6,421 million to €6,754 million.  
<sup>(3)</sup> Comparative figure 'Leasing' for the year ended 31 December 2016 was restated from €575 million to €576 million.

**Summary of loan loss experience**

The following table shows the movements in the allocation of the allowance for loan losses on loans accounted for as loans to customers for 31 December 2017, 31 December 2016 and 31 December 2015:

	<b>At 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
		<b>(restated)<sup>(1)</sup></b>	<b>(restated)</b>
		<i>(in millions of euros)</i>	
Domestic retail banking .....	3,317	4,051	4,836
WRR .....	3,099	2,961	2,816
Leasing.....	259	251	378
Real estate .....	797	1,095	1,270
Other .....	15	33	48
<b>Balance on 1 January .....</b>	<b>7,487</b>	<b>8,391</b>	<b>9,348</b>
Domestic retail banking .....	(172)	107	377
WRR .....	118	311	509
Leasing.....	145	125	120
Real estate .....	(114)	(73)	91
Other .....	(15)	4	(10)
<b>Loan impairment charges from loans and advances to customers .....</b>	<b>(38)</b>	<b>474</b>	<b>1,087</b>
Domestic retail banking .....	(632)	(966)	(1,440)
WRR .....	(1,047)	(203)	(478)
Leasing.....	(136)	(132)	(167)
Real estate .....	(204)	(240)	(218)
Other .....	(—)	(7)	(4)
<b>Write-down of defaulted loans during the period .....</b>	<b>(2,019)</b>	<b>(1,548)</b>	<b>(2,307)</b>
Domestic retail banking .....	31	125	190
WRR .....	(60)	30	52
Leasing.....	(24)	15	(9)
Real estate .....	69	15	32
Other .....	0	(15)	(2)
<b>Interest and other adjustments .....</b>	<b>16</b>	<b>170</b>	<b>263</b>
Domestic retail banking .....	2,544	3,317	3,963
WRR .....	2,110	3,099	2,899
Leasing.....	244	259	322
Real estate .....	548	797	1,175
Other .....	—	15	32
<b>Balance on end of period.....</b>	<b>5,446</b>	<b>7,487</b>	<b>8,391</b>

**Notes:**

- <sup>(1)</sup> Prior-year figures adjusted; see paragraph "Changes in business segments".

### ***Deposits from customers***

The following table presents a breakdown of deposits from customers at 31 December 2017, 31 December 2016 and 31 December 2015. Interest rates paid on time deposits and savings deposits reflect market conditions and not all current accounts earn interest.

	<b>At 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b> <b>(restated)</b>
		<i>(in millions of euros)</i>	
Current accounts .....	77,914	76,757	77,966
Deposits with agreed maturity .....	74,536	82,909	96,363
Deposits redeemable at notice .....	178,162	175,943	162,083
Repurchase agreements .....	108	212	488
Fiduciary deposits .....	9,961	11,857	8,984
Other deposits from customers .....	1	34	-
<b>Total due to customers .....</b>	<b>340,682</b>	<b>347,712</b>	<b>345,884</b>

### ***Short-term borrowings\****

Short-term borrowings are borrowings with an original maturity of one year or less. These are included in Rabobank Group's consolidated statement of financial position within the line item "Debt securities in issue". The following table includes an analysis of the balance of short-term borrowings at 31 December 2017, 31 December 2016 and 31 December 2015 is provided below.

	<b>At 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
		<i>(in millions of euros)</i>	
End of period balance .....	37,727	45,796	52,953
Average balance .....	41,514	54,306	55,087
Maximum month-end balance .....	48,724	59,422	65,076

### ***Long-term borrowings\****

Long-term borrowings are borrowings with an original maturity of more than one year. These are included in Rabobank Group's consolidated statement of financial position within the line items "Debt securities in issue" and "Other financial liabilities at fair value through profit or loss". The following table includes an analysis of the balance of long-term borrowings at 31 December 2017, 31 December 2016 and 31 December 2015 is provided below.

	<b>At 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
		<i>(in millions of euros)</i>	
End of period balance .....	110,488	130,066	139,029
Average balance .....	118,774	136,811	151,383
Maximum month-end balance .....	125,365	142,230	160,664

## E.4 Selected Financial Information

The following selected financial data for the year ended 31 December 2015 are derived from the audited consolidated financial statements of Rabobank Group for the year ended 31 December 2016, the following selected financial data for the years ended 31 December 2017 and 2016 are derived from the audited consolidated financial statements of Rabobank Group for the year ended 31 December 2017, which has been audited by PricewaterhouseCoopers Accountants N.V. The financial ratios, excluding the leverage ratio, the fully loaded common equity tier 1 ratio and loan impairment charges in basis points of average lending which are marked with an asterisk (\*), are derived from the audited consolidated financial statements of Rabobank Group for the years ended 31 December 2017 and 31 December 2016.

The data should be read in conjunction with the Audited Consolidated Financial Statements (and related notes), incorporated by reference herein and "Important Information — Presentation of Financial and other Information", "Capitalisation and indebtedness of Rabobank Group" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Base Prospectus. Rabobank Group's Audited Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union and comply with Part 9 of Book 2 of the Dutch Civil Code.

Pursuant to mandatory audit firm rotation rules in The Netherlands, PricewaterhouseCoopers Accountants N.V. has succeeded Ernst & Young Accountants LLP as Rabobank's independent auditor for financial periods beginning 1 January 2016.

*The financial data in the (sub) paragraphs in this chapter marked with an asterisk (\*) has not been directly extracted from the Audited Consolidated Financial Statements but instead is derived from other accounting records of Rabobank.*

### Consolidated statement of financial position

	At 31 December		
	2017	2016	2015 (restated)
	(in millions of euros)		
<b>Assets</b>			
Cash and cash equivalents .....	66,861	84,405	64,943
Loans and advanced to banks .....	27,254	25,444	32,434
Financial assets held for trading .....	1,760	2,585	3,472
Financial assets designated at fair value .....	1,194	1,321	2,196
Derivatives .....	25,505	42,372	48,113
Loans and advances to customers .....	432,564	452,807	465,993
Available-for-sale financial assets .....	28,689	34,580	37,773
Investments in associates and joint ventures .....	2,521	2,417	3,672
Goodwill and other intangible assets .....	1,002	1,089	1,493
Property and equipment .....	4,587	4,590	7,765
Investment properties .....	193	293	381
Current tax assets .....	175	171	193
Deferred tax assets .....	1,733	2,360	2,390
Other assets .....	7,961	7,878	7,854
Non-current assets held for sale .....	992	281	155
<b>Total assets .....</b>	<b>602,991</b>	<b>662,593</b>	<b>678,827</b>

	At 31 December		
	2017	2016 (restated)	2015 (restated)
	(in millions of euros)		
<b>Liabilities</b>			
Deposits from banks .....	18,922	22,006	19,038
Deposits from customers .....	340,682	347,712	345,884
Debt securities in issue .....	134,423	159,342	174,991
Financial liabilities held for trading .....	581	739	573
Financial liabilities designated at fair value .....	13,792	16,520	16,991
Derivatives .....	28,103	48,024	54,556
Other liabilities .....	8,271	8,432	8,323
Provisions .....	1,537	1,510	993
Current tax liabilities .....	248	305	203
Deferred tax liabilities .....	396	618	575
Subordinated liabilities .....	16,170	16,861	15,503



	At 31 December		
	2017	2016 (restated)	2015 (restated)
	(in millions of euros)		
Liabilities held for sale.....	256	-	-
<b>Total liabilities</b> .....	<b>563,381</b>	<b>622,069</b>	<b>637,630</b>

	At 31 December		
	2017	2016	2015 (restated)
	(in millions of euros)		
Equity			
Reserves and retained earnings .....	25,376	25,821	25,623
Equity instruments issued by Rabobank.....			
- Rabobank Certificates .....	7,440	5,948	5,949
- Capital Securities .....	5,759	7,636	7,826
	<b>13,199</b>	<b>13,584</b>	<b>13,775</b>
Equity instruments issued by subsidiaries			
- Capital Securities .....	166	185	176
- Trust Preferred Securities III to VI.....	394	409	1,131
	<b>560</b>	<b>594</b>	<b>1,307</b>
Other non-controlling interests .....	475	525	492
Total equity .....	<b>39,610</b>	<b>40,524</b>	<b>41,197</b>
<b>Total equity and liabilities</b> .....	<b>602,991</b>	<b>622,593</b>	<b>678,827</b>

See "Management's Discussion and Analysis of Financial Condition and Results of Operations —Change in accounting policies and presentation" for a comparison of the figures that were adjusted in the audited consolidated financial statements for the year ended 31 December 2017 compared to the audited consolidated financial statements for the year ended 31 December 2016.

### Condensed Consolidated Statement of Income

	At 31 December		
	2017	2016 (restated)	2015
	(in millions of euros)		
Net interest income .....	8,843	8,835	9,139
Net fee and commission income.....	1,915	1,826	1,892
Other income.....	1,243	2,144	1,983
<b>Income</b> .....	<b>12,001</b>	<b>12,805</b>	<b>13,014</b>
Staff costs.....	4,472	4,680	4,786
Other administrative expenses.....	3,176	3,476	2,916
Depreciation .....	406	438	443
<b>Operating expenses</b> .....	<b>8,054</b>	<b>8,594</b>	<b>8,145</b>
Impairment losses on goodwill and investments in associates.....	0	700	623
Loan impairment charges .....	(190)	310	1,033
Regulatory levies.....	505	483	344
Operating profit before tax .....	3,632	2,718	2,869
Income tax.....	958	694	655
<b>Net profit</b> .....	<b>2,674</b>	<b>2,024</b>	<b>2,214</b>
Of which attributed to Rabobank.....	1,509	749	880
Of which attributed to holders of Rabobank Certificates.....	484	387	387
Of which attributed to Capital Securities issued by Rabobank .....	586	762	794
Of which attributed to Capital Securities issued by subsidiaries.....	15	15	15
Of which attributed to Trust Preferred Securities III to VI .....	22	47	63
Of which attributed to non-controlling interests .....	58	64	75
<b>Net profit for the year</b> .....	<b>2,674</b>	<b>2,024</b>	<b>2,214</b>

### Financial Ratios:

	2017		2016		2015	
Total capital ratio .....	26.2	%	25.0	%	23.2	%
Tier 1 ratio.....	18.8	%	17.6	%	16.4	%
CET1 Ratio .....	15.8	%	14.0	%	13.5	%
Fully Loaded Common Equity Tier 1 ratio*.....	15.5	%	13.5	%	12.0	%

	<b>2017</b>		<b>2016</b>		<b>2015</b>	
Equity capital ratio .....	17.3	%	15.0	%	14.7	%
Leverage ratio* .....	6.0	%	5.5	%	5.1	%
Loan impairment charges (in basis points of average lending)* ...	(5)		7		24	

## E.5 Risk Management

Rabobank Group places a high priority on the management of risk and has extensive procedures in place for systematic risk management. Within Rabobank Group, the risk management policies relating to interest rate risk, market risk and liquidity risk are developed and monitored by the Risk Management Committee Rabobank Group ("**RMC**") in cooperation with the Risk Management Department. The RMC is responsible for financial and non-financial risk management, establishing risk policy, setting risk measurement standards, broadly determining limits and monitoring developments, and advising the Managing Board on all relevant issues regarding risk management.

The principal risks faced by Rabobank Group are credit risk, country risk, interest rate risk, liquidity risk, market risk, operational risk (including legal risk) and currency risk. Rabobank has implemented an economic capital framework to determine the amount of capital it should hold on the basis of its risk profile and desired credit rating. Economic capital represents the amount of capital needed to cover for all risks associated with a certain activity. The economic capital framework makes it possible to compare different risk categories with each other because all risks are analysed by using the same methodology. See also "*Risk Factors*".

### Credit risk

Rabobank Group aims to offer continuity in its services. It therefore pursues a prudent credit policy. Once granted, loans are carefully managed so there is a continuous monitoring of credit risk. At 31 December 2017, 48 per cent. of Rabobank Group's private sector lending consisted of loans to private individuals, mainly residential mortgages, which tend to have a very low risk profile in relative terms. The remaining 52 per cent. was a highly diversified portfolio of loans to business clients in the Netherlands and internationally.

Approval of larger credit applications is decided on by committees. A structure consisting of various committees has been established, with the total exposure including the requested financing determining the applicable committee level. Very large loans are approved by the Central Credit Committee Rabobank (CCCRG), which is chaired by the CRO. The Risk Management Committee Group (RMC Group) establishes Rabobank Group's credit risk policy and global standards. Rabobank Group entities define and establish their own credit policies within this framework. In this context, the RMC Retail NL is responsible for domestic retail banking and the RMC WRR for WRR. For corporate loans, a key concept in Rabobank Group's policy for accepting new clients is the "know your customer" principle, meaning that loans are granted only to corporate clients whose management, including their integrity and expertise, is known and considered acceptable by Rabobank Group. In addition, Rabobank Group is familiar with the industry in which a client operates and can assess its clients' financial performance. Corporate social responsibility implies responsible financing; accordingly, corporate social responsibility guidelines apply to the lending process as well.

With respect to the management of Rabobank Group's exposure to credit risk, Rabobank's Credit Department within overall Risk Management play a key role. Credit applications beyond certain limits are subject to a thorough credit analysis by credit officers of Credit. Credit monitors and reports about Rabobank Group's credit portfolio and develops new methods for quantifying credit risks.

Risk profiling is also undertaken at the portfolio level using internal risk classifications for portfolio modelling. Internal credit ratings are assigned to borrowers by allocating all outstanding loans into various risk categories on a regular basis.

For the vast majority of its credit exposure Rabobank Group uses the Advanced Internal Ratings-Based ("**Advanced IRB**") approach for credit risk. This is the most risk-sensitive form of the CRD IV Credit Risk approaches. Rabobank Group has professionalised its risk management even further by combining Basel II compliance activities with the implementation of a Pillar 2 framework. The main Basel II parameters as far as credit risk is concerned are Exposure At Default ("**EAD**"), Probability of Default ("**PD**") and Loss Given Default ("**LGD**"). It is partly on the basis of these parameters that Rabobank Group determines the Risk Adjusted Return On Capital ("**RAROC**"). These CRD IV parameters are an important element of management information. A significant advantage associated with the use of capital parameters is a streamlined and efficient approval process. The use of the CRD IV parameters and RAROC support credit analysts and the Credit Committees in making better informed credit decisions. Every group entity has

established a RAROC target at customer level. Next to credit quality, this is an important factor in taking decisions on specific credit applications.

Rabobank Group believes it has a framework of policies and processes in place that is designed to measure, manage and mitigate credit risks. Rabobank Group's policy for accepting new clients is characterised by careful assessment of clients and their ability to make repayments on credit granted. Rabobank Group's objective is to enter into long-term relationships with clients which are beneficial for both the client and Rabobank Group.

EAD is the expected exposure to the client in the event of, and at the time of, a counterparty's default. At 31 December 2017, the EAD of the total IRB loan portfolio was €555 billion (2016: €607 billion). This EAD includes the expected future usage of unused credit lines. As part of its approval process Rabobank Group uses the Rabobank Risk Rating system, which indicates the counterparty's PD over a one-year period. The counterparties have been assigned to one of the 25 rating classes, including four default ratings. These default ratings are assigned if the customer defaults, the form of which varies from payment arrears of 90 days to bankruptcy. The weighted average PD of the performing IRB loan portfolio is 0.88 per cent. (2016: 0.99 per cent.).

The following table shows the non-performing loans of 31 December 2017, 2016 and 2015 per business unit as a percentage of gross carrying amount:

#### Non-performing loans/gross carrying amount per business unit

	At 31 December		
	2017	2016 (in percentages)	2015
Domestic retail banking .....	3.5	2.9	3.3
WRR .....	3.0	2.9	2.6
Leasing.....	1.6	1.8	2.2
Real Estate .....	61.0	27.2	24.2
Rabobank Group .....	3.5	3.4	3.6

#### Loan impairment charges

Once a loan has been granted, ongoing credit management takes place as part of which new information, both financial and non-financial, is assessed. Rabobank monitors if the client meets all its obligations and whether it can be expected the client will continue to do so. If this is not the case, credit management is intensified, monitoring becomes more frequent and a closer eye is kept on credit terms. Guidance is provided by a special unit within Rabobank Group, particularly in case of larger and more complex loans granted to businesses whose continuity is at stake. If it is likely that the debtor will be unable to fulfil its contractual obligations, this is a matter of impairment and an allowance is made which is charged to income.

The following table sets forth Rabobank Group's loan impairment charges for the years ended 31 December 2017, 2016 and 2015 per business unit as a percentage of private sector lending:

#### Loan impairment charges/average private sector lending per business unit

	Year ended 31 December			
	2017	2016	2015	2014
		(in percentages)		
Domestic retail banking .....	(0.09)	0.01	0.12	0.48
WRR .....	0.09	0.25	0.53	0.44
Leasing.....	0.36	0.32	0.25	0.43
Real estate .....	(5.21)	(1.41)	0.56	3.64
Rabobank Group .....	(0.05)	0.07	0.24	0.60

#### Country risk

Rabobank Group uses a country limit system to manage transfer risk and collective debtor risk. After careful review, relevant countries are given an internal country risk rating, after which transfer limits and general limits are established.

Transfer limits are determined according to the net transfer risk, which is defined as total loans granted, less loans granted in local currency, less guarantees and other collateral obtained to cover transfer risk, and less a reduced weighting of specific products. The limits are allocated to the offices, which are themselves responsible for the day-to-day monitoring of the loans granted by them and for reporting on this to Risk Management.

At Rabobank Group level, the country risk outstanding, including additional capital requirements for transfer risk, is reported every quarter to the Risk Management Committee and the Country Limit Committee. The calculations of additional capital requirements for transfer risk are made in accordance with internal guidelines and cover all countries where transfer risk is relevant. Special Basel II parameters, specifically EATE (Exposure at Transfer Event), PTE (Probability of Transfer Event) and LGTE (Loss Given Transfer Event), are used to calculate the additional capital requirement for transfer risk. These calculations are made in accordance with internal guidelines and cover all countries where risk is relevant.

At 31 December 2017, the ultimate collective debtor risk for non-OECD countries was €23.5 billion and the net ultimate transfer risk before provisions for non-OECD countries was €13.9 billion, which corresponds to 2.3 per cent. of total assets (2016: 2.6 per cent.). It should be noted that reduced weighting of specific products is no longer included in this transfer risk figure.

### Risk in non-OECD countries

Regions	Europe <i>in millions of euros</i>	Africa	Latin America	Asia/Pacific	31 December 2017	
					Total	As % of total assets
Ultimate country risk (exclusive of derivatives) .....	571	695	10,706	11,475	23,447	3.9 %
- of which in local currency exposure.....	248	6	6,410	2,853	9,518	
Net ultimate country risk before allowance.....	323	688	4,296	8,622	13,929	2.3 % As % of total allowance
Total allowance for ultimate country risk.....	1	0	148	204	354	6.5 %

Since concerns about the euro increased, the outstanding country risk, including the sovereign risk for relevant countries, has been reported on a monthly basis. Compared to exposures to Dutch, German and French government bonds, exposures to government bonds issued by other European countries are relatively low.

### Interest rate risk

Rabobank Group is exposed to structural interest rate risk in its balance sheet. Interest rate risk can result from, among other things, mismatches in assets and liabilities; for example, mismatches between the periods for which interest rates are fixed on loans and funds entrusted. Rabobank Group uses three indicators for managing, controlling and limiting short- and long-term interest rate risk: Basis Point Value, Earnings at Risk and Modified Duration. Based on the Basis Point Value, Earnings at Risk and Modified Duration analyses, the Managing Board forms an opinion with regard to the acceptability of losses related to projected interest rate scenarios, and decides upon limits with regard to Rabobank Group's interest rate risk profile.

Rabobank Group's short-term interest rate risk can be quantified by looking at the sensitivity of net interest income (interest income less interest expenses, before tax) for changes in interest rates. This "Earnings at Risk" figure represents the decline in net interest income for the coming 12 months, due to parallel increases/decreases in interest rates, assuming no management intervention. Historically, the applied interest rate scenarios were based on the assumption that all money and capital market interest rates will show an even and parallel increase/decline by 200 basis points during the first 12 months. However, given

the current low interest rate environment and the assumption that interest rates will not fall further sharply if they are already (partially) negative, the 200 basis points down scenario has been replaced by a scenario that envisages interest rates declining by only a smaller number of basis points. At the end of 2015 and 2016, for euro portfolios a decline of 2 basis points and a decline of 10 basis points were used. At the end of 2017 a larger assumed downward shock of the EUR yield curve (25bps in December 2017) took place. The change of the size of the downward shock is mainly caused by a change in the methodology. The simulation of the possible net interest income development is based on an internal interest rate risk model. This model includes certain assumptions regarding the interest rate sensitivity of products with interest rates that are not directly linked to a certain money or capital market rate, such as savings of private customers.

Rabobank Group's long-term interest rate risk is measured and controlled based on the concept of "Modified Duration", which is the sensitivity of Rabobank Group's economic value of equity to an instant parallel change in interest rates of 100 basis points. The economic value of equity is defined as the present value of the assets less the present value of the liabilities plus the present value of the off-balance sheet items. In the Modified Duration calculation, client behaviour and the bank's pricing policy are supposed to show no changes, while all market interest rates are assumed to increase by 100 basis points at once. Just as in the Earnings at Risk calculation, the impact analysis of these scenarios is based on an internal interest rate risk model. In that model, balance sheet items without a contractual maturity, like demand savings deposits and current accounts, are included as a replicating portfolio. Modified duration is expressed as a percentage. This percentage represents the deviation from the economic value of equity at the reporting date.

At 31 December 2017, 31 December 2016 and 31 December 2015, the Earnings at Risk and Modified Duration for Rabobank Group were as follows:

	At 31 December					
	2017		2016		2015	
	<i>(in millions of euros, except percentages)</i>					
	148		82		19	
	(decline by 25 basis points)		(decline by 10 basis points)		(decline by 2 basis points)	
Earnings at Risk .....						
Modified Duration.....	2.0	%	1.4	%	2.4	%

The current low interest rate environment received significant attention since 2016. For a bank in general a low interest rate environment is challenging for profitability. Non-interest bearing liabilities and liabilities with very low interest rates, such as the equity and current account balances, are less profitable in the event of low interest rates. In 2017, the interest rate remained negative on the short end of the curve and increased slightly with about 30 basis points on the medium and long end of the curve. However, in historical perspective the curve remains fairly flat by comparison. A flat curve results in a bank making less profit on the transformation of short-term liabilities into longer term assets.

### Liquidity risk

Liquidity risk is the risk that a bank will not be able to meet all its payment obligations on time, as well as the risk that the bank will not be able to fund increases in assets at a reasonable price.

Responsibility for the day-to-day management of the liquidity position, the raising of professional funding on the money and the capital markets, and the management of the structural position lies within the Treasury department. In keeping with the Basel principles, the policy is aimed at financing long-term loans by means of stable funding, specifically amounts due to customers and long-term funding from the professional markets. Rabobank Group's funding and liquidity risk policy also entails strictly limiting outgoing cash flows at the wholesale banking business, maintaining a large liquidity buffer and raising sufficient long-term funding in the international capital market. The retail banking division is assumed to be largely self-funded using money raised from customers. The division raised more than enough money to fund operations in 2017 given low lending demand, while retail savings increased.

Rabobank has developed several methods to measure and manage liquidity risk, including stress scenarios for calculating the survival period, i.e. the period that the liquidity buffer will hold up under severe market-specific or idiosyncratic stress. In the most severe stress scenario, it is assumed that Rabobank no longer has access to the capital markets, i.e. no long- or short-term debt can be issued or refinanced. During 2017,

Rabobank more than satisfies the minimum survival period of three months in all the internally developed scenarios.

## **Market risk**

Market Risk arises from the risk of losses on trading book positions affected by movements in interest rates, equities, credit spreads, currencies and commodities. The RMC Group is responsible for developing and supervising market risk policies and monitors Rabobank's worldwide market risk profile. On a daily basis, the Market Risk Department measures and reports the market risk positions. Market risk is calculated based on internally developed risk models and systems, which are approved and accepted by the DNB. The internal "Value at Risk" model forms a key part of Rabobank's market risk framework. Value at Risk describes the maximum possible loss that Rabobank can suffer within a defined holding period, based on historical market price changes and a given certain confidence interval. Value at Risk within Rabobank is based on actual historical market circumstances. To measure the potential impact of strong adverse market price movements not captured by Value at Risk, stress tests are applied. These "event risk scenarios" measure the effect of sharp and sudden changes in market prices. Historical and hypothetical scenarios are complemented with specific sensitivity scenarios in order to measure effects of adverse market prices movements on trading book positions. In addition, interest rate delta is monitored and indicates how the value of trading positions change if the relevant yield curve shows a parallel increase of one basis point. Interest rate delta, Value at Risk and event risk are tied to limits that are set by the Managing Board on an annual basis.

For the year ended 29 December 2017, the Value at Risk, based on a one-day holding period and 97.5 per cent. confidence level, fluctuated between €3.0 million (2016: €3.5 million) and €4.9 million (2016: €6.9 million), with an average of €3.8 million (2016: €4.4 million). Throughout 2017, the position was well within the internal VaR limit. Changes in VaR have been driven by client related deals and volatility in the financial markets. On 29 December 2017, the worst case, potential, loss from the event risk scenarios was €111.0 million (2016: €105.2 million), well within the internal Event Risk limit. It fluctuated between €86.0 million (2016: €103.0 million) and €116.5 million (2016: €159.0 million), with an average of €101.2 million (2016: €125.0 million).

A limitation of using historical simulations is that it does not necessarily take into account all possible future market movements. Therefore, Value at Risk results cannot guarantee that actual risk will follow the statistical estimate. The performance of the Value at Risk models is regularly reviewed by means of back testing. These back testing results are reported both internally, as well as to the regulator. In addition to Value at Risk, other risk indicators are also used for market risk management. Some of them are generated by using statistical models. All these indicators assist the Market Risk Department, as well as the RMC Group, in evaluating Rabobank's trading book positions.

## **Operational risk**

Operational risk is the risk of direct or indirect losses arising from inadequate or failed internal processes, people and systems or from external events. Possible legal and reputational impacts are included while assessing and managing operational risks. Rabobank Group has a group-wide operational risk policy and it applies the Advanced Measurement Approach to its operational risk framework. The group-wide operational risk policy is based upon the principle that the primary responsibility for managing operational risks lies with Rabobank Group entities and should be part and parcel of the strategic and day-to-day decision-making process. The objective of operational risk management is to identify, measure, mitigate and monitor operational risk. The management of each Rabobank Group entity is responsible for implementing policies and procedures to manage their specific operational risks in line with the Global Policy on Operational Risk. Risk Management – Operational Risk ("**RM-OpRisk**") offers overview, support tools, expertise and challenge to Rabobank Group entities and provides transparency in Rabobank Group to senior management. Examples of the instruments made available to facilitate operational risk management within each Rabobank Group entity include risk identification, assessment and scenario analysis. All entities record operational incidents and report them on a quarterly basis to the RM Operational Risk which are, in turn, used for both operational risk management and measurement.

## **Legal risk**

Rabobank Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, Rabobank Group is exposed to many forms of legal risk, which may arise in a number

of ways. Rabobank Group faces risk where legal proceedings, whether private litigation or regulatory enforcement actions are brought against it. The outcome of such proceedings is inherently uncertain and could result in financial loss and reputational damage. Defending or responding to such proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if Rabobank Group is successful.

### **Currency risk**

Currency risk is the risk that the bank's financial result and/or economic value could be negatively affected by changes in exchange rates. The Rabobank Group distinguishes two types of non-trading currency risks: (i) Currency risk in the banking books and (ii) Foreign Exchange ("**FX**") translation risk.

#### ***Currency risk in the banking books***

Currency risk in the banking books, is the risk where currency cash flow commitments and receivables in the banking books are unhedged. As a result, it could have an adverse impact on the financial results and/or financial position of the Rabobank Group, due to movements in exchange rates. Banking books should be fully hedged and therefore converted into the functional currency on a monthly basis. Accordingly, FX risk in banking books is fully hedged.

#### ***FX Translation risk***

Translation risk is the risk that foreign exchange rate fluctuations will adversely affect the translation of assets and liabilities of operations – denominated in foreign currency – into the functional currency of the parent company when consolidating financial statements.

Translation risk is reflected in the Rabobank Group's equity position as well as in its capital ratios.

The Rabobank Group manages its translation risk with regard to its CET1 ratio by deliberately taking positions including not or only partly closing positions. As a result of these (remaining) structural positions the impact of exchange rate fluctuations on the Rabobank Group's CET1 ratio is limited.

FX Translation risk and currency risk in the Banking books are covered by the Foreign Exchange Risk Policy Global Standard on Foreign Exchange Rabobank Group ("**Standard**"). The policy standard is designed in order to protect the Rabobank Group CET1 ratio against the effects of exchange rate movements. Potential future FX movements of structural positions including the FX Capital Securities are measured within the internal Pillar II capital.



## E.6 Governance of Rabobank Group

### Members of Supervisory Board and Managing Board

#### Supervisory Board of Rabobank

The following persons, all of whom are resident in the Netherlands, are appointed as members of the Supervisory Board:

<u>Name</u>	<u>Born</u>	<u>Year Appointed</u>	<u>Term Expires</u>	<u>Nationality</u>
Ron (R.) Teerlink, Chairman.....	1961	2013	2021	Dutch
Marjan (M.) Trompetter, Vice Chairman .	1963	2015	2019	Dutch
Irene (I.P.) Asscher-Vonk .....	1944	2009	2019	Dutch
Leo (L.N.) Degle .....	1948	2012	2020	German
Petri (P.H.M.) Hofsté .....	1961	2016	2020	Dutch
Arian (A.A.J.M.) Kamp .....	1963	2014	2018	Dutch
Jan (J.) Nooitgedagt .....	1953	2016	2020	Dutch
Pascal (P.H.J.M.) Visée.....	1961	2016	2020	Dutch

#### Mr. R. Teerlink (Ron)

<i>Date of birth</i>	28 January 1961
<i>Profession</i>	Independent Management Consultant
<i>Main position</i>	Chairman of the Supervisory Board of Rabobank
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<ul style="list-style-type: none"><li>• Member of the Supervisory Board of Takeaway.com</li></ul>
<i>Date of first appointment to the Supervisory Board</i>	2013
<i>Current term of appointment to the Supervisory Board</i>	2017 - 2021

#### Mrs. M. Trompetter (Marjan)

<i>Date of birth</i>	1 November 1963
<i>Profession</i>	Professional Supervisory Director Self-employed Management Consultant
<i>Main position</i>	Vice Chairman of the Supervisory Board of Rabobank
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	Supervisory Directorships: <ul style="list-style-type: none"><li>• Vice Chairman of the Supervisory Board of Rijnstate Hospital, Arnhem</li><li>• Member of Supervisory Board of Salvation Army Foundation for Welfare and Health Care Services/Protection of Juveniles and Rehabilitation</li></ul> Other auxiliary position:

- Chairman of the Board of the Dutch Cancer Society, Elburg Division

*Date of first appointment to the Supervisory Board* 2015

*Current term of appointment to the Supervisory Board* 2015 - 2019

**Mrs. I.P. Asscher-Vonk (Irene)**

*Date of birth* 5 September 1944

*Profession* Professional supervisory director

*Main position* None

*Nationality* Dutch

*Auxiliary positions* Supervisory Directorships:

- Member of the Supervisory Board of Rabobank
- Member of the Supervisory Board of Philip Morris Holland

Other auxiliary positions:

- Chairman of the National Committee on Disputes related to the Law on Participation in Schools (Landelijke Commissie voor Geschillen WMS - Wet Medezeggenschap op Scholen)
- Chairman of the Committee for Whistleblowing in Secondary Education (Commissie melden van een misstand vo)
- Chairman of The Netherlands Museum Association (Museumvereniging)
- Chairman of the Arbitration Board for the Collective Labor Agreement Sports branch

*Date of first appointment to the Supervisory Board* 2009

*Current term of appointment to the Supervisory Board* 2017 - 2019

**Mr. L.N. Degle (Leo)**

*Date of birth* 15 August 1948

*Profession* Professional director/supervisory director

*Main position* None

*Nationality* German

*Auxiliary positions* Supervisory Directorships:

- Member of the Supervisory Board of Rabobank
- Member of the Supervisory Board of Berlage B.V.
- Member of the Supervisory Board of Ten Kate B.V.

Other auxiliary position:

- Member of the Advisory Board of Egeria Investments AG

*Date of first appointment to the Supervisory Board* 2012

*Current term of appointment to the Supervisory Board* 2016 - 2020

**Ms. P.H.M. Hofsté (Petri)**

**Appointment is conditional upon approval by external supervisors**

*Date of birth* 6 April 1961

*Profession* Supervisory Director

*Main position* None

*Nationality* Dutch

*Auxiliary positions* Supervisory Directorships:

- Member of the Supervisory Board of Rabobank
- Member of the Supervisory Board and Audit Committee of Fugro N.V.
- Member of the Supervisory Board and Audit Committee of Achmea B.V.
- Member of the Supervisory Board of Achmea's Pensions and Life Insurance business
- Member of the Supervisory Board and Chairman of the Audit Committee of Achmea Investment Management
- Member of the Supervisory Board and Chairman of the Audit Committee of Kasbank N.V.

Other auxiliary positions:

- Member of the Advisory Board of Amsterdam Institute of Finance
- Member of the Advisory Committee of the Vrije Universiteit's accounting & control master science education
- Member of the program council of the NBA-VRC

- Member of the board and Chairman of the Audit Committee of Nyenrode Foundation
- Member of the board and treasurer of 'Vereniging Hendrick de Keyser'

*Date of first appointment to the Supervisory Board* 2016

*Current term of appointment to the Supervisory Board* 2016 - 2020

#### **Mr. A.A.J.M. Kamp (Arian)**

*Date of birth* 12 June 1963

*Profession* Entrepreneur, owner of a cattle farm

Professional supervisory director

*Main position* Cattle farmer

*Nationality* Dutch

*Auxiliary positions* Supervisory Directorships:

Member of the Supervisory Board of Rabobank

Chairman of the Supervisory Board Koninklijke Coöperatie Agrifirm UA

Other auxiliary positions:

Member of the Board of Stichting Beheer Flynth

*Date of first appointment to the Supervisory Board* 2014

*Current term of appointment to the Supervisory Board* 2014 – 2018

#### **Mr. J. Nooitgedagt (Jan)**

*Date of birth* 17 July 1953

*Profession* Professional Supervisory Director

*Main position* None

*Nationality* Dutch

*Auxiliary positions* Supervisory Directorships:

- Member of the Supervisory Board Rabobank
- Chairman of the Supervisory Board Telegraaf Media Group
- Vice chairman of the Supervisory Board BNG Bank

- Member of the Supervisory Board Robeco

Other auxiliary positions:

- Chairman of the Nyenrode Foundation
- Chairman of the VEEO (Association of listed companies in the Netherlands)
- Chairman of the Foundation Shares Administration Office KAS Bank
- Member of the Foundation of Protective Preference Shares Fugro
- Member of the Foundation of Preference Shares BAM Group
- Member of the Commission Financial Reporting and Accountancy, Authority Financial Markets (AFM)
- Member of the Audit Committee Ministry of Security and Justice
- Member of the Governance, Risk & Compliance Committee and Member Ethics Committee for Accountants in Business, Dutch Institute of Chartered Accountants (NBA)
- Member of the Fiep Westerdorp Foundation

*Date of first appointment to the Supervisory Board* 2016

*Current term of appointment to the Supervisory Board* 2016 - 2020

**Mr. P.H.J.M. Visée (Pascal)**

*Date of birth* 11 July 1961

*Profession* Professional Supervisory Director and independent advisor

*Main position* None

*Nationality* Dutch

*Auxiliary positions* Supervisory Directorships:

- Member of the Supervisory Board Rabobank
- Member of the Supervisory Board of Mediq B.V.
- Member of the Supervisory Board of PLUS Retail B.V.
- Member of the Supervisory Board of Royal Flora Holland

Other auxiliary positions:

- Member of the Supervisory Council Erasmus University
- Board Member of Albron Foundation
- Senior advisor (external) of McKinsey Company Inc.
- Senior advisor (external) of Genpact Inc.
- Chair of the Supervisory Council 'Stedelijk Museum Schiedam'
- Board Member of Prins Claus Fund

*Date of first appointment to the Supervisory Board* 2016

*Current term of appointment to the Supervisory Board* 2016 - 2020

### Managing Board of Rabobank

The following persons, all of whom are resident in the Netherlands, are appointed as members of the Managing Board of Rabobank:

Name	Born	Year Appointed	Nationality
Wiebe (W.) Draijer, Chairman* .....	1965	2014	Dutch
Bas (B.C.) Brouwers, member* .....	1972	2016	Dutch
Petra (P.C.) van Hoeken, member* .....	1961	2016	Dutch
Berry (B.J.) Martin, member* .....	1965	2009	Dutch and Brazilian
Jan (J.L.) van Nieuwenhuizen, member* .....	1961	2014	Dutch
Kirsten (C.M.) Konst, member* .....	1974	2017	Dutch
Mariëlle (M.P.J.) Lichtenberg, member .....	1967	2017	Dutch
Bart (B.) Leurs, member .....	1971	2017	Dutch
Ieko (I.A.) Sevinga, member .....	1966	2017	Dutch
Janine (B.J.) Vos, member .....	1972	2017	Dutch

\* statutory member

### Wiebe (W.) Draijer

Mr. Draijer was appointed as Chairman of the Managing Board of Rabobank as of 1 October 2014. Mr. Draijer served as President of the Social and Economic Council of the Netherlands from 2012 to 2014. Prior to that, he held several positions within management-consulting firm McKinsey & Company and worked as a researcher at Philips Research Laboratories and as a freelance journalist.

- Auxiliary positions*
- Member of the board of the Dutch Banking Association (*Nederlandse Vereniging van Banken*)
  - Member of the Board of the European Association of Cooperative Banks (EACB)
  - Member of the supervisory board of the Kröller-Müller Museum
  - Member of the supervisory board of Staatsbosbeheer (national nature conservation)

### ***Bas (B.C.) Brouwers***

Mr Brouwers was appointed to the Managing Board as Chief Financial Officer as of 1 January 2016. Mr Brouwers started his career at KPMG Audit in 1995. He then held various positions within ING from 1998 until 2007. He was head of Controlling & Risk Management of ING-DiBa AG (Germany) from 2007 until 2008 and CFO of ING-DiBa AG (Germany) from 2008 until 2013. From 2013 until 2015, Mr Brouwers was CFO of ING Netherlands.

- Auxiliary positions*
- Member of the Supervisory Board of Rabohypotheekbank N.V.
  - Member of the Board of the Dutch Banking Association

### ***Petra (P.C.) van Hoeken***

Mrs. Van Hoeken is a member of the Managing Board and Chief Risk Officer since 1 April 2016. Mrs. Van Hoeken has over 30 years of experience in the global financial sector. From 1986 until 2008, Mrs. Van Hoeken held several positions at ABN Amro Bank, in Amsterdam, Madrid, Singapore, Frankfurt and New York. She worked both in business as well as in Risk management roles, and Sustainable Development and Public Affairs. After the acquisition of ABN Amro, she held the position of Chief Risk Officer, including regulatory Compliance, of Europe, Middle East and Africa of RBS Group. In late 2011 she joined the Managing Board of NIBC bank as their Chief Risk Officer.

- Auxiliary positions*
- Member of the North America Board of Directors and member of the North America Board Risk Committee (Utrecht-America Holdings, Inc.)
  - Member of the Supervisory Board and member of the Audit and Risk Committee Nederlandse Waterschapsbank (NWB)
  - Member of the Advisory Board Amsterdam Institute of Finance
  - Member of the Board of "Oranje Fonds"

### ***Berry (B.J.) Marttin***

Mr. Marttin was appointed to the Managing Board as of 1 July 2009. Within the Managing Board, Mr. Marttin is responsible for international Rural & Retail, Sustainability, Leasing, B4F Inspiration Centre and the Rabobank Foundation. Mr. Marttin joined Rabobank in 1990. From 1990 until 2004 he fulfilled a number of international positions within Rabobank. After several positions in Brazil and Curacao he served as Head of International Corporates in Hong Kong, Head of Risk Management in Indonesia and as Deputy General Manager Rural Banking for Rabobank Australia and New Zealand. From 2004 until 2009 he was Chairman of the board of directors of Rabobank Amsterdam.

- Auxiliary positions*
- Chairman of the Supervisory Board of DLL International B.V
  - Chairman of the Supervisory Board of Rabohypotheekbank N.V.
  - Member of the Board of Directors of Rabobank International Holding B.V.
  - Member of the Board of Rabobank Foundation
  - Member of the Board of Rabobank Australia Ltd.
  - Member of the Board of Rabobank New Zealand Ltd
  - Chairman of the Shareholders Council of Rabo Development

- Chairman of the Supervisory Board of Obvion N.V.
- Member of the North America Board of Directors and member of the North America Board Risk Committee (Utrecht-America-Holding Inc.)
- Member of the Supervisory Board of Arise
- First Vice President of the Board of Directors, American Chamber of Commerce
- Member of the Supervisory Board, Wageningen University
- Member of the Supervisory Board of IDH (Initiatief Duurzame Handel/Dutch Sustainable Trade Initiative)
- Member of the Board Trustees Hanns R. Neumann Stiftung

#### ***Jan (J.L.) van Nieuwenhuizen***

Mr. Van Nieuwenhuizen was appointed to the Managing Board as of 24 March 2014. Within the Managing Board, Mr. Van Nieuwenhuizen is responsible for Rabobank's Dutch and international Wholesale Banking activities and Commercial Real Estate. From 1986 until 2009, Mr. Van Nieuwenhuizen fulfilled several international positions at JP Morgan, Morgan Stanley and NIBC. Since 2009, Mr. Van Nieuwenhuizen has been a member of the Management Team of Rabobank International, currently known as Wholesale, Rural & Retail.

- Auxiliary positions*
- Chairman of the Supervisory Board of FGH Bank
  - Member Advisory Board Euronext
  - Lid Dagelijks & Algemeen Bestuur VNO/NCW

#### ***Kirsten (C.M.) Konst***

Mrs. Konst is a member of the Managing Board as of 1 September 2017. Her main areas of focus are Commercial Banking in the Netherlands and regional directors. After having had several positions at ABN AMRO, Mrs. Konst joined Rabobank in 2010. She fulfilled several positions at local Rabobanks and was Operations Director before her appointment to the Managing Board.

- Auxiliary positions*
- Member Supervisory Board Public Broadcasting association KRO-NCRV, Hilversum
  - Member Supervisory Board Members association KRO, Hilversum
  - Administrator House owners association

#### ***Mariëlle (M.P.J.) Lichtenberg***

Mrs. Lichtenberg is a member of the Managing Board as of 1 September 2017. Her main areas of focus are Retail & Private Banking in the Netherlands. She started at Rabobank International in 1995. Since then Mrs. Lichtenberg fulfilled several positions at the local Rabobank as well as staff department. From 2016 she was Director Digital Bank before she joined the Managing Board.



***Bart (B.) Leurs***

Mr. Leurs became a member of the Managing Board and Chief Digital Transformation Officer (CDTO) on 1 September 2017. He started his career in banking in 1997 at ING as a management trainee. After having fulfilled several positions at ING in Canada, Germany and Belgium, Mr. Leurs joined Rabobank in 2016 as Head of Fintech & Innovation.

*Auxiliary positions* • Board member of Rabo Fintech Ventures

***Ieko (I.A.) Sevinga***

Mr. Sevinga became a member of the Managing Board and Chief Information & Operations Officer (CIOO) on 1 September 2017. He started his career in 1986 at the Erasmus University in Rotterdam. After that Mr. Sevinga had various positions at McKinsey & Company and Kempen & Co./Van Lanschot Bankiers. He joined Rabobank in 2015 as Director Organisation Development & Performance before he was appointed to the Managing Board.

*Auxiliary positions* • Non-Executive board member of De Persgroep  
• Non-Executive board member of MerweOord, holding company of Van Oord  
• Chairman of "Nederlands Olympiade Paard"

***Janine (B.J.) Vos***

Mrs. Vos became a member of the Managing Board and Chief Human Resources Officer (CHRO) on 1 September 2017. She started her career in 1997 at KPN as a management trainee. After having fulfilled several (HR) positions, she switched as Chief Human Resources Officer from KPN to Rabobank in 2016.

*Auxiliary positions* • Member of the Supervisory Board of the Netherlands General Employers' Association (AWVN)  
• Member of the General Board of VNO-NCW on behalf of AWVN  
• President of the "Sociale Kring"

**Administrative, management and supervisory bodies — conflicts of interests**

The Issuer is not aware of any potential conflicts of interest between the duties to Rabobank and their private interests or other duties of the persons listed above under "*Supervisory Board of Rabobank*" and "*Managing Board of Rabobank*".

**Administrative, management and supervisory bodies — business address**

The business address of the members of Rabobank's Supervisory Board and Managing Board is Croeselaan 18, 3521 CB Utrecht, the Netherlands.

## **E.7 Regulation of Rabobank Group**

Rabobank is a bank organised under Dutch law. The principal Dutch law on supervision applicable to Rabobank is the FMSA which entered into force on 1 January 2007 and under which Rabobank is supervised by the DNB and the AFM. Further, as of 4 November 2014, the ECB assumed certain supervisory tasks from the DNB and is now the competent authority responsible for supervising Rabobank Group's compliance with prudential requirements. Rabobank and the various Rabobank Group entities are also subject to certain EU legislation, which has a significant impact on the regulation of Rabobank Group's banking, asset management and broker-dealer businesses in the EU, and to the regulation and supervision of local supervisory authorities of the various countries in which Rabobank Group does business.

The overview below consists of a summary of the key applicable regulations and does not purport to be complete.

### **Basel Standards**

The Basel Committee develops international capital adequacy guidelines based on the relationship between a bank's capital and its risks, including, *inter alia*, credit, market, operational, liquidity and counterparty risks.

#### ***Credit Risk***

To assess their credit risk, banks can choose between the "Standardised Approach", the "Foundation Internal Ratings Based Approach" and the "Advanced Internal Ratings Based Approach". The Standardised Approach is based on standardised risk weights set out in the Basel II capital guidelines and external credit ratings; it is the least complex. The two Internal Ratings Based Approaches allow banks to use internal credit rating systems to assess the adequacy of their capital. The Foundation Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Probability of Default". In addition to this component of credit risk, the Advanced Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Exposure at Default" and the "Loss Given Default". Rabobank is internal ratings based ("**IRB**") compliant for 96 per cent. of its credit portfolio exposures (this includes a limited exposure on IRB foundation). The rules on the assessment of credit risk are expected to change as a consequence of the Basel III Reforms. See "*Basel III Reforms*" and "*Recent Developments*" below.

See the risk factor entitled "*Minimum regulatory capital and liquidity requirements*" above.

#### ***Market Risk***

To assess their market risk, banks can choose between a "Standardised approach" or an alternative methodology based on own internal risk management models. Rabobank has permission from its supervisor to calculate the general and specific exposures using its internal Value-at-Risk (VaR) models.

#### ***Operational Risk***

To assess their operational risk, banks can also choose between three approaches with different levels of sophistication, the most refined of which is the "Advanced Measurement Approach". Rabobank Group has chosen the Advanced Measurement Approach.

### ***Basel III Reforms***

The Basel III framework, which is implemented in the EU by means of the CRD IV Directive and CRR (see "*European Union Standards – The CRD IV Directive and CRR*" below) sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. Basel III include increasing the minimum Common Equity Tier 1 Capital (or equivalent) requirement from 2 per cent. of the total risk exposure amount (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments (which, under CRD IV, are gradually phased in from 1 January 2014 until 1 January 2018)). The total Common Equity Tier 1 Capital requirement has increased from 4 per cent. of the total risk exposure amount to 6 per cent. under CRD IV and the total Common Equity Tier 1 Capital requirement is 8 per cent of the total risk exposure amount under CRD IV. In addition, banks will be required to maintain,

in the form of Common Equity Tier 1 Capital (or equivalent), a capital conservation buffer of 2.5 per cent. of the total risk exposure amount to withstand future periods of stress, bringing the total Common Equity Tier 1 Capital (or equivalent) requirements to 7 per cent. If there is excess credit growth in any given country resulting in a system-wide build-up of risk, a countercyclical capital buffer (generally of up to 2.5 per cent. of the total risk exposure amount and also comprised of Common Equity Tier 1 Capital (or other fully loss absorbing capital)) may be applied as an extension of the capital conservation buffer. Furthermore, banks considered to have systemic importance should have loss absorbing capacity beyond these standards.

Capital requirements have been further supplemented by the introduction of a non-risk based leverage ratio of 3 per cent. plus a surcharge of 50 per cent. of the G-SIB buffer requirement for G-SIB's (under the Basel III Reforms, see below) in order to limit an excessive build-up of leverage on a bank's balance sheet. During the period from 1 January 2013 to 1 January 2017, the Basel Committee has monitored banks' leverage data on a semi-annual basis in order to assess whether the proposed design and calibration of a minimum leverage ratio of 3 per cent. is appropriate over a full credit cycle and for different types of business models. This assessment included consideration of whether a wider definition of exposures and an off-setting adjustment in the calibration would better achieve the objectives of the leverage ratio. The Basel Committee also closely monitored accounting standards and practices to address any differences in national accounting frameworks that are material to the definition and calculation of the leverage ratio. The Dutch government has indicated that Dutch systemically important banks, including Rabobank, should also have a surcharge like the G-SIB's on top of the 3 per cent. leverage ratio requirement. As at 31 December 2017, the leverage ratio of Rabobank was 6.0 per cent.

In addition, Basel III has introduced two international minimum standards intended to promote resilience to potential liquidity disruptions over a 30 day horizon and limit over-reliance on short-term wholesale funding during times of buoyant market liquidity. The first one is referred to as the liquidity coverage ratio (the "**LCR**") which is being gradually phased in from 1 January 2015. The LCR tests the short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficiently high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The second one is referred to as a net stable funding ratio (the "**NSFR**"). The NSFR tests resilience over a longer period by requiring banks to hold a minimum amount of stable sources of funding relative to the liquidity profiles of the assets and the potential contingent liquidity needs arising from off-balance sheet commitments.

### ***Recent Developments***

In December 2017, the Basel Committee finalised Basel III Reforms (also referred to as Basel IV by the industry). This reform complements the initial phase of Basel III announced in 2010 (and implemented in the CRR/CRD IV in 2014) as a response to the global financial crisis. The 2017 reform seeks to restore credibility in the calculation of risk-weighted assets (RWAs) and improve the comparability of banks' capital ratios. Main features of the reform:

- Revisions to the standardised approaches for calculating credit risk, market risk, credit value adjustments (CVA) and operational risk
- Constraints on the use of internal model approaches, by placing limits on certain inputs used to calculate capital requirements under the internal ratings-based (IRB) approach for credit risk and by removing the use of internal model approaches for CVA risk and for operational risk
- The introduction of an output floor, which limits the benefits banks can derive from using internal models to calculate minimum capital requirements. Banks' calculations of RWAs generated by internal models cannot, in aggregate, fall below 72.5 per cent. of the risk-weighted assets computed by standardised approaches
- G-SIBs are subject to higher leverage ratio requirements.

### **European Union Legislation**

#### ***The CRD IV Directive and CRR***

As of 1 January 2014, EC Directive 2006/48 and EC Directive 2006/49 were repealed by the CRD IV Directive. The CRD IV Directive, together with the CRR, implements Basel III in the EEA. Both texts were

published in the Official Journal of the European Union on 27 June 2013 and became effective on 1 January 2014 (except for capital buffer provisions which became effective on 1 January 2016). The CRD IV Directive was implemented into Dutch law by amendments to the FMSA pursuant to an amendment act (the "**CRD IV/CRR Implementation Act**") which entered into force on 1 August 2014. The CRR has established a single set of harmonised prudential rules which apply directly to all banks in the EEA as of 1 January 2014, but with particular requirements being phased in over a period of time, to be fully applicable by various dates up to 2022. The harmonised prudential rules include own funds requirements, an obligation to maintain a liquidity coverage buffer, a requirement to ensure that long-term obligations are adequately met under both normal and stressed conditions and the requirement to report on these obligations. The competent supervisory authorities will evaluate whether capital instruments meet the criteria set out in the CRR. The CRR also includes the obligation to report on a bank's leverage ratio. This requirement is similar to the leverage ratio requirement introduced by Basel III, however, the CRR does not yet include a requirement to meet a minimum ratio. However, the EC Capital Proposals of 23 November 2016 published by the European Commission, (as discussed and defined in the risk factor entitled "Minimum regulatory capital and liquidity requirements") contemplate introducing such a leverage ratio.

On 17 January 2014, a regulation on specific provisions set out in the CRD IV Directive and the CRR (*Regeling specifieke bepalingen CRD IV en CRR*) ("**Dutch CRD IV and CRR Regulation**"), as published by the DNB, entered into force. The Dutch CRD IV and CRR Regulation contains specific provisions relating to the CRD IV Directive and the CRR, such as the required CET1 Ratio of 4.5 per cent., tier 1 ratio of 6 per cent., total capital ratio of 8 per cent. and the capital conservation measures set out in CRD IV (restriction on distributions if a bank does not meet the combined buffer requirement). On 29 April 2014, the DNB announced that, pursuant to the CRD IV/CRR Implementation Act, it intends to impose an additional capital buffer requirement for Rabobank. The systematic risk buffer, as set by DNB, is equal to 3 per cent. of risk-weighted assets and will be phased in between 2016 and 2019.

The EC Capital Proposals comprise certain legislative proposals for amendments to the CRR, the CRD IV Directive, the BRRD, the SRM Regulation and a proposed new directive to facilitate the creation of a new asset class of "non-preferred" senior debt. The EC Capital Proposals cover multiple areas, including the Pillar 2 framework, the introduction of a binding leverage ratio, the introduction of a binding NSFR, permission for reducing own funds and eligible liabilities, macroprudential tools, creditor/depositor hierarchy, a potential change to the definition of "eligible liabilities", a new category of "non-preferred" senior debt, the MREL framework and the integration of the TLAC standard into EU legislation. The EC Capital Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change; they are expected to enter into force no earlier than 2019 (excluding the fast tracked proposals for IFRS 9 and the proposal for a new asset class of "non-preferred" senior debt). The final new package of legislation may not include all elements of the EC Capital Proposals and new or amended elements may be introduced throughout the course of the legislative process.

Pursuant to the 2017 SREP (Supervisory Review and Evaluation Process), the ECB has determined that the CET1 Ratio of Rabobank Group should be maintained at a minimum level of 7.5 per cent. This 7.5 per cent. Common Equity Tier 1 Capital requirement for Rabobank Group comprises the minimum Pillar 1 requirement (4.5 per cent.), the Pillar 2 additional own funds requirement (1.75 per cent.) and the phasing-in of the capital conservation buffer (1.875 per cent. as per 1 January 2018). In addition, Rabobank Group is subject to a systemic risk buffer that needs to be applied on top of these Common Equity Tier 1 Capital requirements and will result in a 2.25 per cent. surcharge on a transitional basis for 2018 (bringing the minimum Common Equity Tier 1 Capital requirement at 1 January 2018 to 10.375 per cent.). At the date of this Base Prospectus, Rabobank Group currently complies with these requirements. The systemic risk buffer is expected to be phased-in up to a level of 3 per cent. on a fully-loaded basis in 2019. The capital conservation buffer is expected to be phased-in up to a level of 2.5 per cent. on a fully-loaded basis in 2019.

### ***Bank Recovery and Resolution Directive***

The BRRD entered into force in July 2014. The bail-in tool with respect to eligible liabilities and the other measures set out in the BRRD (outlined below) were implemented into Dutch law on 26 November 2015. The stated aim of the BRRD is to provide relevant authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The BRRD provides competent authorities with early intervention powers and resolution authorities with pre-resolution powers, including the power to write down or convert capital instruments to ensure relevant

capital instruments fully absorb losses at the point of non-viability of the issuing institution or group and the power to convert existing instruments of ownership or transfer them to bailed-in creditors. Moreover, when the conditions for resolution are met, resolution authorities can apply, among others, a bail-in tool, which comprises a more general power for resolution authorities to write down the claims of unsecured creditors (including holders of the Covered Bonds) of a failing institution or to convert unsecured debt claims to equity or other instruments of ownership.

In addition, the BRRD provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks which satisfy the conditions for resolution, which may include (without limitation) the sale of the bank's business, the creation of a bridge bank, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity or the amount of interest payable or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments. See further the risk factor entitled *"The Issuer may be required to observe rules on the criteria for determining the minimum requirement for own funds and eligible liabilities under the BRRD"*.

In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that, with effect from 1 January 2016 all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. On 23 May 2016, the European Commission adopted MREL RTS on the criteria for determining the MREL under the BRRD. The MREL RTS were published in the EU Official Journal on 3 September 2016. The MREL RTS provide for resolution authorities to allow institutions an appropriate transitional period to reach the applicable MREL requirements.

The required level of MREL for Rabobank Group has yet to be set by the Single Resolution Board (SRB). On the basis of the MREL RTS, it is possible that Rabobank Group may have to issue a significant amount of additional MREL eligible liabilities in order to meet the new requirements within the required timeframes. Moreover, the MREL framework may be subject to substantial change over the coming years. For instance, in the EC Capital Proposals to amend the SRM Regulation, BRRD, CRR, CRD IV Directive, the European Commission has proposed that any systemically important banks in a member state, such as Rabobank, be subject to a firm-specific MREL regime under which they would be required to issue a sufficient amount of own funds and eligible liabilities to absorb expected losses in resolution and to recapitalise the institution or the surviving part thereof

As a result, it is not possible to give any assurances as to the ultimate scope and nature of any resulting obligations, or the impact that they will have on Rabobank Group once implemented. If Rabobank Group were to experience difficulties in raising MREL eligible liabilities, it may have to reduce its lending or investments in other operations.

To complement the European Banking Union (an EU-level banking supervision and resolution system) and the Single Supervisory Mechanism (SSM) (as defined below), on 15 July 2014 the European Commission adopted the SRM Regulation to establish the Single Resolution Mechanism (SRM) (as further described, in the risk factor entitled *"Bank recovery and resolution regimes"*). The SRM establishes the SRB that will manage the failing of any bank in the Euro area and in other EU member states participating in the European Banking Union. On the basis of the SRM, the SRB is granted the same resolution tools as those set out in the BRRD, including a bail-in tool. The SRM applies directly to banks covered by the SSM, including Rabobank (see also *"- Bank Recovery and Resolution Directive"* above). On the basis of the SRM, the ECB is responsible for recovery planning as set out in the BRRD.

See also the risk factors entitled *"The Issuer may be required to observe rules that derive from the European Commission's regulatory technical standards on the criteria for determining the minimum requirement for own funds and eligible liabilities under BRRD."*, *"The Issuer may be required to observe rules that derive from the FSB Proposals for Total Loss-Absorbing Capacity."*, and *"Rabobank Group is subject to the risk of having insufficient capital resources to meet its minimum regulatory capital requirements, any additional own funds requirements and/or any buffer capital requirements."*

### **Supervision**

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture combines the existing national authorities, the newly created European Systemic Risk Board and the following three European Authorities: the EBA, the

European Insurance and Occupational Pensions Authority and the European Securities and Markets Authorities. These institutions have been in place since 1 January 2011.

However, as part of the European Banking Union (responsible for banking policy on the EU level), two further regulations have been enacted: (i) a regulation for the establishment of a single supervisory mechanism (the "**SSM**") on the basis of which specific tasks relating to the prudential supervision of the most significant banks in the Euro area are conferred to the ECB; and (ii) a regulation amending the regulation which sets up the EBA. Regulation 1024/2013 (the "**SSM Framework Regulation**"), which establishes the SSM, was published in the Official Journal of the European Union on 29 October 2013 and entered into force on 4 November 2013. The SSM provides that the ECB carries out its tasks within a single supervisory mechanism comprised of the ECB and national competent authorities. The ECB and relevant competent authorities have formed joint supervisory teams ("**JST**") for the supervision of each significant bank or significant banking group within the Euro area. As Rabobank Group qualifies as a significant group under the SSM and the SSM Framework Regulation, with effect from 4 November 2014, the day-to-day supervision of Rabobank Group is now carried out by a JST. The ECB and national competent authorities are subject to a duty of cooperation in good faith, and an obligation to exchange information. Where appropriate, and without prejudice to the responsibility and accountability of the ECB for the tasks conferred on it by the SSM, national competent authorities shall be responsible for assisting the ECB. In view of the assumption of these supervisory tasks, in 2014 the ECB (together with the national competent authorities) carried out a comprehensive assessment, including a balance sheet assessment, as well as a related asset quality review and stress tests, of the banks in respect of which it took on responsibility for formal supervision. The ECB supervises Rabobank Group's compliance with prudential requirements, including (i) its own funds requirements, LCR, NSFR and the leverage ratio and the reporting and public disclosure of information on these matters, as set out in the CRR and (ii) the requirement to have in place robust governance arrangements, including fit and proper requirements for the persons responsible for the management of a bank, remuneration policies and practices and effective internal capital adequacy assessment processes, as set out in the FMSA. The ECB is also the competent authority which assesses notifications of the acquisition of qualifying holdings in banks and has the power to grant a declaration of no objection for such holdings.

## **Dutch Regulation**

### ***Scope of the FMSA***

The ECB is formally the competent authority that supervises the majority of Rabobank Group's activities. The day-to-day supervision of Rabobank Group is carried out by the JST. The AFM supervises primarily the conduct of business. Set forth below is a brief summary of the principal aspects of the FMSA.

### ***Licensing***

Under the FMSA, a bank established in the Netherlands is required to obtain a licence before engaging in any banking activities. Now that the ECB has assumed its supervisory tasks under the SSM, the ECB is the formal supervisory authority to grant and revoke a banking licence for banks in the Euro area including the Netherlands. The DNB shall prepare a draft decision if in its view a licence should be granted and the ECB will take the formal decision. The requirements to obtain a licence, among others, are as follows: (i) the day-to-day policy of the bank must be determined by at least two persons; (ii) the bank must have a body of at least three members which has tasks similar to those of a supervisory board; and (iii) the bank must adhere to requirements that determine the minimum level of own funds (*eigen vermogen*). In addition, a licence may be refused if, among other things, the competent authority is of the view that (i) the persons who determine the day-to-day policy of the bank have insufficient expertise to engage in the business of the bank (fit and proper requirement), (ii) the policy of the bank is not (co-)determined by persons whose integrity is beyond doubt, or (iii) through a qualified holding in the bank, influence on the policy of such enterprise or institution may be exercised which is contrary to 'prudent banking policy' (*gezonde en prudente bedrijfsvoering*). The DNB is still competent to make the decision to refuse to grant a licence on its own. In addition to certain other grounds, the licence may be revoked if a bank fails to comply with the requirements for maintaining its licence.

### ***Reporting and investigation***

A significant bank or significant banking group is required to file its annual financial statements with the ECB in a form approved by the ECB, which includes a statement of financial position and a statement of

income that have been certified by an appropriately qualified auditor. In addition, a bank is required to file quarterly (and some monthly) statements, on a basis established by the ECB. The ECB has the option to demand additional reports.

Rabobank must file consolidated quarterly (and some monthly) reports as well as annual reports that provide a true and fair view of their respective financial position and results with the ECB. Rabobank's independent auditor audits these reports annually.

### ***Solvency***

The CRR regulations on solvency supervision entail - in broad terms minimum standards on bank capital adequacy and capital buffers. These regulations also impose limitations on the aggregate amount of claims (including extensions of credit) a bank may have against one debtor or a group of related debtors. Over time, the regulations have become more sophisticated, being derived from the capital measurement guidelines of first Basel II and then Basel III as described under "Basel Standards" above and as laid down in EU legislation described above under "*European Union legislation*". The regulations of the DNB on solvency supervision have been repealed by the Dutch CRD IV and CRR Regulation.

### ***Liquidity***

The regulations relating to liquidity supervision require that banks maintain sufficient liquid assets to cover for net outflows. In the determination of net outflows banks are required to follow a prudential approach, taking into account that the call or prepayment occurs at the first possible date. On 1 January 2018, the 100 per cent. LCR requirement under CRR was fully phased in, meaning that Rabobank was required to hold at least enough high quality liquid assets to cover stressed 30 day net outflow. With 123 per cent. as per 31 December 2017, Rabobank complies with the minimum 100 per cent. requirement.

### ***Structure***

The FMSA provides that a bank must obtain a declaration of no-objection before, among other things, (i) acquiring or increasing a qualifying holding in a bank, investment firm or insurer with its statutory seat in a state which is not part of the EEA, if the balance sheet total of that bank, investment firm or insurer at the time of the acquisition or increase amounts to more than 1 per cent. of the bank's consolidated balance sheet total, (ii) acquiring or increasing a qualifying holding in an enterprise, not being a bank, investment firm or insurer with its statutory seat in the Netherlands or in a state which is part of the EEA or in a state which is not part of the EEA, if the amount paid for the acquisition or increase, together with the amounts paid for a previous acquisition or increase of a holding in such enterprise, amounts to more than 1 per cent. of the consolidated own funds of the bank, (iii) taking over all or a major part of the assets and liabilities of another enterprise or institution, directly or indirectly, if the total amount of the assets or the liabilities to be taken over amounts to more than 1 per cent. of the bank's consolidated balance sheet total, (iv) merging with another enterprise or institution if the balance sheet total thereof amounts to more than 1 per cent. of the bank's consolidated balance sheet total or (v) proceeding with a financial or corporate reorganisation. Decisions on the abovementioned declarations of no-objection are made by the DNB. As of 1 January 2014, the definition of "qualifying holding" as set out in the CRR applies. "Qualifying holding" in the CRR is defined to mean a direct or indirect holding in an undertaking which represents 10 per cent. or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking.

In addition, any person is permitted to hold, acquire or increase a qualifying holding in a Dutch bank, or to exercise any voting power in connection with such holding, only after such person has obtained a declaration of no objection from the ECB.

### ***Governance and administrative organisation***

The ECB supervises the governance of significant banks and significant banking groups within the Netherlands. This includes the administrative organisation of banks, their financial accounting system and internal control. The administrative organisation must be such as to ensure that a bank has at all times a reliable and up-to-date overview of its assets and liabilities. Furthermore, the electronic data processing systems, which form the core of the accounting system, must be secured in such a way as to ensure a high degree of security, operational reliability, continuity and adequate, scalable capacity.

## ***Intervention***

In addition to the Intervention Act (*Wet bijzondere maatregelen financiële ondernemingen*), and partly amending it, on 26 November 2015 the Act on implementing the European framework for the recovery and resolution of banks and investment firms (*Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen*) came into force, implementing the BRRD. While the Intervention Act was amended following the adoption and implementation of the BRRD and the SRM Regulation, granting to the DNB powers including resolution tools contemplated by the BRRD, the powers of the Minister of Finance have remained. Under the Intervention Act the Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets, liabilities, or securities issued by or with the consent of a financial enterprise (*financiële onderneming*) or its parent, in each case if it has its corporate seat in the Netherlands, if in the Minister of Finance's opinion, the stability of the financial system is in serious and immediate danger as a result of the situation in which the entity finds itself. In taking these measures, provisions in relevant Dutch legislation and the entity's articles of association may be set aside. Examples of immediate measures include the suspension of voting rights or of board members. The measures that can be taken by the Minister of Finance may only be used if other measures would not work, would no longer work, or would be insufficient. In addition, to ensure such measures are utilised appropriately the Minister of Finance must consult with the DNB in advance and the Dutch Prime Minister must agree with the decision to intervene. The Minister of Finance must further inform the AFM of his intentions, whereupon the AFM must give an instruction to Euronext Amsterdam to stop the trading in any securities that are expropriated. In the case of expropriation, the beneficiary of the relevant asset will be compensated for any damage that directly and necessarily results from the expropriation. It is unlikely that such compensation will cover all losses of the relevant beneficiary.

The SRB has additional intervention powers including the power to operate the bail-in tool as set out in the SRM and the BRRD (see "*Bank Recovery and Resolution Directive*").

## ***Emergencies***

The FMSA contains an "emergency regulation" which can be declared in respect of a bank by a Dutch court at the request of the DNB if it finds *prima facie* evidence of a dangerous development regarding the bank's own funds, solvency or liquidity and there is a reasonable probability that this development cannot be sufficiently or promptly reversed. As of the date of the emergency, only the court-appointed administrators have the authority to exercise the powers of the bodies of the bank. A bank can also be declared in a state of bankruptcy by the court.

## **U.S. Regulation**

### ***Regulation and Supervision in the U.S.***

Rabobank Group's operations are subject to federal and state banking and securities regulation and supervision, as well as federal derivatives regulation in the U.S. Rabobank Group engages in U.S. banking activities through Rabobank, New York Branch (the "**New York Branch**"). It controls a U.S. banking subsidiary, Rabobank, N.A., and a U.S. broker-dealer, Rabo Securities USA, Inc., as well as other U.S. non-bank subsidiaries.

Rabobank and Utrecht-America Holdings, Inc. are bank holding companies that are financial holding companies within the meaning of the U.S. Bank Holding Company Act of 1956. As such, they are subject to the regulation and supervision of the Federal Reserve. The New York Branch is licensed and supervised by the New York State Department of Financial Services, and it is also supervised by the Federal Reserve. Rabobank, N.A. is a national bank subject to regulation, supervision and examination by the OCC.

Under U.S. law, Rabobank Group's activities and those of its subsidiaries in the U.S. are generally limited to the business of banking, and managing or controlling banks and certain other activities that are closely related to banking. As long as Rabobank and Utrecht-America Holdings, Inc. are financial holding companies under U.S. law, Rabobank Group may also engage in non-banking activities in the U.S. that are financial in nature, or incidental or complementary to such financial activity, including securities, merchant banking, insurance and other financial activities, subject to certain limitations on the conduct of such activities and to prior regulatory approval in some cases.



As a non-U.S. bank, Rabobank is generally authorised under U.S. law and regulations to acquire a non-U.S. company engaged in non-financial activities as long as the company's U.S. operations do not exceed certain thresholds and certain other conditions are met. Rabobank is required to obtain the prior approval of the Federal Reserve before directly or indirectly acquiring the ownership or control of more than 5 per cent. of any class of voting shares of U.S. banks, certain other depository institutions, and bank or depository institution holding companies.

State-licensed branches and agencies of non-U.S. banks (such as the New York Branch) may not, with certain exceptions that require prior regulatory approval, engage as a principal in any type of activity not permissible for their federally chartered or licensed counterparts. Likewise, the U.S. federal banking laws also subject state branches and agencies to the same single-borrower lending limits that apply to federal branches or agencies, which are substantially similar to the lending limits applicable to national banks. These single-borrower lending limits are based on the worldwide capital of the entire non-U.S. bank.

The Federal Reserve may terminate the activities of any U.S. office of a non-U.S. bank if, among other things, it determines that the non-U.S. bank is not subject to comprehensive supervision on a consolidated basis in its home country or that there is reasonable cause to believe that such non-U.S. bank or its affiliate has violated the law or engaged in an unsafe or unsound banking practice in the U.S. or, for a non-U.S. bank that presents a risk to the stability of the U.S. financial system, the home country of the non-U.S. bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk. In addition, the Superintendent of Financial Services of the State of New York (the "**Superintendent**") may revoke any licence for a branch of a non-U.S. bank issued under New York Banking Law if, among other things, the Superintendent finds that the licensed bank has violated any provision of any law, rule or regulation of the State of New York.

A major focus of U.S. governmental policy relating to financial institutions is aimed at preventing money laundering and terrorist financing and compliance with economic sanctions in respect of designated countries or activities. Failure of an institution to have policies and procedures and controls in place to prevent, detect and report money laundering and terrorist financing could in some cases have serious legal, financial and reputational consequences for the institution.

### ***New York Branch***

The New York Branch is licensed by the Superintendent to conduct a commercial banking business. Under New York Banking Law, the New York Branch is subject to the asset pledge requirements and is required to maintain eligible high-quality assets with banks in the State of New York. The Superintendent may also establish asset maintenance requirements for branches of non-U.S. banks. Currently, no such requirement has been imposed upon the New York Branch.

New York Banking Law authorises the Superintendent to take possession of the business and property of a New York branch of a non-U.S. bank under certain circumstances, including violations of law, conduct of business in an unsafe manner, impairment of capital, suspension of payment of obligations, or initiation of liquidation proceedings against the non-U.S. bank at its domicile or elsewhere. In liquidating or dealing with a branch's business after taking possession of a branch, only the claims of depositors and other creditors which arose out of transactions with a branch are to be accepted by the Superintendent for payment out of the business and property of the non-U.S. bank in the State of New York (which includes but is not limited to assets, or other property of the New York branch, wherever situated and any assets of the non-U.S. bank located in the State of New York, regardless of whether such assets are assets of the New York branch), without prejudice to the rights of the holders of such claims to be satisfied out of other assets of the non-U.S. bank. After such claims are paid, the Superintendent will turn over the remaining assets, if any, to the non-U.S. bank or its duly appointed liquidator or receiver.

### ***The Dodd-Frank Act***

The Dodd-Frank Act provides a broad framework for significant regulatory changes that extend to almost every area of U.S. financial regulation. The Dodd-Frank Act and other post-financial crisis regulatory reforms in the United States have increased costs, imposed limitations on activities and resulted in an increased intensity in regulatory enforcement.

Among other things, the Dodd-Frank Act requires that the lending and affiliate transaction limits applicable to Rabobank N.A. and the New York Branch take into account credit exposures arising from derivative

transactions, securities borrowing and lending transactions, and repurchase and reverse repurchase agreements with counterparties.

Additionally, the Dodd-Frank Act provides U.S. regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk, which include any non-U.S. banking organisation, such as Rabobank Group, with a branch or agency in the U.S. or a U.S. bank subsidiary and U.S.\$50 billion or more in total consolidated assets. On 18 February 2014, the Federal Reserve issued a final rule implementing these heightened standards. Under the final rule, the New York Branch will be subject to liquidity, risk management requirements, and in certain circumstances, asset maintenance requirements.

The Volcker Rule, adopted as part of the Dodd-Frank Act, limits the ability of banking entities and their affiliates to engage as principal in proprietary trading or to sponsor or invest in hedge, private equity or other similar funds or enter into certain covered transactions with certain covered funds, subject to certain exceptions and exemptions. However, certain non-U.S. banking organisations, such as certain non-U.S. banking entities within Rabobank Group, are exempt from these limitations with respect to activities that are solely outside of the U.S., subject to certain conditions.

On 10 December 2013, five U.S. federal financial regulatory agencies released the final version of the regulations implementing the Volcker Rule. The conformance period for the Volcker Rule has ended and Rabobank Group has brought its activities and investments into compliance with the Volcker Rule and established a dedicated compliance program. Further implementation efforts may be necessary based on subsequent regulatory interpretations, guidelines or examinations.

On 14 March 2018, the United States Senate passed a financial services regulatory reform bill, the "Economic Growth, Regulatory Relief, and Consumer Protection Act" (the "**Senate Bill**"), that proposes, among other things, to modify post-financial crisis regulatory requirements that apply to banking organisations of all sizes, including, but not limited to, raising the statutory asset threshold that requires the Federal Reserve to apply to the "enhanced prudential standards" set forth in Section 165 of the Dodd-Frank Act. This Senate Bill must be passed by the U.S. House of Representatives and signed into law by the President before it becomes effective. If adopted into law, the measures could result in significant modifications to the Dodd-Frank Act as well as to other post-financial crisis regulatory requirements.

In addition, Title VII of the Dodd-Frank Act, and the regulations adopted thereunder implementing the statutory requirements of Title VII, provide an extensive framework for the regulation of the derivatives market. While U.S. regulators have adopted many of the regulations governing the derivatives markets as contemplated by the Dodd-Frank Act, the implementation process is still ongoing and regulators continue to review and refine their initial rulemakings through additional interpretations and supplemental rulemakings. Under the Dodd-Frank Act, entities that qualify as swap dealers or major swap participants are required to register with the CFTC, while entities that qualify as security-based swap dealers and/or majority security-based swap participants will be required to register with the SEC. At this time, no Rabobank Group entity is registered or required to be registered as a swap dealer, major swap participant, security-based swap dealer or majority security-based swap participant (a "**Registered Entity**"). As a Registered Entity, an entity within Rabobank Group would be subject to additional regulatory requirements with respect to capital, margin requirements for OTC derivative transactions, business conduct standards and other requirements. As a Registered Entity, compliance with such regulatory requirements under Title VII of the Dodd-Frank Act may be costly and have an adverse impact on Rabobank Group. For instance, under the so-called swap "push-out" provisions of the Dodd-Frank Act, certain ABS swaps activities of FDIC-insured banks and uninsured U.S. branches of non-U.S. banks, such as Rabobank, N.A. and the New York Branch, respectively, could be restricted if such entities are Registered Entities. The Dodd-Frank Act also requires all swap market participants (notwithstanding any registration requirement) to (i) maintain records and report certain information to swap data repositories in real-time and on an ongoing basis and (ii) clear certain categories of derivatives through a derivatives clearing organization and execute such derivatives on a registered exchange (e.g., a designated contract market or swap execution facility).

In October, 2015, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Farm Credit Administration and the Federal Housing Finance Agency issued a final rule to establish minimum initial and variation margin collection requirements for non-cleared swaps and non-cleared security-based swaps entered into by certain Registered Entities when facing financial end-user counterparties (the "**PR Margin Rules**"). The CFTC has also promulgated its own initial and variation margin requirements in respect of non-cleared swaps entered into by swap dealers and major swap

participants not captured by the PR Margin Rules (the "**CFTC Margin Rules**" and, together with the PR Margin Rules, the "**Uncleared Swap Margin Rules**"). While Rabobank is regulated by the Board of Governors of the Federal Reserve System, it is not a Registered Entity (as noted above), though would be subject to the Uncleared Swap Margin Rules with respect to its uncleared OTC derivative transactions when facing Registered Entity counterparties by virtue of Rabobank Group being classified as a financial end-user.

Phased-in compliance with the Uncleared Swap Margin Rules began on 1 September 2016. The Uncleared Swap Margin Rules may have an adverse effect on the liquidity of Rabobank Group and/or its ability to continue to invest and/or hedge in the OTC derivatives market.

Additionally, the Dodd-Frank Act requires systemically important non-bank financial companies and large, interconnected financial institutions, including any non-U.S. bank with U.S.\$50 billion or more in total consolidated assets that has a branch or agency in the U.S. (such as Rabobank Group) to prepare and periodically submit to the Federal Reserve, the FDIC and the FSOC, a plan for such company's rapid and orderly resolution in the event of material financial distress or failure. The resolution plan requirements have been implemented through regulations issued by the Federal Reserve and the FDIC that establish rules and requirements regarding the submission and content of a resolution plan and procedures for review by the Federal Reserve and the FDIC. The Federal Reserve and the FDIC must determine that a company's resolution plan is credible and would facilitate an orderly resolution of the company. A company that fails to submit a credible resolution plan may be subject to a range of measures imposed by the Federal Reserve and the FDIC, including more stringent capital, leverage or liquidity requirements; restrictions on growth, activities or operations; and requirements to divest assets or operations, as directed by the Federal Reserve and the FDIC. Rabobank was not required to submit a resolution plan in 2016 or 2017.

Implementation of the Dodd-Frank Act and related final regulations is ongoing and has resulted in significant costs and potential limitations on Rabobank Group's businesses and may have a material adverse effect on Rabobank Group's results of operations. In addition, the uncertainty of the regulatory environment in the United States, especially with respect to the status of certain aspects of the Dodd-Frank Act and other U.S. regulations could impact Rabobank Group's business activities and the value of the Covered Bonds should significant changes to such regulations be implemented.

## E.8 Capitalisation and Indebtedness of Rabobank Group

The table with respect to the capitalisation and indebtedness of Rabobank Group below sets out Rabobank Group's consolidated own funds and consolidated long-term and short-term debt securities as at 31 December 2017 and 31 December 2016. All information has been derived from and should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2017, the information included in "Selected Financial Information", the information in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial data appearing elsewhere in this Base Prospectus.

There has been no material change in the capitalisation and indebtedness of Rabobank Group since 31 December 2017.

	At 31 December	
	2017	2016
	(in millions of euros)	
<b>Capitalisation of Rabobank Group</b>		
Reserves and retained earnings .....	25,376	25,821
<i>Equity instruments issued by Rabobank</i> .....		
Rabobank Certificates .....	7,440	5,948
Capital Securities .....	5,759	7,636
	13,199	13,584
<i>Equity instruments issued by subsidiaries</i>		
Capital Securities .....	166	185
Trust Preferred Securities III to VI .....	394	409
	560	594
Other non-controlling interests .....	475	525
<b>Total equity</b> .....	<b>39,610</b>	<b>40,524</b>
Subordinated liabilities – non-current .....	16,149	16,857
Debt securities in issue – non-current – unsecured .....	69,316	73,491
Debt securities in issue – non-current – secured .....	16,833	13,137
<b>Total non-current debt (excluding current portion of long-term debt)</b> .....	<b>102,298</b>	<b>103,485</b>
Subordinated liabilities – current .....	21	4
Debt securities in issue - current – unsecured .....	51,215	64,981
Debt securities in issue - current – secured .....	6,861	7,733
<b>Total current debt (maturity up to one year)</b> .....	<b>58,097</b>	<b>72,718</b>
<b>Total capitalisation</b> .....	<b>160,395</b>	<b>176,203</b>
<b>Breakdown of reserves and retained earnings</b>		
Revaluation reserve – available-for-sale financial assets .....	464	571
Revaluation reserve – pensions .....	(225)	(219)
Other reserves .....	(702)	(443)
Foreign currency translation reserves .....	(938)	203
Retained earnings .....	26,777	25,709
<b>Total reserves and retained earnings</b> .....	<b>25,376</b>	<b>25,821</b>

The table below sets forth Rabobank Group's net indebtedness in the short term and in the medium-long term. All information has been derived from and should be read in conjunction with Rabobank Group's audited consolidated financial statements for the years ended 31 December 2017 and 31 December 2016 and the notes thereto incorporated by reference in this Base Prospectus.

	At 31 December	
	2017	2016
	<i>(in millions of euros)</i>	
<b>Indebtedness of Rabobank Group</b>		
Cash <sup>(1)</sup> .....	66,861	84,405
Cash equivalents <sup>(2)</sup> .....	26,405	24,619
Trading securities <sup>(3)</sup> .....	381	1,087
<b>Total liquidity</b> .....	<b>93,647</b>	<b>110,111</b>
<b>Current financial receivables</b> <sup>(4)</sup> .....	<b>102,871</b>	<b>116,672</b>
Current bank debt <sup>(5)</sup> .....	13,381	17,067
Current portion of issued debt <sup>(6)</sup> .....	57,185	71,104
Other current financial debt <sup>(7)</sup> .....	319,823	335,406
<b>Total current financial debt</b> .....	<b>390,389</b>	<b>423,577</b>
<b>Net current financial indebtedness</b> .....	<b>193,871</b>	<b>196,794</b>
Non-current bank debt <sup>(8)</sup> .....	5,541	4,939
Non-current portion of issued debt <sup>(9)</sup> .....	93,408	105,099
Other non-current financial debt <sup>(10)</sup> .....	71,314	85,706
<b>Non-current financial indebtedness</b> .....	<b>170,263</b>	<b>195,744</b>
<b>Net financial indebtedness</b> .....	<b>364,134</b>	<b>392,538</b>

**Notes:**

- (1) Cash and balances at central banks.
- (2) Loans and advances to banks with a maturity of up to one year.
- (3) Financial assets held for trading with a maturity of up to one year.
- (4) Total financial assets with a maturity of up to one year excluding cash balances at central banks, loans and advances to banks and financial assets held for trading.
- (5) Due to banks with a maturity of up to one year.
- (6) Debt securities in issue and subordinated liabilities with a maturity of up to one year.
- (7) Total financial liabilities with a maturity of up to one year excluding due to banks, debt securities in issue and subordinated liabilities.
- (8) Due to banks with a maturity of more than one year.
- (9) Debt securities in issue and subordinated liabilities with a maturity of more than one year.
- (10) Total financial liabilities with a maturity of more than one year excluding due to banks, debt securities in issue and subordinated liabilities.

## 1. COVERED BONDS

### 1.1 Form of Covered Bonds

Each Tranche of Covered Bonds will (as specified in the applicable final terms (the "**applicable Final Terms**") be in bearer or in registered form. Bearer Covered Bonds will initially be issued in the form of a temporary global covered bond without interest coupons attached (a "**Temporary Global Covered Bond**") or, if so specified in the applicable Final Terms, a permanent global covered bond without interest coupons attached (a "**Permanent Global Covered Bond**") and, together with any Temporary Global Covered Bond and any Registered Global Covered Bond, each a "**Global Covered Bond**"). Each Temporary Global Covered Bond which is intended to be issued in new global note ("**NGN**") form, as specified in the applicable Final Terms, will be deposited on or prior to the original issue date of the Tranche with a common safekeeper for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Each Temporary Global Covered Bond which is not intended to be issued in NGN form, as specified in the applicable Final Terms, will on or prior to the original issue date of the Tranche be deposited with *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("**Euroclear Netherlands**") or with (safekeeper or depository for) any other agreed clearing system. Registered Covered Bonds will (unless otherwise specified in the applicable Final Terms) be either (i) issued to each holder by way of a deed of issuance (a "**Registered Covered Bonds Deed**") or (ii) with respect to any Series which contain one or more Tranches of Covered Bonds offered or sold in reliance on Rule 144A, issued in the form of a Registered Global Covered Bond certificate.

Whilst any Covered Bond is represented by a Temporary Global Covered Bond payments of principal, interest (if any) and any other amount payable in respect of the Covered Bonds due prior to the Exchange Date will be made against presentation of the Temporary Global Covered Bond only to the extent that certification (in a form to be provided) to the effect that the beneficial holders of interests in such Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or Euroclear Netherlands or any other agreed clearing system and that clearing system has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is not less than 40 days nor (if the Temporary Global Covered Bond has been deposited with Euroclear Netherlands) more than 90 days after the date on which the Temporary Global Covered Bond is issued (or the "**restricted period**" within the meaning of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein for interests in a Permanent Global Covered Bond of the same Series, against certification of non-US beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond is improperly withheld or refused. Payments of principal, interest (if any) and any other amounts on a Permanent Global Covered Bond will be made without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Covered Bond will only be exchangeable (free of charge), in whole but not in part, for definitive bearer Covered Bonds (each a "**Bearer Definitive Covered Bond**") with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event, subject to mandatory provisions of applicable laws and regulations. For these purposes, "**Exchange Event**" means that (i) the Covered Bonds become immediately due and repayable by reason of a CBC Event of Default or (ii) the Issuer has been notified that the relevant clearing system has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer or the CBC has or will become subject to adverse tax consequences which would not be suffered if the Covered Bonds represented by the Permanent Global Covered Bond were in definitive form. The Issuer will promptly give notice to Covered Bondholders of each Series in accordance with Condition 13 (*Notices; Provision of Information*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg and/or, if applicable, Euroclear Netherlands (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such

exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Principal Paying Agent. Upon an Exchange Event in respect of a Registered Global Covered Bond, the Registered Global Covered Bond will be exchanged in whole (but not in part) for Registered Definitive Covered Bonds in accordance with the Trust Deed and Agency Agreement. Whenever a Registered Global Covered Bond is to be exchanged for Registered Definitive Covered Bonds, duly authenticated and completed Registered Definitive Covered Bond certificates shall be issued in an aggregate principal amount equal to the principal amount of the relevant Registered Global Covered Bond within five business days of the delivery, by or on behalf of the holder or any Clearing System, to the Registrar of such information as is required to complete and deliver such Registered Definitive Covered Bond certificates (including, without limitation, the names and addresses of the persons in whose names the Registered Definitive Covered Bonds are to be registered and the principal amount of each such person's holding) against the surrender of the relevant Registered Global Covered Bond certificate at the Specified Office of the Registrar.

In the event that Covered Bonds which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount are issued, it is possible that the Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. So long as such Covered Bonds are represented by a Temporary Global Covered Bond or Permanent Global Covered Bond and the relevant clearing system(s) so permit, these Covered Bonds will be tradeable only in the minimum Specified Denomination increased with integral multiples of another smaller amount, notwithstanding that Definitive Covered Bonds shall only be issued up to, but excluding, twice the minimum Specified Denomination. Bearer Definitive Covered Bonds will be in the standard euromarket form.

In the case of Covered Bonds represented by a Permanent Global Covered Bond deposited with Euroclear Netherlands, on the occurrence of an Exchange Event as described above, an exchange for Definitive Covered Bonds will only be possible in the limited circumstances as described in the Wge and in accordance with the rules and regulations of Euroclear Netherlands.

Global Covered Bonds, Definitive Covered Bonds and Registered Covered Bonds will be issued in accordance with and subject to the terms of the Agency Agreement and the Trust Deed.

The following legend will appear on all Covered Bonds in bearer form, which have an original maturity of more than one year and on all receipts and interest coupons relating to such Covered Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Covered Bonds, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Covered Bonds, receipts or interest coupons.

The following legend will appear on all Global Covered Bonds in bearer form held through Euroclear Netherlands:

"NOTICE: THIS COVERED BOND IS ISSUED FOR DEPOSIT WITH *NEDERLANDS CENTRAAL INSTITUUT VOOR GIRAAL EFFECTENVERKEER B.V.* ("**EUROCLEAR NETHERLANDS**") AT AMSTERDAM, THE NETHERLANDS. ANY PERSON BEING OFFERED THIS COVERED BOND FOR TRANSFER OR ANY OTHER PURPOSE SHOULD BE AWARE THAT THEFT OR FRAUD IS ALMOST CERTAIN TO BE INVOLVED."

Covered Bonds which are represented by a Global Covered Bond deposited with a common depositary for Euroclear or Clearstream, Luxembourg or with a common safekeeper will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg or that common safekeeper, as the case may be. In the case of a Global Covered Bond deposited with Euroclear Netherlands, the rights of Covered Bondholders will be exercised in accordance with the Wge.

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche shall be assigned a temporary common code and ISIN Code by Euroclear and Clearstream, Luxembourg, Clearnet S.A. Amsterdam Branch Stock Clearing and/or any other relevant security code which are different from the common code, ISIN Code and/or other relevant security code assigned to Covered Bonds of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "**Securities Act**")) applicable to the Covered Bonds of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee but shall not include Euroclear Netherlands.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the CBC unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.



## 1.2 Form of Final Terms

Set out below is the form of Final Terms, which, subject to any necessary amendment, will be completed for each Tranche of Covered Bonds issued under the Programme.

### FINAL TERMS

[Date]

**COÖPERATIEVE RABOBANK U.A.**

**(RABOBANK)**

*(incorporated in the Netherlands with its statutory seat in Amsterdam and registered in the Commercial Register of the Chamber of Commerce under number 30046259)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]**

**Guaranteed as to payment of principal and interest by  
Rabo Covered Bond Company B.V.  
under the €25,000,000,000  
Covered Bond Programme**

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in any other circumstances. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State) and includes any relevant implementing measures in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**[MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ("ECPS") ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 4 June 2018 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [www.rabobank.com/en/investors] and during normal business hours at the registered office of the Issuer, currently at Croeselaan 18, 3521 CB Utrecht, The Netherlands and copies may be obtained from the Issuer at that address.

*[The following alternative language applies if the first Tranche of an issue which is being increased was issued under a base prospectus with an earlier date. Consider whether a Drawdown Prospectus is required in this case, for example, because the final terms of the first Tranche included information which is no longer permitted to be included in final terms under the Prospectus Directive.]*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 4 June 2018 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive, **provided that** solely for the purpose of Condition 7 (*Taxation*) sub (iv) and (c) and (d) of the sixth paragraph of Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*), the Issue Date shall be deemed to be [•]. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with the Base Prospectus. This document constitutes the Final Terms relating to the issue of Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [www.rabobank.com/en/investors] and during normal business hours at the registered office of the Issuer, currently at Croeselaan 18, 3521 CB Utrecht, The Netherlands and copies may be obtained from the Issuer at that address.

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]*

*[When completing any Final Terms or adding any other Final Terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

- |    |       |  |  |
|----|-------|--|--|
| 1. | (i)   | Issuer:  | Coöperatieve Rabobank U.A.   |
|    | (ii)  | CBC:   | Rabo Covered Bond Company B.V.   |
| 2. | (i)   | Series Number:                                   | [ ]  |
|    | (ii)  | Tranche Number:                                  | [ ]  |
|    | (iii) | Date on which the Covered Bonds become fungible: | [Not Applicable/The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the <i>[insert description of the Series]</i> on <i>[insert date/the Issue Date/exchange of the Temporary Global Covered Bond for interests in the Permanent Global Covered</i> |

Bond, as referred to in paragraph 21 below [which is expected to occur on or about *[insert date]*]].

3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (i) Series: [ ]
  - (ii) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
6. (i) Specified Denominations: [ ]

(At least EUR 100,000 for public offers and/or admissions to trading on a regulated market within the EEA)

(For Bearer Covered Bonds where multiple denominations above EUR 100,000 (or equivalent) are being used the following sample wording should be followed: "[EUR 100,000] (or the relevant higher denomination) and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 99,000] (or twice the relevant higher denomination minus the smallest denomination). No Covered Bonds in definitive form will be issued with a denomination above [EUR 199,000] (or twice the relevant higher denomination minus the smallest denomination).")

  - (ii) Calculation Amount: [ ]

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: there must be a common factor in the case of two or more Specified Denominations.)
7. (i) Issue Date: [ ]
  - (ii) Interest Commencement Date: [Specify if other than the Issue Date/Issue Date/Not Applicable]
8. (i) Final Maturity Date: [ ] (specify date or (for Floating Rate Covered Bonds) [the Specified Interest Payment Date falling in or nearest to [ ]](specify the relevant month and year))
  - (ii) Extended Due for Payment Date: [ ] (specify date or (for Floating Rate Covered Bonds) [the Specified Interest Payment Date falling in or nearest to [ ]] (specify relevant month); in each case falling twelve (12) calendar months after the Final Maturity Date) or (for Zero Coupon or if otherwise applicable), (specify) interest [basis as referred to in Condition 3(b)]
9. Interest Basis: [[ ] per cent. Fixed Rate][from, and including the Interest Commencement Date to, but excluding the

Final Maturity Date. Thereafter, [•] per cent. Floating Rate]

[[specify reference rate] +/- [ ] per cent. Floating Rate]

[Zero Coupon]

(further particulars specified below)

10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption and subject to Condition 3 (*The Guarantee*), the Covered Bonds will be redeemed on the Final Maturity Date at [100] per cent. of their nominal amount.
11. Change of Interest Basis: [[[•]/[in accordance with paragraphs [14] and [15] below]/[Not Applicable]] (*If applicable, specify the date when any fixed to floating or floating to fixed rate change occurs or refer to paragraphs 14 and 15 below and identify there*)
12. Call Option(s): [Not Applicable / Issuer Call (further particulars specified below)]
13. (i) Status of the Covered Bonds: Unsubordinated, unsecured, guaranteed
- (ii) Status of the Guarantee: Unsubordinated, secured (indirectly, through a parallel debt), unguaranteed

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Covered Bond Provisions** [Applicable/Not Applicable]
- (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [ ] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to and including [ ] [(**provided however that** after the date when the Guaranteed Final Redemption Amount is Due for Payment (the "**Extension Date**"), the Interest Payment Date shall be [monthly][*other*][and the first Interest Payment Date following the Extension Date shall be [ ])]
- [There will be a [short/long] [first/last] fixed interest period (the "[**Short/Long**]" [**First/Last**] **Coupon**") in respect of the period [from (and including) the Interest Commencement Date to (but excluding) the First Interest Payment Date]/[from (and including) [*(insert penultimate Interest Payment Date)*] to (and including) the Final Maturity Date]]
- (iii) Fixed Coupon Amount(s): [[ ] per Calculation Amount [except in respect of the [Short/Long] [First/Last] Coupon]/Not Applicable]

- (iv) Broken Amount(s): [Not Applicable / [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]]  
*(Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount)*
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[ ] in each year / Not Applicable]  
*(Insert regular Interest Payment Dates, ignoring issue date or maturity date in the case of a long or short first or last Coupon.*  
  
*NB: This will need to be amended in the case of regular Interest Payment Dates which are not of equal duration*  
  
*NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Business Day Convention [Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] [and [ ] as Additional Business Centre[s] for the definition of "Business Day"][[Unadjusted]]
15. **Floating Rate Covered Bond Provisions** [Applicable / Not Applicable / Applicable as of and including the Final Maturity Date]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Interest Period(s): [[As mentioned in Condition 4(b)] / [ ]]
- (ii) Specified Period: [Not Applicable / [ ]]  
  
*(NB: Specify the Specified Period(s) and Specified Interest Payment Dates up to and including [the Extended Due for Payment Date][other])*  
  
*(Specified Interest Payment Dates and Specified Period are alternatives. A Specified Period will only be relevant if the Business Day Convention is the Floating Rate Convention (also called FRN Convention or Eurodollar Convention). Otherwise, insert "Not Applicable")*
- (iii) Specified Interest Payment Dates: [Not Applicable/[ ] in each [year], commencing on [ ] (the "**First Interest Payment Date**"), subject to adjustment in accordance with the Business Day Convention set out in (v) below] [(provided however that after the Extension Date, the Specified Interest Payment Date shall be [monthly][other])]  
  
[The [•]<sup>th</sup> day of each [month][quarter], commencing on the date falling [one][three] month after the Final Maturity Date (the "**First Interest Payment Date**"), up to, and including the Extended Due for Payment Date, subject to adjustment in accordance with the

Business Day Convention set out in (iv) below.] (NB: To be included for any Covered Bond with a fixed rate interest prior to the Extension Date and a monthly or quarterly floating rate following as from the Extension Date)

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")

(iv) Business Day Convention: [Floating Rate Convention / FRN Convention / Eurodollar Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / None]

(v) Unadjusted: [No/Yes/Not applicable]

(Only applicable in case a Business Day Convention applies. Insert "No" if the amount of interest payable in respect of the relevant Interest Period should also be adjusted in accordance with the applicable Business Day Convention. Insert "Yes" if the amount of interest should be calculated as if the relevant Interest Payment Date were not subject to adjustment in accordance with the applicable Business Day Convention.)

(vi) Additional Business Centre(s): [Not Applicable/give details]

(vii) Manner in which the Rate(s) of Interest and Interest Amount(s) is/are to be determined: [Screen Rate Determination / ISDA Determination]

(viii) Calculation Agent [Principal Paying Agent / [ ]]

(ix) Screen Rate Determination: [Applicable/Not Applicable]

(If "Not Applicable", delete the remaining subparagraphs of this paragraph)

— Reference Rate: [ ]

(for example, LIBOR or EURIBOR)

— Interest Determination Date(s): [ ]

(Second Business Day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which TARGET2 is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

— Relevant Screen Page: [ ]

(In the case of EURIBOR, if not Reuters EURIBOR 01, ensure it is a page which shows a composite rate, due to the fallback provisions contained in Condition

4(b)(ii)(B) (Screen Rate Determination for Floating Rate Covered Bonds))

- Location of Reference Banks: [[•]/As per the Conditions]
- (x) ISDA Determination: [Applicable/Not Applicable]
- (If "Not Applicable", delete the remaining sub-paragraphs of this paragraph)
- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
- (xi) Margin(s): [+/-] [ ] per cent. per annum
- (xii) Minimum Rate of Interest: [ ] per cent. per annum
- (xiii) Maximum Rate of Interest: [ ] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Euro) / Actual/360 / 30E/360 or Eurobond Basis / 30/360 / 30E/360 (ISDA)]

16. **Zero Coupon Covered Bond Provisions** [Applicable/Not Applicable]

(If "Not Applicable", delete the remaining sub-paragraphs of this paragraph)

- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- [(iii) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA)]]

**PROVISIONS RELATING TO REDEMPTION**

17. **Issuer Call** [Applicable/Not Applicable]

(If "Not Applicable", delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Covered Bond: [ ] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ] per Calculation Amount
  - (b) Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice period (if other than as set out in the Conditions): [Condition [ ] shall apply / other]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agents)*

18. **Final Redemption Amount of each Covered Bond** [ ] per Calculation Amount

*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*

19. **Early Redemption Amount of each Covered Bond**

Early Redemption Amount per Calculation Amount payable on redemption for taxation reasons, or on acceleration following an Issuer Event of Default as against the Issuer or a CBC Event of Default or other early redemption: [Not Applicable / As set out in Condition 6 (*Redemption and Purchase*) / [ ] per Calculation Amount]

#### **GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

20. Form of Covered Bonds: [Bearer form / Registered form]

[Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations.]

[Permanent Global Covered Bond exchangeable for Definitive Covered Bonds only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations.]

*[(For Series which are not offered or sold in reliance on Rule 144A:)]*

Registered Covered Bonds, issued to each holder by way of Registered Covered Bonds Deed.

Specified office of Issuer for notification of transfers of Registered Covered Bonds: [[•] office, [address]/other] [Delete as appropriate].]

*[(For Series which contain one or more Tranches offered or sold in reliance on Rule 144A:)]*

[Registered Covered Bonds:

[Rule 144A Global Covered Bond/ Regulation S Global Covered Bond] registered in the name of a nominee for [a common depositary for Euroclear and



- Clearstream, Luxembourg / [DTC] and exchangeable for Registered Definitive Covered Bonds [on [ ] days' notice/at any time/in the limited circumstances described therein].]]
21. New Global Note [Yes/No]
- (If "No" is specified here ensure that "Not Applicable" is specified for Eurosystem eligibility in the relevant sub-paragraph of paragraph 5 of Part B of the Final Terms and if "Yes" is specified here ensure that the appropriate specification is made in respect of Eurosystem eligibility in that same sub-paragraph)*
22. Exclusion of set-off [Not applicable / Condition 5(g) applies]
23. For the purposes of Condition 13, notices to be published in a newspaper: [Yes, in [the Financial Times / [specify other leading English language daily newspaper of general circulation in London]] / No]
- (N.B. Only relevant for Bearer Covered Bonds)*
26. Additional Financial Centre(s): [Not Applicable/give details]
- (Note that this item relates to the date and place of payment (see Condition 5(e) (Payment Day)) and not Interest Period end dates (to which items 14(vii) and 15(vi) relate))*
28. Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature): [Applicable/Not Applicable (give details)]
- (If the Covered Bonds have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.)*
29. Consolidation provisions: [The provisions [of Condition 16 (Further Issues) / annexed to these Final Terms] apply] [Not Applicable]
- (Only "Not Applicable" if it is intended that there be no future fungible issues to this Series)*
30. Relevant Benchmark[s]: [[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation (Regulation (EU) 2016/1011)/[Not Applicable]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. The CBC accepts responsibility for the information relating to the CBC contained in these Final Terms. [[Relevant third party information] relating to item [ ] above has been extracted from [specify source]. The Issuer and the CBC confirm that such information (in the case of the CBC, as such information relates to it) has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [(specify

*source*)], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

Signed on behalf of the CBC:

By:

By:

*Duly authorized*

*Duly authorised*

By:

By:

*Duly authorised*

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Euronext Amsterdam / official list of the Luxembourg Stock Exchange ☐ / None]
- (ii) Admission to trading: [Application [has been / is expected to be] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted [to trading on Euronext Amsterdam / to trading on the regulated market of the Luxembourg Stock Exchange] / *[specify relevant regulated market and, if relevant, admission to an official list]*] with effect from ☐.] [Not Applicable]
- (Where documenting a fungible issue, indicate that original covered bonds are already admitted to trading)*
- (iii) Estimate of total expenses related to admission to trading: ☐ ]

### 2. RATINGS

- Ratings: [The Covered Bonds to be issued [have been/are expected to be] rated:] / [The Covered Bonds to be issued have not been specifically rated. The rating allocated to Covered Bonds under the Programme generally is:]
- [Moody's: ☐ ]
- [☐ ]
- [Insert one (or more) of the following options, as applicable]*
- [Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").
- [Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and has applied for registration under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] / [European Securities and Markets Authority].
- [Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").
- [Insert legal name of particular credit rating agency entity providing rating]* is not established

in the EEA but the rating it has given to the Covered Bonds is endorsed by *[insert legal name of credit rating agency]*, which is established in the EEA and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA but is certified under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA and is not certified under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

[In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.]

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

*(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:)*

Save as discussed in *Section 1.5 Subscription and Sale*, so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. *[Amend as appropriate if there are other interests]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)]*

4. **[YIELD (Fixed Rate Covered Bonds only)]**

Indication of yield: [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

## 5. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Other relevant code: [[ ] / Not Applicable]

(iv) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

[(Include this text if "Yes" is selected). Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,) and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[(Include this text if "No" is selected). Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

(v) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Euroclear Netherlands/Not Applicable/give name(s) and number(s)]

(vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional Paying Agent(s) (if any): [ ] / [Not Applicable]

## 6. DISTRIBUTION

(i) Method of distribution: [Syndicated/Non-syndicated]

- (ii) (a) If syndicated, names of Managers: [Not Applicable/*give names*]
- (b) Stabilising Manager(s) (if any): [Not Applicable/*give name[s]*]
- (iii) If non-syndicated, name of Dealer(s): [Not Applicable/*give name[s]*]
- (iv) U.S. selling restrictions: [Regulation S Compliance Category [1/2] / Rule 144A / TEFRA D / TEFRA C / TEFRA rules not applicable]
- (v) ERISA: [Yes/No] (*"Yes" meaning employee benefit plans subject to ERISA can buy*)
- (vi) Applicable Netherlands / Global selling restriction: [Not Applicable/*specify (Note that depending on the exemption used, specific wording may need to be included)*]
- (vii) Additional selling restrictions: [Not Applicable/*give details*]

### 1.3 Terms and Conditions of Covered Bonds

*The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each Global Covered Bond, Registered Covered Bond and each Definitive Covered Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond, Definitive Covered Bond and Registered Covered Bond. Any amendments to the Terms and Conditions will be made by way of, and in accordance with the applicable requirements for, amendments to the Trust Deed.*

This Covered Bond is one of a Series of Covered Bonds issued by Coöperatieve Rabobank U.A. (the "**Issuer**") pursuant to a trust deed dated 10 May 2017 (the "**Programme Date**") (such trust deed as amended and/or supplemented and/or restated from time to time, the "**Trust Deed**") between the Issuer, Rabo Covered Bond Company B.V. (the "**CBC**") and Stichting Security Trustee Rabo Covered Bond Company (the "**Trustee**", which expression shall include any successor as trustee).

Save as provided for in Conditions 9 (*Events of Default and Enforcement*) and 14 (*Meetings of Covered Bondholders, Modification and Waiver*) or where the context otherwise requires, references herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean:

- (a) in relation to any Covered Bonds represented by a global covered bond, units of the lowest Specified Denomination in the Specified Currency;
- (b) any Temporary Global Covered Bond, any Permanent Global Covered Bond and any Registered Covered Bonds, as the case may be; and
- (c) any Definitive Covered Bonds issued in exchange for a Permanent Global Covered Bond upon the occurrence of an Exchange Event.

The Covered Bonds and the Coupons have the benefit of an agency agreement dated the Programme Date (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") between the Issuer, the CBC, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent (the "**Principal Paying Agent**" which expression shall include any successor principal paying agent) and Citigroup Global Markets Deutschland AG as registrar in respect of all Registered Covered Bonds issued pursuant to a Registered Covered Bonds Deed (in respect of such Series only, the "**Registrar**" which expression shall include any successor registrar). Furthermore, pursuant to the Agency Agreement a registrar in respect of all Registered Covered Bonds evidenced by a Registered Global Covered Bond certificate (in respect of such Series only, the "**Registrar**" which expression shall include any successor registrar), an exchange agent (the "**Exchange Agent**" which expression shall include any additional or successor exchange agent) and a U.S. paying agent (the "**US Paying Agent**", and together with the Principal Paying Agent and the other paying agents named in the Agency Agreement, the "**Paying Agents**", which expression shall include any additional or successor paying agent) may be appointed and the other agents named in the Agency Agreement (together with the Paying Agents and, in relation to a Series of Covered Bonds, the Registrar, the "**Agents**", which expression shall include any additional or successor agent).

Interest bearing definitive Covered Bonds have (unless otherwise indicated in the applicable Final Terms) interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Covered Bonds do not have Coupons or Talons attached on issue.

The Final Terms for this Covered Bond (or the relevant provisions thereof) is (i) in the case of a Bearer Covered Bond, attached to or endorsed on this Covered Bond or (ii) in the case of a Registered Covered Bond, attached to the relevant Registered Covered Bond, and supplements these Terms and Conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the

extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Covered Bond. References to the applicable Final Terms are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond or the relevant Registered Covered Bond.

The Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the "**Covered Bondholders**", which expression shall, in relation to (i) any Bearer Covered Bonds represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond, and (ii) any Registered Covered Bond, as the case may be, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), and for holders of each other Series in accordance with the provisions of the Trust Deed. Any holders mentioned above include those having a credit balance in the collective depots held by Euroclear Netherlands or one of its participants.

As used herein, "**Tranche**" means Covered Bonds which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

These Conditions include summaries of, and are subject to, the provisions of the Trust Deed, the Security Documents and the Agency Agreement.

Copies of the Trust Deed, the Security Documents, the Incorporated Terms Memorandum incorporating the Master Definitions Schedule, the Agency Agreement and each of the other Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Trustee being at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of each of the Paying Agents and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Security Documents, the Incorporated Terms Memorandum, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each Final Terms relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meaning given to them in the applicable Final Terms and/or the master definitions schedule (as amended from time to time, the "**Master Definitions Schedule**") incorporated in the incorporated terms memorandum (as amended from time to time, the "**Incorporated Terms Memorandum**"), a copy of each of which may be obtained as described above.

## 1. **FORM, DENOMINATION AND TITLE**

The Covered Bonds are in bearer form ("**Bearer Covered Bonds**") or registered form ("**Registered Covered Bonds**"), as set out in the applicable Final Terms, and, in the case of Definitive Covered Bonds, serially numbered, and in the case of Definitive Covered Bonds or Registered Covered Bonds in the Specified Currency and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination. Registered Covered Bonds may not be exchanged for Bearer Covered Bonds.

A Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a Zero Coupon Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds or Registered Covered Bonds in which case references to Coupons and Couponholders in these Conditions are not applicable.



Under Dutch law, the valid transfer of Covered Bonds requires, amongst other things, delivery (*levering*) thereof. For Covered Bonds held by Euroclear Netherlands deliveries will be made in accordance with the Wge.

The Issuer, the CBC, the Paying Agents and the Trustee may (except as otherwise required by law) deem and treat the holder of any Bearer Covered Bond or Coupon as the absolute owner thereof, whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such bearer for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the first succeeding paragraph. The signatures on the Covered Bonds are manual and/or in facsimile.

For so long as any of the Covered Bonds are represented by a Global Covered Bond held on behalf of Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") by a common safekeeper, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the CBC, the Paying Agents and the Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, for which purpose the bearer of the relevant Global Covered Bond shall be treated by the Issuer, the CBC, any Paying Agent and the Trustee as the holder of the nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expressions "**Covered Bondholder**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Covered Bonds as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error or an error established as such to the satisfaction of the Trustee, be conclusive and binding on all concerned.

Covered Bonds, which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, and Euroclear Netherlands and/or DTC or any other agreed clearing system, as the case may be.

Where Covered Bonds represented by a Permanent Global Covered Bond are deposited with Euroclear Netherlands, a Covered Bondholder shall not have the right to request delivery (*uitlevering*) of his Covered Bonds under the Wge other than as set out in Wge and the Global Covered Bond.

References to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee but shall not include Euroclear Netherlands. Any amendments to these Conditions required in connection with such additional or alternative clearing system shall be specified in the applicable Final Terms.

## 2. STATUS OF THE COVERED BONDS

The Covered Bonds and any relative Coupons constitute unsecured and unsubordinated obligations of the Issuer, guaranteed by the Guarantee and rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer other than any obligations preferred by mandatory provisions of applicable law.

### 3. THE GUARANTEE

Pursuant to a guarantee issued under the Trust Deed, the CBC has as an independent obligation irrevocably undertaken to pay the Guaranteed Amounts when the same shall become Due for Payment (as amended from time to time, the "**Guarantee**"). However, the CBC shall have no such obligation under the Guarantee until (i) (1) the occurrence of an Issuer Event of Default, (2) service by the Trustee on the Issuer of an Issuer Acceleration Notice and (3) service by the Trustee on the CBC of a Notice to Pay or (ii) the occurrence of a CBC Event of Default and the service by the Trustee of a CBC Acceleration Notice on the Issuer and the CBC. In addition, if the CBC is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount in relation to any Series, then:

- (a) the obligation of the CBC to pay such Guaranteed Final Redemption Amount in respect of such Series of Covered Bonds shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, unless on the Extension Date or any subsequent Interest Payment Date which applies pursuant to paragraph (b) below and which falls prior to the Extended Due for Payment Date, any monies are available to the CBC after the CBC shall under the relevant Priority of Payments have paid or provided for (1) all higher ranking amounts and (2) all Guaranteed Final Redemption Amounts pertaining to any Series of Covered Bonds with an Extended Due for Payment Date falling prior to the CBC Payment Period in which the Extended Due for Payment Date for such Series of Covered Bonds falls, in which case the CBC shall (i) give notice thereof to the relevant holders of the Covered Bonds (in accordance with Condition 13 (*Notices; Provision of Information*)), each Rating Agency, the Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two Business Days prior to the Extension Date and/or such Interest Payment Date, respectively, and (ii) apply such remaining available monies in payment, in whole or in part, of such Guaranteed Final Redemption Amount, if applicable *pro rata* with any Guaranteed Final Redemption Amount pertaining to a Series of Covered Bonds with an Extended Due for Payment Date falling in the same CBC Payment Period in which the Extended Due for Payment Date for the relevant Series of Covered Bonds falls (and to such extent such Guaranteed Final Redemption Amount shall for the purpose of the relevant Priority of Payments and all other purposes be due) as well as any other *pari passu* ranking amounts on the Extension Date and/or such Interest Payment Date, respectively; and
- (b) the CBC shall under the Guarantee owe interest over the unpaid portion of such Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 4 (*Interest*) **provided that** for this purpose all references in Condition 4 (*Interest*) to the Final Maturity Date of such Series of Covered Bonds are deemed to be references to the Extended Due for Payment Date, *mutatis mutandis*,

all without prejudice to the CBC's obligation to pay any Guaranteed Amount other than the Guaranteed Final Redemption Amount when Due for Payment.

The rights under the Guarantee (a) form an integral part of the Covered Bonds, (b) are of interest to a Covered Bondholder only if, to the extent that, and for so long as, it holds Covered Bonds and (c) can only be transferred together with all other rights under the relevant Covered Bond. The obligations of the CBC under the Guarantee are unsubordinated and unguaranteed obligations of the CBC, which are secured (indirectly, through a parallel debt) as provided in the Security Documents.

As security for a parallel debt corresponding to the CBC's obligations under the Guarantee and the other Transaction Documents to which it is a party, the CBC has granted the following security rights to the Trustee:

- (i) a first ranking right of pledge over the Transferred Assets;
- (ii) a first ranking right of pledge over the monies standing to the credit of the CBC Accounts from time to time; and

- (iii) a first ranking right of pledge over the CBC's present and future rights (*vorderingen*) *vis-à-vis* any debtors of the CBC under any Transaction Document to which the CBC is a party, other than the Management Agreement (CBC).

The holders of the Covered Bonds of each Series will, through the Trustee, benefit from the Security and are deemed to have acknowledged, and are bound by, Clause 8 (*Parallel Debt*) of the Trust Deed.

In these Conditions:

**"Extended Due for Payment Date"** means the date falling twelve (12) calendar months after the Final Maturity Date, as specified as such in the applicable Final Terms;

**"Extension Date"** means the date on which the Guaranteed Final Redemption Amount is Due for Payment; and

**"Guaranteed Final Redemption Amount"** means a Guaranteed Amount relating to Scheduled Principal payable on the Final Maturity Date in respect of any Series.

#### 4. INTEREST

##### (a) Interest on Fixed Rate Covered Bonds

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) per annum equal to the applicable Rate of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date or, subject to Condition 3 (*The Guarantee*), the Extended Due for Payment Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If a **"Business Day Convention"** is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) the **"Following Business Day Convention"**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (2) the **"Modified Following Business Day Convention"**, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (3) the **"Preceding Business Day Convention"**, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

If a Business Day Convention is specified in the applicable Final Terms, the number of days for calculating the amount of interest payable in respect of the relevant Interest Period shall also be adjusted in accordance with such Business Day Convention, unless **"Unadjusted"** is specified in the applicable Final Terms, in which case such amount of interest shall be calculated as if the relevant Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure

to the nearest sub-unit of the Specified Currency (half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the Fixed Rate Covered Bond, divided by the Calculation Amount.

In these Conditions:

**"Business Day"** means a day which is:

- (i) both, in relation to any sum payable in respect of any Series of Covered Bonds:
  - (A) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 ("**TARGET2**") is open and a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Amsterdam and in any "**Additional Business Centre**" specified in the applicable Final Terms; and
  - (B) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) and in any Additional Business Centre specified in the applicable Final Terms; and
- (ii) in any other case (A) in relation to any sum payable (other than in respect of any Series of Covered Bonds), a day on which banks are generally open for business in Amsterdam and TARGET2 is open, or (B) a day on which banks are generally open for business in Amsterdam;

**"Calculation Amount"** has the meaning given thereto in the applicable Final Terms;

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
  - (A) in the case of Covered Bonds where the actual number of days in the relevant period from (and including) the most recent Interest Payment Date (or, in the case of the first interest period, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is so specified, the number of days in the Fixed Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Fixed Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Fixed Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Fixed Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Fixed Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Fixed Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Fixed Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

"**Determination Date**" has the meaning given thereto in the applicable Final Terms;

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**Final Maturity Date**" means in respect of a Series the Interest Payment Date which falls no more than 45 years after the Issue Date of such Series and on which the Covered Bonds of such Series are expected to be redeemed at their Principal Amount Outstanding in accordance with these Conditions as specified in the applicable Final Terms;

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or, in the case of the first interest period, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;

"**Interest Commencement Date**" means the Issue Date of the Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Principal Amount Outstanding**" means, on any date:

- (i) in respect of a Covered Bond outstanding, the principal amount of that Covered Bond on the relevant Issue Date, less the aggregate amount of any principal payments in respect of such Covered Bond which have been paid to the Paying Agent on or prior to that date; and
- (ii) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount in (i) in respect of all Covered Bonds outstanding; and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) **Interest on Floating Rate Covered Bonds**

(i) ***Interest Payment Dates***

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Issue Date of the Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms (the "**Interest Commencement Date**") and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, the expression "**Interest Period**" shall mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**", such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the "**Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the "**Modified Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

- (4) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

If a Business Day Convention is specified in the applicable Final Terms, the number of days for calculating the amount of interest payable in respect of the relevant Interest Period shall also be adjusted in accordance with such Business Day Convention, unless "**Unadjusted**" is specified in the applicable Final Terms, in which case such amount of interest shall be calculated as if the relevant Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

(ii) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner described further in subparagraph (A) or subparagraph (B) below, as determined in the applicable Final Terms and subject to any amendments, if any, resulting from any Benchmark Rate Modification.

(A) ***ISDA Determination for Floating Rate Covered Bonds***

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the "**ISDA Definitions**") and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period as specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(B) ***Screen Rate Determination for Floating Rate Covered Bonds***

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or

- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question, plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR), the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the time specified two paragraphs above on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be determined by the Calculation Agent as the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the principal financial centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other



than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, by the Calculation Agent as the Reference Rate which appears on the Relevant Screen Page as at 11.00 a.m. in the principal financial centre of the relevant currency (such as London, or Amsterdam in respect of the Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro) on the relevant Interest Determination Date; and
- (ii) in any other case, by the Calculation Agent as the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as at the time specified in the preceding paragraph on the relevant Interest Determination Date.

For the purposes of this subparagraph (B), "**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market selected by the Calculation Agent or, in the case of a determination of a rate other than EURIBOR, the principal office of four major banks in such inter-bank market as may be specified in the relevant Final Terms, in each case, selected by the Calculation Agent in the market or as specified in the relevant Final Terms.

(iii) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Calculation Agent will at or as soon as practicable at each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the Floating Rate Covered Bond, divided by the Calculation Amount.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

if "**Actual/Actual (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of the

Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

if "**Actual/365 (Euro)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

if "**30/360**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30; or

if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(v) ***Notification of Rate of Interest and Interest Amounts***

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any competent listing authority, stock exchange and/or quotation system on or by which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded and notice thereof to be published in accordance with Condition 13 (*Notices; Provision of Information*) as soon as possible after their determination but in no event later than the fourth Amsterdam Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each competent listing authority, stock exchange and/or quotation system on or by which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded and to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*). For the purposes of this paragraph, the expression "**Amsterdam Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Amsterdam. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to

publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Floating Rate Covered Bond having the minimum Specified Denomination.

(vi) ***Determination or Calculation by Trustee***

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Calculation Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(A) or (B) above, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 4(b), but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(vii) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Calculation Agent or the Trustee shall (in the absence of wilful default, bad faith or manifest error or an error established as such to the satisfaction of the Trustee) be binding on the Issuer, the CBC, the Calculation Agent, the other Paying Agents, the Trustee and all Covered Bondholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the CBC, the Covered Bondholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) **Accrual of interest**

Each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

5. **PAYMENTS**

(a) **Method of payment**

Subject as provided below:

- (i) payments in a Specified Currency other than euro and U.S. Dollars will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and

- (iii) payments in U.S. Dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 5, means the United States of America, including the State and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank.

In no event will payment be made by a cheque mailed to an address in the United States. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment in these Conditions, the Trust Deed, the Agency Agreement and the Final Terms, but without prejudice to the provisions of Condition 7 (*Taxation*). References to Specified Currency will include any successor currency under applicable law.

(b) **Presentation of Definitive Covered Bonds and Coupons**

Payments of principal in respect of Definitive Covered Bonds will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Covered Bonds, and payments of interest in respect of Definitive Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Fixed Rate Covered Bonds in definitive form (other than Long Maturity Covered Bonds (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Covered Bond in definitive form becoming due and repayable prior to its Final Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive form becomes due and repayable in whole, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Covered Bond**" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond.

If the due date for redemption of any Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Covered Bond.

(c) **Payments in respect of Global Covered Bonds**

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Global Covered Bond in bearer form not in new global note form will (subject as

provided below) be made in the manner specified above in relation to Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond against presentation or surrender (as the case may be) of such Global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

If a Global Covered Bond in bearer form is in the form of a new global note, payments of principal and interest (if any) in respect of such Covered Bonds shall be entered *pro rata* in the records of the relevant clearing system and, in the case of payments of principal, the principal amount of such Covered Bonds recorded in the records of the relevant clearing system and represented by the Global Covered Bond in bearer form in the form of a new global note will be reduced accordingly.

(d) **General provisions applicable to payments**

The holder of a Global Covered Bond shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer or the CBC and the Trustee will be discharged by payment to, or to the order of, the holder of such Global Covered Bond in respect of each amount so paid.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or Euroclear Netherlands or any other agreed clearing system as the beneficial holder of a particular nominal amount of Covered Bonds represented by a Global Covered Bond must look solely to Euroclear, Clearstream, Luxembourg or Euroclear Netherlands or any other agreed clearing system, as the case may be, for his share of each payment so made by the Issuer or the CBC or the Trustee to, or to the order of, the holder of such Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Covered Bonds is payable in U.S. Dollars, such U.S. Dollar payments of principal and/or interest in respect of such Covered Bonds will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Covered Bonds in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the CBC, adverse tax consequences to the Issuer or the CBC.

(e) **Payment Day**

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means: any day which (subject to Condition 8 (*Prescription*)) is:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in Amsterdam and the relevant place of presentation are open for presentation and payment of bearer securities and for dealing in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which TARGET2 is open for the settlement of payments in euro and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in Amsterdam and the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

(f) **Interpretation of principal and interest**

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds;
- (iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(d) (*Redemption and Purchase - Early Redemption Amounts*));
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds; and
- (vii) any Excess Proceeds which may be payable by the Trustee under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(g) **Set-off**

If this Condition 5(g) is specified to apply in the applicable Final Terms:

- (i) any payments under or pursuant to the Covered Bonds shall be made by the Issuer free of set-off; and
- (ii) for the purpose of Registered Covered Bonds issued to a German insurance company or pension fund under the German Insurance Supervisory Act, the Issuer and the CBC each hereby waive, for the benefit of all present and future holders of the Registered Covered Bonds, any right to set-off (*verrekenen*, in German:

*aufrechnen*) any amount against, any right to retain (*inhouden*, in German: *zurückbehalten*) any amount from, and any right of pledge (*pandrecht*, in German: *Pfandrecht*), including but not limited to any right of pledge created under the Issuer's General Banking Conditions, with regard to any amount it owes under or in respect of the Registered Covered Bonds and any similar right which may adversely affect the rights under or in respect of the Registered Covered Bonds. This waiver (i) applies as far as and as long as and to the extent that the Registered Covered Bonds are part of the guarantee assets (*Sicherungsvermögen*) within the meaning of the German Insurance Supervisory Act (*Versicherungsaufsichtsgesetz*), also in the event of an insolvency or in the event that insolvency proceedings or similar proceedings are instituted and (ii) prevails over any present or future agreement with a conflicting content, save in the case of future agreements only, where such future agreement has a conflicting content which explicitly refers to this specific waiver.

## 6. REDEMPTION AND PURCHASE

### (a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below and subject to Condition 3 (*The Guarantee*), each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Final Maturity Date (the "**Final Redemption Amount**").

### (b) Redemption for tax reasons

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 13 (*Notices; Provision of Information*), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Covered Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Covered Bonds; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

**provided that** 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 pay such additional amounts were a payment in respect of the Covered Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Covered Bondholders and the Couponholders.

Covered Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(d) (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.



(c) **Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*) or such other notice period as may be specified in the applicable Final Terms; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee, the Principal Paying Agent and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date specified in the applicable Final Terms (each such date, an "**Optional Redemption Date**") and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date, **provided that** no Issuer Event of Default has occurred and is continuing. Any such (partial) redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and where applicable in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or Euroclear Netherlands or any other agreed clearing system, in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Covered Bonds (i) represented by Definitive Covered Bonds, a list of the serial numbers and (ii) in the case of Registered Covered Bonds, the nominal amount drawn and the holders thereof, of such Redeemed Covered Bonds will be published in accordance with Condition 13 (*Notices; Provision of Information*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Date, **provided that** such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*) at least five days prior to the Selection Date.

(d) **Early Redemption Amounts**

For the purpose of paragraph (b) above and Condition 9 (*Events of Default and Enforcement*), each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows (each, the relevant "**Early Redemption Amount**"):

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in the applicable Final Terms or, if

no such amount or manner is so specified in the applicable Final Terms, at its nominal amount;

(iii) in the case of a Zero Coupon Covered Bond, at the Amortised Face Amount (as defined below); or

(iv) such other redemption amount as may be specified in the applicable Final Terms.

The "**Amortised Face Amount**" is calculated in accordance with the following formula:

$$\text{Amortised Face Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"**RP**" means the Reference Price specified in the applicable Final Terms;

"**AY**" means the Accrual Yield specified in the applicable Final Terms, expressed as a decimal; and

"**y**" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable and the denominator of which is 360, **provided that** where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of a Zero Coupon Covered Bond payable in a specified currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (ii) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (iii) on the basis of such other Day Count Fraction mentioned in Conditions 4(a) (*Interest on Fixed Rate Covered Bonds*) and 4(b)(iv) (*Determination of Rate of Interest and calculation of Interest Amounts*) as may be specified in the applicable Final Terms.

(e) **Purchases**

The Issuer, the CBC and/or the consolidated subsidiaries of the Issuer (the "**Group**") from time to time, may at any time purchase Covered Bonds (**provided that**, in the case of Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the CBC and/or such member of the Group, surrendered to any Paying Agent for cancellation. Any purchases made by the Issuer, the CBC and/or the Group other than by way of a tender, shall not be surrendered to any Paying Agent for cancellation and shall not be taken into account for the purpose of the right to attend and vote at any meeting of the holders of Covered Bonds, the determination of how many Covered Bonds of any Series are for the time being outstanding for the purposes of Conditions 9 (*Events of Default and Enforcement*) and 14 (*Meetings of Covered Bondholders, Modification and Waiver*) and the provisions for meeting of Covered Bondholders unless all Covered Bonds then outstanding are held by the Issuer, the CBC and the Group.

(f) **Cancellation**

All Bearer Covered Bonds which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Bearer Covered Bonds so cancelled and any Bearer Covered Bonds purchased and cancelled pursuant to paragraph (e) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(g) **Late payment on Zero Coupon Covered Bonds**

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to paragraph (a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in paragraph (d)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) five days after the date on which the full amount of the monies payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*).

(h) **Redemption due to illegality**

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 13 (*Notices; Provision of Information*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 6(h) will be redeemed at their Early Redemption Amount referred to in Condition 6(d) (*Redemption and Purchase - Early Redemption Amounts*) above together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(i) **Certificate**

Prior to the publication of any notice of redemption pursuant to this Condition 6 (*Redemption and Purchase*), the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Covered Bondholders.

7. **TAXATION**

All payments of principal and interest in respect of the Covered Bonds and Coupons by the Issuer or the CBC, as the case may be, will be made without withholding or deduction of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond or Coupon:

- (i) presented for payment outside the Netherlands; or

- (ii) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Covered Bond or Coupon; or
- (iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(e) (*Payments - Payment Day*)); or
- (iv) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

Should any payments made by the CBC under the Guarantee be made subject to any withholding or deduction on account of taxes or duties of whatever nature imposed or levied by or on account of any Tax Jurisdiction the CBC will not be obliged to pay any additional amounts as a consequence.

Notwithstanding any other provision in these Conditions, the Issuer and the CBC shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA Withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer or the CBC (as the case may be) not being entitled to receive payments free of FATCA Withholding. The Issuer and the CBC will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, the CBC, a Paying Agent, the Registrar or any other party.

As used herein:

the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*); and

"**Tax Jurisdiction**" means the European part of the Kingdom of the Netherlands or any political subdivision or any authority thereof or therein having power to tax.

## 8. **PRESCRIPTION**

The Covered Bonds and Coupons will become void unless presented for payment within a period of five years after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor, subject in each case to the provisions of Condition 5(b) (*Payments - Presentation of Definitive Covered Bonds and Coupons*).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5(b) (*Payments - Presentation of Definitive Covered Bonds and Coupons*) or any Talon which would be void pursuant to Condition 5(b) (*Payments - Presentation of Definitive Covered Bonds and Coupons*).

## 9. **EVENTS OF DEFAULT AND ENFORCEMENT**

### (a) **Issuer Events of Default**

An "**Issuer Acceleration Notice**" means a notice from the Trustee in writing to the Issuer that as against the Issuer (but not against the CBC) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed.

The Trustee at its discretion may, and:

- (1) in relation to the defaults set out in subparagraphs (i) and (v) below; or
- (2) if so directed by a Programme Resolution of the Covered Bonds,

shall give an Issuer Acceleration Notice (subject in each case to being indemnified and/or secured to its satisfaction), if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

- (i) default is made by the Issuer for a period of 30 calendar days or more in the payment of any principal or interest of the Covered Bonds of any Series when due; or
- (ii) a default is made in the performance by the Issuer of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series) under the provisions of the Covered Bonds of any Series or the Trust Deed or any other Transaction Document to which the Issuer is a party which (unless certified by the Trustee, in its opinion, to be incapable of remedy) shall continue for more than 60 calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Issuer by the Trustee in accordance with the Trust Deed; or
- (iii) an order is made or an effective resolution passed for the dissolution or winding up of the Issuer (except a dissolution or winding up for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, in each case, the terms of which have previously been approved by an Extraordinary Resolution of the holders of the Covered Bonds or which has been effected in compliance with the terms of Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*)); or
- (iv) a liquidator, receiver or other similar officer is appointed in relation to the Issuer or in relation to the whole of its assets; or the Issuer initiates or consents to judicial proceedings relating to its bankruptcy (*faillissement*) or equivalent or analogous proceedings under any applicable law, or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition (*akkoord*) with, its creditors generally; or
- (v) the Issuer is adjudged or found bankrupt (*failliet*) or emergency regulations (*noodregeling*) in the interest of all creditors as referred to in Chapter 3.5.5 of the Wft or equivalent or analogous judgments or measures under any applicable law, are imposed on the Issuer,

**provided that** in case an event described in paragraph (ii) above shall occur, the Trustee shall only deliver an Issuer Acceleration Notice if it shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, unless such breach by the Issuer is also a breach of its obligations under the Covered Bonds or Coupons of any Series, the Trust Deed or any other Transaction Documents which constitutes an Issuer Event of Default in accordance with paragraph (ii) above.

Upon delivery of an Issuer Acceleration Notice pursuant to this Condition 9(a), the Trustee shall forthwith serve a notice to pay on the CBC (the "**Notice to Pay**") pursuant to the Guarantee and the CBC shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 9(c) (*Enforcement*).

The Trust Deed provides that all monies received by the Trustee from the Issuer or any administrator, liquidator, trustee or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the "**Excess Proceeds**"), shall, unless a CBC Event of Default has occurred which is continuing, be paid by the Trustee on behalf of the Covered Bondholders of the relevant Series to the CBC for its own account, as soon as practicable, and shall be held by the CBC in the AIC Account and shall be used by the CBC in the same manner as all other monies from time to time standing to the credit of the AIC Account. Any Excess Proceeds received by the Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons for an amount equal to such Excess Proceeds. However, the receipt by the Trustee of any Excess Proceeds shall not reduce or discharge any of the obligations of the CBC under the Guarantee.

Each Covered Bondholder shall be deemed to have irrevocably directed the Trustee to pay the Excess Proceeds to the CBC in the manner as described above.

(b) **CBC Events of Default**

A "**CBC Acceleration Notice**" means a notice in writing to the CBC and the Issuer, that each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default) and, through the Guarantee, as against the CBC, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed and after delivery of such CBC Acceleration Notice, the Security shall become enforceable.

The Trustee at its discretion may, and, if so directed by a Programme Resolution, shall give a CBC Acceleration Notice (subject in each case to being indemnified and/or secured to its satisfaction), if any of the following events (each a "**CBC Event of Default**") shall occur and be continuing:

- (i) default is made by the CBC under the Guarantee for a period of 7 calendar days or more in the payment of any principal or redemption amount, or for a period of 14 calendar days or more in the payment of any interest when due; or
- (ii) a default is made in the performance or observance by the CBC of any material obligation binding upon it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Security Documents or any other Transaction Document to which the CBC is a party which (unless certified by the Trustee, in its opinion, to be incapable of remedy) shall continue for more than 30 calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the CBC by the Trustee in accordance with the Trust Deed; or
- (iii) an order is made or an effective resolution passed for the dissolution or winding up of the CBC; or
- (iv) the CBC ceases to carry on its business or substantially all its business; or
- (v) a liquidator, receiver or other similar officer is appointed in relation to the CBC or in relation to the whole or any major part of its assets or a conservatory attachment (*conservatoir beslag*) which conservatory attachment is not discharged within 40 days or an executory attachment (*executoriaal beslag*) or other process is levied or enforced upon or sued out against the whole or any major part of its assets or the CBC initiates or consents to judicial proceedings relating to its bankruptcy (*faillissement*) or (preliminary) suspension of payments (*voorlopige surseance van betaling*), or equivalent or analogous proceedings under any applicable law, or makes a conveyance, assignment or equivalent or

assignment for the benefit of, or shall enter into any composition (*akkoord*) with, its creditors generally; or

- (vi) the CBC is subjected to any applicable Insolvency Proceedings or analogous judgments or measures under any applicable law are imposed on the CBC; or
- (vii) the Guarantee is not, or is claimed by the CBC not to be, in full force and effect; or
- (viii) the Amortisation Test (as set out in the Asset Monitor Agreement) is not satisfied as at the end of a calendar month, as calculated on the immediately succeeding Calculation Date following the service of a Notice to Pay or Breach of Asset Cover Test Notice on the CBC,

**provided that**, in case an event described in paragraph (ii) above shall occur, the Trustee shall only deliver a CBC Acceleration Notice if it shall have certified in writing to the CBC that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Following the occurrence of a CBC Event of Default and service of a CBC Acceleration Notice, the Trustee may or shall take such proceedings or steps in accordance with the first and second paragraphs, respectively, of Condition 9(c) (*Events of Default and Enforcement - Enforcement*) and the Covered Bondholders shall have a claim against the CBC, under the Guarantee, for the Early Redemption Amount together with accrued interest as provided in the Trust Deed in respect of each Covered Bond.

In these Conditions:

**"Amortisation Test"** means the test pursuant to which the CBC and the Originators shall procure that, following service of a Notice to Pay or Breach of Asset Cover Test Notice on the CBC:

- (i) the Amortisation Test Aggregate Asset Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated as at the end of each calendar month as calculated on the immediately succeeding Calculation Date;
- (ii) the First Regulatory Current Balance Amount is at least equal to 105 per cent., or such other percentage as may be required from time to time under the CB Legislation, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month all as calculated on the immediately succeeding Calculation Date; and
- (iii) the Second Regulatory Current Balance Amount is at least equal to 100 per cent., or such other percentage as may be required from time to time under the CB Legislation, of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month all as calculated on the immediately succeeding Calculation Date;

**"Calculation Date"** means the date falling two Business Days before each CBC Payment Date. The "relevant" Calculation Date in respect of any Calculation Period will be the first Calculation Date falling after the end of that period and the "relevant" Calculation Date in respect of any CBC Payment Date will be the last Calculation Date prior to that CBC Payment Date;

**"Calculation Period"** means each period from (and including) the first day of each month to the last day of that same month; and

**"CBC Payment Date"** means the 25<sup>th</sup> day of each month or, if such day is not a Business Day, the next following Business Day unless it would thereby fall into the next calendar month, in which event such CBC Payment Date shall be brought forward to the immediately preceding Business Day.

(c) **Enforcement**

The Trustee may at any time after service of an Issuer Acceleration Notice (in the case of the Issuer) or a CBC Acceleration Notice (in the case of both the Issuer and the CBC), at its discretion and without further notice, take such proceedings against the Issuer and/or the CBC, as the case may be, to enforce the provisions of the Trust Deed, the Covered Bonds and the Coupons, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds or the Coupons or any other Transaction Document unless it shall have been so directed by a Programme Resolution and it shall have been indemnified and/or secured to its satisfaction.

The Trustee may at any time, at its discretion and without further notice, take such proceedings against the CBC and/or any other person as it may think fit to enforce the provisions of the Security Documents and may, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such steps unless (i) it shall have been so directed by a Programme Resolution or (ii) it shall have been directed in writing to do so by each of the other Secured Creditors (other than the Issuer); and (iii) it shall have been indemnified and/or secured to its satisfaction.

(d) **Limitation on Covered Bondholders action**

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the CBC or to take any action with respect to the Trust Deed, the Coupons or the Security unless the Trustee having become bound so to proceed, fails to do so within a reasonable time and such failure shall be continuing.

(e) **Limited Recourse**

The recourse of the Covered Bondholders and the Couponholders against the CBC pursuant to the Guarantee is limited:

- (i) a Covered Bondholder will have a right of recourse (*verhaalsrecht*) only in respect of the Secured Property (subject to paragraph (ii) below) and will not have any claim, by operation of law or otherwise, against, or recourse to any of the CBC's other assets or its contributed capital; and
- (ii) sums payable to each Covered Bondholder in respect of the CBC's obligations to such Covered Bondholder shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Covered Bondholder and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Trustee in respect of the Secured Property whether pursuant to enforcement of the Security or otherwise, net of any sums which are (1) excluded from application in accordance with the relevant Priority of Payments or (2) payable by the CBC in accordance with the relevant Priority of Payments in priority to or *pari passu* with sums payable to such Covered Bondholder; and
- (iii) on the Extended Due for Payment Date (subject to Condition 3 (*The Guarantee*)) or if following final enforcement of the Security the Trustee certifies, in its sole opinion, that the CBC has insufficient funds to pay in full all of the CBC's obligations to such Covered Bondholder, then such Covered Bondholder shall have no further claim against the CBC in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

10. **REPLACEMENT OF COVERED BONDS, COUPONS AND TALONS**

Should any Covered Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.



11. **PAYING AGENTS, TRANSFER AGENTS, EXCHANGE AGENTS AND REGISTRAR**

The names of the initial Paying Agents, initial Transfer Agents, initial Exchange Agents and the Registrar and their initial specified offices are set out in the Base Prospectus.

The Issuer is entitled, with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying Agent, Transfer Agent, Exchange Agent and the Registrar and/or appoint additional or other Paying Agents, Transfer Agents, Exchange Agents or Registrars and/or approve any change in the specified office through which any Paying Agent, Transfer Agent, Exchange Agent or Registrar acts, **provided that**:

- (a) there will at all times be a Principal Paying Agent and, as long as any Registered Covered Bonds of any Series are outstanding, a Registrar for that Series;
- (b) so long as any of the Registered Global Covered Bonds are held through DTC (or a nominee on its behalf), there will at all times be a Transfer Agent with a specified office in New York City; and
- (c) so long as the Covered Bonds are listed, quoted and/or traded on or by any competent listing authority, on any stock exchange or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant competent authority or stock exchange.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d) (*Payments - General Provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of bankruptcy, insolvency or any equivalent or analogous proceeding, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*).

In acting under the Agency Agreement, the Paying Agents, the Transfer Agents, the Exchange Agents and the Registrar act solely as agents of the Issuer and the CBC and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent or the Registrar is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent or registrar.

12. **EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. **NOTICES; PROVISION OF INFORMATION**

All notices regarding the Bearer Covered Bonds will be deemed to be validly given if published in, if so specified in the applicable Final Terms, a leading English language daily newspaper of general circulation in London, United Kingdom (which is expected to be the Financial Times). So long as the Covered Bonds are listed on the Luxembourg Stock Exchange, notices to holders of the Covered Bonds shall also be published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), respectively. If any such publication is not practicable, notice shall be validly given if published in another leading daily English-language newspaper with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any competent listing authority, stock exchange or quotation system on or by which the Covered Bonds are for the time being listed, quoted and/or

traded or by which they have been admitted to listing, quotation and/or trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any Definitive Covered Bonds are issued, the requirements to method of publishing any notices set out in the previous paragraph may, so long as the Bearer Covered Bond(s) is or are held in its or their entirety on behalf of Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands or any other agreed clearing system, be substituted for publication in any newspaper or website or delivery of the relevant notice to Euroclear, Clearstream, Luxembourg, and/or Euroclear Netherlands or such other agreed clearing system (as the case may be) for communication by them to the holders of beneficial interests in the Bearer Covered Bonds. Any such notice delivered on or prior to 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have been given to the holders of the Bearer Covered Bonds on such business day. A notice delivered after 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have been given to the holders of the Bearer Covered Bonds on the next following business day in such city.

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Bearer Definitive Covered Bond) with the relative Covered Bond or Covered Bonds, with the Principal Paying Agent or (in the case of Registered Definitive Covered Bonds) the Registrar. Whilst any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any holder of a Covered Bond to the Principal Paying Agent through Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands or any other agreed clearing system, as the case may be, in such manner as the Principal Paying Agent and Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands or such other agreed clearing system, as the case may be, may approve for this purpose.

For so long as any Registered Covered Bonds remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each of the Issuer and the CBC have agreed under the Trust Deed that it shall, during any period in which it is neither subject to Section 13 or Section 15(d) under the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish to any Covered Bondholder of, or beneficial owner of an interest in, such Registered Covered Bonds, or to any prospective purchaser thereof, upon request of such Covered Bondholder, such information as is required to be provided pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with the resale of such restricted securities.

A copy of each notice given in accordance with this Condition 13 shall be provided to the relevant stock exchange if the Covered Bonds are listed on such stock exchange and the rules of such stock exchange so require.

#### **14. MEETINGS OF COVERED BONDHOLDERS, MODIFICATION AND WAIVER**

The Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Covered Bonds of such Series or the related Coupons or of any of the Transaction Documents (subject as provided below and in the Trust Deed). Such a meeting may be convened by the Issuer, the CBC or the Trustee and shall be convened by the Issuer if required in writing by Covered Bondholders of a Series holding not less than fifteen per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being remaining outstanding. The quorum at any such meeting in respect of any Series for passing an Extraordinary Resolution is: (i) one or more persons holding or representing not less than fifty per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Covered Bondholders of such Series whatever the nominal amount of the Covered Bonds of such Series so held or represented; (ii) at any meeting the business of which includes the modification of certain provisions of the Covered Bonds of a Series, the related Coupons or the Trust Deed (including a reduction or cancellation of the amount payable in respect of such Covered Bonds, the alteration of the currency in which payments under such Covered Bonds are to be made, the

alteration of the majority required to pass an Extraordinary Resolution, any amendment to the Guarantee or the Security Documents (except in a manner determined by the Trustee not to be materially prejudicial to the interests of the Covered Bondholders of any Series) or the sanction of any scheme or proposal for the exchange of such Covered Bonds in respect of such Series (each, a "**Series Reserved Matter**" all as more particularly set out in the Trust Deed)): one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding.

An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series. Pursuant to the Trust Deed, the Trustee may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the Trustee there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

Notwithstanding the preceding paragraphs of this Condition 14, any resolution to direct the Trustee (i) to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*); (ii) to take any enforcement action, or (iii) to remove or replace the Trustee's Director shall only be capable of being passed by a Programme Resolution. Any such meeting to consider a Programme Resolution may be convened by the Issuer, the CBC or the Trustee or by Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all Covered Bondholders and Couponholders of all Series, whether or not present at such meeting, and each of the Covered Bondholders and Couponholders shall be bound to give effect to it accordingly.

An Extraordinary Resolution and a Programme Resolution may also be taken in writing (whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Covered Bondholders) or through the electronic communications systems of the relevant clearing system(s) (in accordance with their operating rules and procedures) by or on behalf of (i) in the case of an Extraordinary Resolution, all holders who are for the time being entitled to receive notice of a meeting of Covered Bondholders in accordance with the provisions for meetings of Covered Bondholders as set out in the Trust Deed, or (ii) in the case of a Programme Resolution, the holders of not less than twenty-five per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as if they were a single Series.

In connection with any meeting or resolution of the Covered Bondholders of more than one Series where such Covered Bonds are not denominated in euro, the nominal amount of the Covered Bonds of any Series not denominated in euro shall be converted into euro (a) if a Structured Swap is entered into, at the relevant Structured Swap Rate or (b) if no Structured Swap is entered into, in accordance with the provisions of the Trust Deed.

The Trustee may from time to time and at any time without any consent or sanction of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors (and for this purpose the Trustee may disregard whether any such modification relates to a Series Reserved Matter):

- (a) concur with the Issuer and the CBC and agree on any modification of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document to which the Trustee is a party or over which it has Security (including without limitation designating further creditors as Secured Creditors), if:

- (i)
  - (A) in the opinion of the Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series or any of the other Secured Creditors (in which respect the Trustee may rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor);
  - (B) it has not been informed in writing by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given his/her written consent as aforesaid); or
- (ii) such modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which is of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Trustee or to comply with mandatory provisions of law.

The Trustee is obliged, without the consent of the Covered Bondholders or any Series and/or Couponholders of such Series of Covered Bonds or any of the other Secured Creditors (other than any Secured Creditor party to the relevant Transaction Documents to be amended), to concur with the Issuer and/or the CBC in making and agreeing on any modifications to the Transaction Documents and/or the Covered Bonds of one or more Series that are requested in writing by:

- (a) the Issuer and/or the CBC in order to enable the Issuer and/or the CBC to comply with any requirements which apply to it under Regulation (EU) 648/2012 ("EMIR") irrespective of whether or not such modifications might otherwise constitute a Series Reserved Matter (which the Trustee shall not be required to investigate), subject to receipt by the Trustee of a certificate of the Issuer, or of the CBC, if applicable, (which certificate the Trustee shall be entitled to rely on without further investigation) certifying to the Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer and/or the CBC to satisfy any requirements which apply to either of them under EMIR; or
- (b) the Issuer which are required or necessary in connection with any change, after the issue date of the relevant Covered Bonds, to any laws or regulations (including without limitation the laws and regulations of the Netherlands and the European Union) applicable or relevant with respect to covered bonds (*gedekte obligaties*) to ensure that the Covered Bonds (continue) to meet the requirements for registered covered bonds (*geregistreerde gedekte obligaties*) within the meaning of the Wft, irrespective of whether or not such modifications might otherwise constitute a Series Reserved Matter (which the Trustee shall not be required to investigate) subject to receipt by the Trustee of a legal opinion from a reputable law firm confirming that the requested modifications are necessary for the Covered Bonds (to continue) to meet the requirements for registered covered bonds (*geregistreerde gedekte obligaties*) within the meaning of the Wft,

and, in each case, such modifications are not materially prejudicial to the interest of the Covered Bondholders or any of the other Secured Creditors.

The Trustee may also agree, without the consent of the Covered Bondholders of any Series and/or Couponholders and without the consent of any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or any Transaction Document, or determine, without any such consent as aforesaid, that any Issuer Event of Default or CBC Event of Default or Potential Issuer Event of Default or Potential CBC Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of any of the Secured Creditors (in which respect the Trustee may (without further enquiry) rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor) **provided that** the Trustee has not been informed by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given its written consent as aforesaid) and **provided**

**further that** the Trustee shall not exercise any such powers conferred upon it in contravention of any express direction by a Programme Resolution (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or in order to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Series Reserved Matters.

Any such modification, waiver, authorisation or determination shall be binding on all Covered Bondholders of all Series for the time being outstanding and the related Receiptholders and Couponholders and the Issuer shall cause such modification, waiver, authorisation or determination to be notified to each Rating Agency and, unless the Trustee otherwise agrees, the Covered Bondholders of all Series for the time being outstanding in accordance with the Conditions as soon as practicable thereafter.

The Trustee shall not waive, modify or amend, or consent to any waiver, modification or amendment of, any Condition of any Covered Bonds of any Series or any Transaction Documents which (a) would have the effect of altering the amount, timing or the priority of any payments due to or from a Swap Provider, (b) relate to a Benchmark Rate Modification (as defined below), to the extent the Applicable Benchmark Rate (as defined below) is used in the relevant Swap Agreement, or (c) otherwise materially affects the position of a Swap Provider under its Swap Agreement, unless such Swap Provider has agreed thereto.

In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the CBC, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders or Couponholders, except to the extent already provided for in Condition 7 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

The Issuer may, without the consent of the holders of the Covered Bonds of any Series or any Coupons relating thereto, or any other Secured Creditor:

- (a) consolidate with, merge or amalgamate into or transfer its assets; or
- (b) transfer its rights and obligations under the Covered Bonds and Transaction Documents substantially as an entirety, by way of de-merger (*splitsing*),

to any corporation organised under the laws of the Netherlands, or any political subdivision thereof **provided that** (if the surviving entity or transferee company is not the Issuer, such surviving entity or transferee company shall be referred to as the "**New Entity**"):

- (i) a certificate of two authorised signatories of the Issuer and the CBC is delivered to the Trustee to the effect that immediately after giving effect to such transaction no Issuer Event of Default and no CBC Event of Default, respectively, and no Potential Issuer Event of Default and no Potential CBC Event of Default, respectively, will have happened and be continuing;
- (ii) where the surviving entity or transferee company is not the Issuer, the Issuer shall procure that the surviving or transferee company assumes its obligations as Issuer under the Trust Deed, each other relevant Transaction Document and all of the outstanding Covered Bonds of all Series, in place of the Issuer;

- (iii) where the surviving entity or transferee company is not the Issuer, the Guarantee of the CBC is fully effective on the same basis in relation to the obligations of such successor or transferee company; and
- (iv) certain other conditions set out in the Trust Deed are met.

Upon the assumption of the obligations of the Issuer by such surviving or transferee company, the predecessor Issuer shall (subject to the provisions of the Trust Deed) have no further liabilities under or in respect of the Trust Deed or the outstanding Covered Bonds of each Series then outstanding or any Coupons appertaining thereto and the other Transaction Documents other than as a result of mandatory law. The Trust Deed provides that any such assumption shall be notified to the holders of all Series in accordance with the relevant terms and conditions of such Covered Bonds and the other Secured Creditors.

For the purposes hereof:

**"Extraordinary Resolution"** means a resolution at a meeting duly convened and held in accordance with the provisions for meetings of Covered Bondholders as set out in the Trust Deed, by not less than two-thirds of the votes cast;

**"Programme Resolution"** means either:

- (a) a written resolution of the holders of not less than twenty-five per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding as if they were a single Series; or
- (b) an Extraordinary Resolution (with the Covered Bonds of all Series taken together as a single Series),

in each case with the nominal amount of Covered Bonds not denominated in euro being converted into euro at the relevant Structured Swap Rate;

**"Potential Issuer Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

**"Potential CBC Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a CBC Event of Default;

**"Rating Agency Confirmation"** means, following a notification to each Rating Agency of a certain event or matter, the earlier of, in relation to each Rating Agency:

- (a) a confirmation in writing from such Rating Agency that its then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of such event or matter; and
- (b) if such Rating Agency neither provides such confirmation nor indicates:
  - (i) which conditions should be met before it is in a position to grant such confirmation; or
  - (ii) that its then current ratings of the Covered Bonds will be adversely affected by or withdrawn as a result of such event or matter,

the passage of 14 days after such notification; and

**"Trustee's Director"** means Amsterdamsch Trustee's Kantoor B.V. and/or such other person(s) who may be appointed as director(s) (*bestuurder*) of the Trustee from time to time.

#### 14A. BENCHMARK RATE MODIFICATION

- (a) Notwithstanding the provisions of Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*), the Trustee shall be obliged, without any consent or sanction of the Covered Bondholders or any of the other Secured Creditors (other than the Swap Provider of any relevant Swap Agreement), to concur with the Issuer or, following the occurrence of an Issuer Event of Default, the CBC in making any modification to the Covered Bonds of one or more Series, the related Coupons or any Transaction Document to which it is a party or in relation to which it holds security or entering into any new, supplemental or additional documents that the Issuer or, following the occurrence of an Issuer Event of Default, the CBC considers necessary for the purpose of changing the benchmark rate from the originally specified Reference Rate used to determine the Rate of Interest (or any component thereof) on the relevant Series of Covered Bonds (the "**Applicable Benchmark Rate**") to an alternative benchmark rate (any such rate, an "**Alternative Benchmark Rate**") and making such other amendments to the Covered Bonds of one or more Series, the related Coupons or any Transaction Document as are necessary in the reasonable judgment of the Issuer or, following the occurrence of an Issuer Event of Default, the CBC to facilitate the changes envisaged pursuant to this Condition 14A (*Benchmark Rate Modification*) (for the avoidance of doubt, this may include changing the benchmark rate referred to in any Swap Agreement for the purpose of aligning any such hedging agreement with the proposed Benchmark Rate Modification pursuant to Condition 14A(e)(iii) below, or modifications to when the Rate of Interest applicable to any Series of Covered Bonds is calculated and/or notified to Covered Bondholders or other such consequential modifications) (a "**Benchmark Rate Modification**"), **provided that** the provisions of this Condition 14A (*Benchmark Rate Modification*) are complied with.
- (b) As soon as reasonably practicable following the occurrence of a Benchmark Event, the Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall use its reasonable endeavours to appoint and consult with an Independent Adviser, with a view to the Issuer or, if applicable, the CBC determining an Alternative Benchmark Rate and an Adjustment Spread.
- (c) Following such appointment and consultation (only if such Independent Adviser has been appointed), the Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall certify to the Trustee in writing that:
- (i) the Benchmark Rate Modification is being undertaken due to the occurrence of any one or more Benchmark Events;
  - (ii) the Alternative Benchmark Rate is any one or more of the following:
    - (A) a benchmark rate with an equivalent term to the Applicable Benchmark Rate as published, endorsed, approved or recognised as a replacement to the Applicable Benchmark Rate by the Relevant Nominating Body (which, for the avoidance of doubt, may be an alternative Benchmark Rate together with a specified adjustment factor which may increase or decrease the relevant alternative Benchmark Rate); or
    - (B) a benchmark rate with an equivalent term utilised in a material number of publicly listed new issues of covered bonds in the six months prior to the proposed effective date of such Benchmark Rate Modification whereby such covered bonds (x) meet the criteria set out in article 129 of the CRR, (y) are denominated in the relevant Specified Currency and (z) have the same interest period as the Covered Bonds; or
    - (C) such other benchmark rate as the Issuer or, following the occurrence of an Issuer Event of Default, the CBC reasonably determines, **provided that** this option may only be used if the Issuer or, following the occurrence of an Issuer Event of Default, the CBC certifies to the Trustee that, in the reasonable opinion of the Issuer or, following the occurrence of an Issuer Event of Default, the CBC, neither Condition 14A(c)(ii)(A) nor Condition 14A(c)(ii)(B) are applicable in the context of the

Transaction, and sets out the rationale in the Benchmark Rate Modification Certificate for choosing the proposed Alternative Benchmark Rate;

- (iii) the same Alternative Benchmark Rate will be applied to all Series issued in the same Specified Currency and with the same interest period;
- (iv) the details of and the rationale for any Adjustment Spread (as defined below) proposed in accordance with Condition 14A(e)(iv) are as set out in the Benchmark Rate Modification Bondholder Notice;
- (v) the modifications proposed are required solely for the purpose of applying the Alternative Benchmark Rate and making consequential modifications to any Transaction Document which are, as reasonably determined by the Issuer or, following the occurrence of an Issuer Event of Default, the CBC necessary or advisable, and the modifications have been drafted solely to such effect;
- (vi) the Issuer or, following the occurrence of an Issuer Event of Default, the CBC has obtained Rating Agency Confirmation in respect of the proposed Benchmark Rate Modification and consent of each relevant Swap Provider and each other Secured Creditor which has a right to consent to such modification pursuant to any Transaction Document has been obtained (evidence of which shall be provided by the Issuer or, following the occurrence of an Issuer Event of Default, the CBC to the Trustee with the Benchmark Rate Modification Certificate) and no other consents are required to be obtained in relation to the Benchmark Rate Modification; and
- (vii) prior to the occurrence of an Issuer Event of Default, the Issuer has agreed to pay, or to put the CBC and the Independent Adviser in funds to pay, all fees, costs and expenses (including legal fees and any initial or ongoing costs associated with the Benchmark Rate Modification) incurred by the CBC or the Independent Adviser, as applicable, in connection with the Benchmark Rate Modification,

(the certificate to be provided by the Issuer or, following the occurrence of an Issuer Event of Default, the CBC, being a "**Benchmark Rate Modification Certificate**").

- (d) The Issuer or, if applicable, the CBC, shall provide:
  - (i) the Benchmark Rate Modification Certificate to the Trustee in draft form not less than 10 Business Days prior to the date on which the Benchmark Rate Modification Certificate is sent to the Covered Bondholders;
  - (ii) the Benchmark Rate Modification Certificate to the Trustee in final form not less than 5 Business Days prior to the date on which the Benchmark Rate Modification takes effect; and

in each case, together with, a copy of the Benchmark Rate Modification Bondholder Notice to be provided to the Covered Bondholders pursuant to Condition 14A(e).

- (e) The Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall provide written notice (in accordance with Condition 13 (*Notices; Provision of Information*))(the "**Benchmark Rate Modification Bondholder Notice**") of the proposed Benchmark Rate Modification to the Covered Bondholders of the relevant Series and the relevant Calculation Agent and prior to the date on which it is proposed to that the Benchmark Rate Modification would take effect confirming the following:
  - (i) the sub-paragraph(s) of the definition of Benchmark Event under which the Benchmark Rate Modification is being proposed; and
  - (ii) which Alternative Benchmark Rate is proposed to be adopted pursuant to Condition 14A(c)(ii) and the rationale for choosing the proposed Alternative Benchmark Rate; and



- (iii) details of any consequential modifications that the Issuer or, following the occurrence of an Issuer Event of Default, the CBC has agreed will be made to any Swap Agreement to which the CBC is a party for the purpose of aligning any such Swap Agreement with the proposed Benchmark Rate Modification, if the proposed Benchmark Rate Modification takes effect. The Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall use reasonable endeavours to agree modifications to each Swap Agreement where commercially appropriate so that the Covered Bonds are hedged following the Benchmark Rate Modification to a similar extent as prior to the Benchmark Rate Modification and that such modifications shall take effect no later than 30 calendar days from the date on which the Benchmark Rate Modification takes effect. If (i) no modifications are proposed to be made to any Swap Agreement; and/or (ii) modifications will be made to any Swap Agreement but will not result in any Series being similarly hedged (to the extent any Swap Agreement was entered into in respect of such Series); and/or (iii) modifications to any Swap Agreement would take effect later than 30 calendar days from the date on which the Benchmark Rate Modification takes effect, the Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall set out in the Benchmark Rate Modification Bondholder Notice the rationale for this; and
- (iv) details of the adjustment (consisting of a quantum of, or formula or methodology for determination) which the Issuer or, following the occurrence of an Issuer Event of Default, the CBC proposes to make (if any) to the margin (and which may result in a (further) negative margin) payable on each Series of Covered Bonds which are the subject of the Benchmark Rate Modification in order to, so far as reasonably practicable, preserve what would have been the expected Rate of Interest applicable to each such Series of Covered Bonds had no such Benchmark Rate Modification been effected (the "**Adjustment Spread**"), **provided that:**
  - (A) in the event that Relevant Nominating Body has published, endorsed, approved or recognised an interest rate maintenance adjustment mechanism which could be used in the context of a transition from the Applicable Benchmark Rate to the Alternative Benchmark Rate, then the Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall propose that covered bond rate maintenance adjustment mechanism as the Adjustment Spread, or otherwise the Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall set out in the Benchmark Rate Modification Bondholder Notice the rationale for concluding that this is not a reasonable approach in relation to the Covered Bonds and the proposed Benchmark Rate Modification; or
  - (B) in the event that it has become generally accepted market practice for the publicly listed new issues of covered bonds which meet the criteria set out in article 129 of the CRR, Eurobond or swaps market to use a particular an interest rate maintenance adjustment mechanism in the context of a transition from the Applicable Benchmark Rate to the Alternative Benchmark Rate, then the Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall propose that covered bond rate maintenance adjustment mechanism as the Adjustment Spread, or otherwise the Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall set out in the Benchmark Rate Modification Bondholder Notice the rationale for concluding that this is not a reasonable approach in relation to the Covered Bonds and the proposed Benchmark Rate Modification; or
  - (C) in the event that neither (A) nor (B) above apply, the Issuer or, following the occurrence of an Issuer Event of Default, the CBC shall use reasonable endeavours to propose an alternative Adjustment Spread as reasonably determined by the Issuer or, following the occurrence of an

Issuer Event of Default, the CBC shall set out the rationale for the proposal; and

- (D) for the avoidance of doubt, the Adjustment Spread may effect an increase or a decrease to the margin or may be set at zero; and
- (v) details of (i) other amendments which the Issuer or, following the occurrence of an Issuer Event of Default, the CBC proposes to make (if any) to these Conditions or any other Transaction Document and (ii) any new, supplemental or additional documents into which the Issuer or, following the occurrence of an Issuer Event of Default, the CBC proposes to enter to facilitate the changes envisaged pursuant to this Condition 14A (*Benchmark Rate Modification*); and
- (vi) the date on which the proposed Benchmark Rate Modification will take effect.
- (f) Other than where specifically provided in this Condition 14A (*Benchmark Rate Modification*) or any Transaction Document, the provisions of Condition 14 (*Meetings of Covered Bondholders; Modification and Waiver*) shall apply to this Condition 14A.
- (g) Without prejudice to the obligations of the Issuer under this Condition 14A, the Applicable Benchmark Rate and the fallback provisions provided for in Condition 4(b)(ii)(B) will continue to apply unless and until the Calculation Agent has been notified of the Alternative Benchmark Rate and any Adjustment Spread (if applicable) and Benchmark Rate Modification, in accordance with Condition 14A(e).
- (h) Any Independent Adviser appointed pursuant to this Condition 14A shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the CBC, the Trustee, any Paying Agent, the Covered Bondholders or the Couponholders for any determination made by it or for any advice given to the Issuer or the CBC in connection with any determination made by the Issuer or the CBC pursuant to this Condition 14A. The Trustee shall be entitled to rely on a certification by the Issuer or, if applicable, the CBC, absent of any wilful default, bad faith or manifest error (as to be determined by the Trustee).
- (i) Following the making of a Benchmark Rate Modification, if it becomes generally accepted market practice in the publicly listed new issues of covered bonds which meet the criteria set out in article 129 of the CRR market to use a Benchmark Rate of interest which is different from the Alternative Benchmark Rate which had already been adopted by the Issuer or, following the occurrence of an Issuer Event of Default, the CBC in respect of the Covered Bonds pursuant to a Benchmark Rate Modification, the Issuer or, following the occurrence of an Issuer Event of Default, the CBC is entitled to propose a further Benchmark Rate Modification pursuant to this Condition 14A (*Benchmark Rate Modification*).
- (j) For the avoidance of doubt, if this Condition 14A (*Benchmark Rate Modification*) has already been used to change the benchmark rate for a Series of Covered Bonds issued in one currency, it may be used again to change the benchmark rate for one or more Series of Covered Bonds issued in another currency.
- (k) For the purposes of this Condition 14A (*Benchmark Rate Modification*),

**"Benchmark Event"** means the occurrence of one or more of the following:

- (i) the Applicable Benchmark Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Applicable Benchmark that it will, by a specified date within the following six months, cease publishing the Applicable Benchmark Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Applicable Benchmark Rate); or

- (iii) a public statement by the supervisor of the administrator of the Applicable Benchmark Regulation that the Applicable Benchmark Regulation has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Applicable Benchmark Regulation that the Applicable Benchmark Regulation will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case, within the following six months; or
- (v) it has become unlawful for any Paying Agent, the Calculation Agent or the Issuer or, following the occurrence of an Issuer Event of Default, the CBC to calculate any payments due to be made to the Covered Bondholders which is calculated by reference to the Applicable Benchmark Rate.

**"Independent Adviser"** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer or, following the occurrence of an Issuer Event of Default, the CBC under Condition 14A.

**"Relevant Nominating Body"** means, in respect of each Applicable Benchmark Rate:

- (i) the central bank for the currency to which the Applicable Benchmark Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Applicable Benchmark Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the Applicable Benchmark Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Applicable Benchmark Rate, (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board.

#### 15. **INDEMNIFICATION OF THE TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE CBC**

If, in connection with the exercise of its powers, authorities or discretions, the Trustee is of the opinion that the interests of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Trustee shall not exercise such power, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than fifty per cent. of the aggregate Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

The Trust Deed contains provisions for the indemnification of the Trustee and for the Trustee's relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured to its satisfaction.

The Trustee will not be responsible for any loss, expense or liability, which may be suffered as a result of any Transferred Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee. The Trustee will not be responsible for (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Transferred Assets, including, without limitation, whether the Transferred Assets are in compliance with the Asset Cover Test or the Amortisation Test; or (iv) monitoring whether Transferred Receivables satisfy the applicable Eligibility Criteria or such other criteria as may be notified to each Rating Agency in relation to other Transferred Assets. The Trustee will not be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made

by a prudent pledgee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

16. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

17. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

(a) **Governing law**

The Covered Bonds and the Transaction Documents are governed by, and shall be construed in accordance with, the laws of the Netherlands unless specifically stated to the contrary.

(b) **Submission to jurisdiction**

In relation to any legal action or proceedings arising out of or in connection with the Covered Bonds and the Coupons ("**Proceedings**"), the Issuer irrevocably submits to the non-exclusive jurisdiction of the court of first instance (*rechtbank*) in Amsterdam, The Netherlands, and solely in relation to any Series which is offered or sold in reliance on Rule 144A, the United States Federal and New York State courts sitting in New York City, the Borough of Manhattan. This submission is made for the exclusive benefit of the Covered Bondholders and the Trustee and shall not affect their right to take such action or bring such proceedings in any other courts of competent jurisdiction.

(c) **Service of process**

Solely in relation to any Series which is offered or sold in reliance on Rule 144A, Rabobank irrevocably appoints its New York branch at 245 Park Avenue, New York, New York 10167 as its agent in New York to receive, for it and on its behalf, service of process in any Proceedings in New York. Such service shall be deemed completed on delivery to the relevant process agent (whether or not it is forwarded to and received by Rabobank). If for any reason either process agent ceases to be able to act as such or no longer has an address in Utrecht or New York City, Rabobank irrevocably agrees to appoint a substitute process agent and shall immediately notify Covered Bondholders of such appointment in accordance with Condition 13 (*Notices; Provision of Information*). Nothing shall affect the right to serve process in any manner permitted by law.

18. **ADDITIONAL OBLIGATIONS**

For as long as the Covered Bonds are listed and/or admitted to trading on Euronext in Amsterdam ("**Euronext Amsterdam**"), the Issuer will comply with all rules and regulations of Euronext Amsterdam. If the Covered Bonds are listed and/or admitted to trading on other or further stock exchanges or markets, it will comply with all rules and regulations of such stock exchanges or markets.

19. **TERMS AND CONDITIONS OF REGISTERED COVERED BONDS**

19.1 If in the applicable Final Terms it is specified that Registered Covered Bonds are issued, then the following terms and conditions shall apply in addition to the terms and conditions set out in Condition 1 until and including 18 above. In the event of any inconsistency between Conditions 1 up to and including 18 and this Condition 19, this Condition 19 will prevail with regard to Registered Covered Bonds.

19.2 Registered Covered Bonds are registered claims (*vorderingen op naam*) which will, as specified in the applicable Final Terms, be either issued (i) pursuant to the terms and conditions of a registered covered bonds deed ("**Registered Covered Bonds Deed**") or (ii) with respect to any

Series which contain one or more Tranches of Covered Bonds offered or sold in reliance on Rule 144A, in the form of a Registered Global Covered Bond certificate. The holder of a Registered Covered Bond is the creditor of the relevant registered claim and "**Covered Bondholder**" shall be construed accordingly, **provided that** if the provision at the end of Condition 19.4 applies, the transferee shall, from the moment the transfer takes effect be treated as a Covered Bondholder for all purposes, without prejudice to any entitlement of the transferor pursuant to Condition 19.6.

A Registered Covered Bonds Deed, a Registered Global Covered Bond certificate and a Registered Definitive Covered Bond certificate is not a document of title. Entitlements are determined by entry in the Register. Consequently, references in any Registered Covered Bonds Deed, Registered Global Covered Bond certificate or Registered Definitive Covered Bond certificate to Covered Bonds represented by such Registered Covered Bonds Deed, Registered Global Covered Bond certificate or Registered Definitive Covered Bond certificate, as applicable, shall mean such Covered Bonds as evidenced by the Registered Covered Bonds Deed, Registered Global Covered Bond certificate or Registered Definitive Covered Bond certificate, as the case may be.

- 19.3 Under Dutch law, the valid transfer of Covered Bonds requires, amongst other things, delivery (*levering*) thereof, which in the case of Registered Covered Bonds is effected by assignment (*cessie*) of both the rights under the Registered Covered Bonds and the corresponding rights under the Guarantee by execution of an assignment deed (*akte van cessie*) between the transferor and the transferee and, in the case of a notified assignment, notification (*mededeling*) thereof to the Issuer and the CBC.

In the case of a Registered Covered Bonds Deed, a form of deed of assignment is attached to effect this assignment and notification. In the case of a Registered Global Covered Bond certificate and Registered Definitive Covered Bond certificate, a form of transfer certificate is attached to effect this assignment and notification.

- 19.4 Registered Covered Bonds may be transferred in whole, but not in part, **provided that** the relevant transferor and transferee may otherwise agree in the relevant assignment deed in respect of amounts that have accrued but not yet been paid in respect of the period up to the relevant transfer. Registered Covered Bonds shall not be exchangeable for Bearer Covered Bonds.
- 19.5 In respect of each Series of Registered Covered Bonds, the Issuer shall procure that a register be kept by the Registrar in accordance with the provisions of the Agency Agreement (in respect of the relevant Series of Registered Covered Bonds only, the "**Register**"). The Registrar shall register details of any holder of the relevant Registered Covered Bonds in the Register and amend the Register to reflect any transfer and/or redemption of the relevant Registered Covered Bonds.
- 19.6 Payments of principal, interest (if any) and any other amounts in respect of the relevant Registered Covered Bonds will be made to the person shown on the Register as being entitled to the relevant amount of principal or interest or other amount at the opening of business on the second Business Day falling prior to the due date of such payments. If any Registered Covered Bondholder transfers any Registered Covered Bonds in accordance with Condition 19.3 and the Trust Deed and such transfer is notified to the Issuer and the CBC prior to the close of business on the fifteenth Business Day before the due date for payment (the "**Record Date**"), the Issuer, the CBC and the Trustee will in respect of the Registered Covered Bond so transferred, be discharged from their respective payment obligations only by payment to or to the order of the transferee. Each payment in respect of a Registered Global Covered Bond will be made to the person shown as whose name is entered into on the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Registered Global Covered Bond is being held is open for business being Monday to Friday inclusive except for 25 December and 1 January. If the notification of transfer of the relevant Registered Covered Bond is made after the close of business on the Record Date, (i) the risk that the transfer is not timely recorded in the Register is borne by the transferee and (ii) the Issuer, the CBC, the Trustee, the Registrar and the relevant Paying Agent shall not be liable as a result of any payment being made to the person shown in the Register in accordance with this Condition 19. The Registered Covered Bonds will become void unless demand for payment is made within a period of five years after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

- 19.7 Notices to holders of Registered Covered Bonds shall be mailed or faxed to them at their respective addresses as recorded in the Register and shall be deemed to have been given on the fourth business day (being a day other than a Saturday or a Sunday) after the date of mailing.

Until such time as any Registered Covered Bonds in definitive form (each a "**Registered Definitive Covered Bond**") are issued, there may, so long as the Registered Global Covered Bond(s) is or are held in its or their entirety through Euroclear, Clearstream, Luxembourg and/or The Depository Trust Company ("**DTC**") (or a nominee on its behalf) or such other agreed clearing system, be substituted for such publication in any newspaper or website the delivery of the relevant notice to such clearing system (or a nominee on its behalf) for communication by such clearing system to the holders of the beneficial interests in Registered Covered Bonds. Any such notice delivered on or prior to 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have been given to the holders of the Registered Covered Bonds on such business day. A notice delivered after 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have been given to the holders of the Registered Covered Bonds on the next following business day in such city.

- 19.8 For so long as any of the Registered Covered Bonds are represented by a Registered Global Covered Bond registered in the name of Euroclear, Clearstream, Luxembourg and/or DTC (or a nominee on its behalf), each person (other than such clearing system (or a nominee on its behalf)) who is for the time being shown in the records of such clearing system as the holder of a particular nominal amount of such Registered Global Covered Bonds (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be, as to such nominal amount of such Registered Global Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the CBC, the Paying Agents and the Trustee as the holder of such nominal amount of such Registered Global Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Registered Global Covered Bonds and voting rights, giving consents and making requests, for which purpose the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the CBC, any Paying Agent, any Transfer Agent, any Exchange Agent, the Registrar and the Trustee as the holder of such nominal amount of such Global Covered Bonds in accordance with and subject to the terms of the relevant Registered Global Covered Bond and the expressions "**Covered Bondholder**" and "**holder of Covered Bonds**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Registered Global Covered Bonds as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error or an error established as such to the satisfaction of the Trustee, be conclusive and binding on all concerned. Registered Covered Bonds which are represented by a Registered Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, and/or Euroclear Netherlands system, and/or DTC, as the case may be.
- 19.9 All amounts payable to DTC (or a nominee on its behalf) as holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. Dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of one or more of the transfer agents (the "**Transfer Agents**") on behalf of DTC (or a nominee on its behalf) for payment in such Specified Currency or conversion into U.S. Dollars in accordance with the provisions of the Agency Agreement.
- 19.10 For the purpose of Condition 5(e) (*Payment Day*), "**Payment Day**" means any day which (subject to Condition 8 (*Prescription*)) is in the case of any payment in respect of a Rule 144A Global Covered Bond denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC (or a nominee on its behalf) and, in respect of which an accountholder of DTC (with an interest in such Rule 144A Global Covered Bond) has elected to receive any part of such payment in U.S. Dollars, not a day on which banking institutions are authorised or required by law or regulation to be closed in New York City.
- 19.11 Registered Covered Bonds of each Tranche sold outside the United States to non U.S. persons in accordance with Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as

amended (the "**Securities Act**") will, if this is specified in the applicable Final Terms, be represented by a permanent global Covered Bond in registered form (the "**Regulation S Global Covered Bond**"), and Registered Covered Bonds of each Tranche sold to qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on Rule 144A or to other U.S. persons in transactions exempt from the registration requirements of the Securities Act will be represented by a permanent global Covered Bond in registered form (the "**Rule 144A Global Covered Bond**" and, together with the Regulation S Global Covered Bond, the "**Registered Global Covered Bonds**"). Beneficial interests in a Registered Global Covered Bond registered in the name of DTC (or a nominee on its behalf) will be exchangeable and transferable only in accordance with the rules and operating procedures for the time being of DTC (the "**Applicable Procedures**").

Holders of beneficial interests in the Regulation S Global Covered Bond may transfer such interests, or may exchange such interests for beneficial interests in the Rule 144A Global Covered Bond, and holders of beneficial interests in the Rule 144A Global Covered Bond may transfer such interests, or may exchange such interests for beneficial interests in the Regulation S Global Covered Bond, in each case subject as provided below, to the provisions of the relevant Registered Global Covered Bond and to the Applicable Procedures.

In the case of Registered Definitive Covered Bonds issued in exchange for interests in the Rule 144A Global Covered Bond, the relevant Registered Definitive Covered Bond certificate shall bear the legend set forth on the Rule 144A Global Covered Bond certificate (the "**Legend**"). Upon the transfer or exchange of Registered Covered Bonds whose Rule 144A Global Covered Bond certificate bears the Legend or upon specific request for removal of the Legend, the Legend shall be maintained unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Interests in a Registered Global Covered Bond will be exchangeable, in whole but not in part, for Registered Definitive Covered Bonds if (A) the Covered Bonds become immediately due and payable as a result of the occurrence of an Issuer Event of Default, (B) the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (C) by reason of any amendment to, or change in, the laws and regulations of the Netherlands, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Covered Bonds which would not be required if the Covered Bonds which are represented by the Registered Global Covered Bond certificate were in definitive form.

Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate interests in the relevant Registered Global Covered Bond to be exchanged for Registered Definitive Covered Bonds in accordance with the Agency Agreement, the Trust Deed and the relevant Registered Global Covered Bond.

If a holder of a beneficial interest in a Regulation S Global Covered Bond wishes at any time to exchange its interest in such Regulation S Global Covered Bond for an equivalent interest in a Rule 144A Global Covered Bond, or to transfer its interest, in whole or in part, such holder may, subject to the rules and procedures of the Registrar and in accordance with the Agency Agreement, the Trust Deed and the relevant Registered Global Covered Bond, exchange or transfer, as the case may be, such interest upon certification to the effect that (i) the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to such Registered Global Covered Bond under U.S. law and pursuant to and in accordance with Regulation S, where applicable, and (ii) if applicable, such exchange has been made in compliance with the requirements of Rule 144A.

Transfers between participants in DTC will be effected in the ordinary way in accordance with the Applicable Procedures and will be settled in same day funds.

Transfers by the holder of a beneficial interest in a Rule 144A Global Covered Bond to a transferee who takes delivery of such interest through the Regulation S Global Covered Bond will be made only upon receipt by the Registrar of a written certification from the transferor to the effect that

such transfer is being made in accordance with Regulation S or, if applicable, that the interest in the Covered Bond being transferred is not a "restricted security" within the meaning of Rule 144A. Investors holding a beneficial interest in a Rule 144A Global Covered Bond who propose any such transfer must notify the Registrar and, subject to compliance with the provisions of the Agency Agreement, the Trust Deed and the relevant Rule 144A Global Covered Bond, the Registrar shall take such action as appropriate to register the transfer of such beneficial interest in the Registered Global Covered Bonds to or for the account of the purchaser. Upon receipt by the Registrar of notification by DTC, Euroclear and/or Clearstream Luxembourg (as applicable), or their respective custodians or depositaries, that the appropriate debit and credit entries have been made in the accounts of the relevant participants of DTC, Euroclear and/or Clearstream Luxembourg (as the case may be); and a certificate in the form of Schedule 6 (*Form of Certificate for Exchange or Transfer from Rule 144A Global Covered Bond to Regulation S Global Covered Bond*) to the Trust Deed given by the holder of such beneficial interest requesting such transfer or exchange and, in the case of transfer or exchange on or prior to the fortieth day after the date of issue of the Rule 144A Global Covered Bond certificate, stating that the transfer or exchange of such beneficial interest has been made in compliance with the transfer restrictions applicable to the Covered Bonds, the details of the exchange or transfer shall be entered by the Registrar in the Register.

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Definitive Covered Bond initially represented by a Registered Global Covered Bond may be transferred in whole or in part upon the Registrar, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar may prescribe, including any restrictions imposed by the Issuer on transfers of Registered Covered Bonds originally sold to a U.S. person. In addition, if the Registered Definitive Covered Bond being transferred is the object of a Registered Covered Bond or form of transfer, as the case may be, containing a Legend, additional certificates, to the effect that such exchange or transfer is in compliance with the restrictions contained in such Legend, may be required.

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions (except for the expenses of delivery by other than regular mail (if any) and, if the Issuer shall so require, for the payment of a sum sufficient to cover any tax or other governmental charge or insurance charges that may be imposed in relation thereto which will be borne by the Covered Bondholder) will be borne by the Issuer.

- 19.12 All Registered Covered Bonds which are purchased by the Issuer and legally transferred to the Issuer will extinguish by operation of law (*tenietgaan door vermenging*). Therefore such repurchased Registered Covered Bonds cannot be held, reissued or resold. The Issuer shall send a notification of such repurchase to the Principal Paying Agent and the Registrar.

#### **1.4 Taxation in the Netherlands**

*The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the 2018 Programme Date and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Covered Bonds, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Save as otherwise indicated, this summary only addresses the position of investors who do not have any connection with the Netherlands other than the holding of the Covered Bonds. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of the Covered Bonds under the laws of their country of citizenship, residence, domicile or incorporation.*

*Among other things, this summary deals with the Dutch tax consequences of a holder of Covered Bonds where such holder has or will have a substantial interest or deemed substantial interest in the Issuer, or where a connected person (verbonden persoon) has a deemed substantial interest in the Issuer.*

*Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has or is deemed to have, or (b) certain relatives*



*of such individual or his partner directly or indirectly have or are deemed to have, (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent. or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent. or more of either the annual profit or the liquidation proceeds of such company.*

*Generally speaking, a non-resident entity has a substantial interest in a company if such entity directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent. or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent. or more of either the annual profit or the liquidation proceeds of such company. Generally, an entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.*

*Where this summary refers to a holder, whether an individual or an entity, of a Covered Bond, such reference is restricted to an individual or entity holding legal title to, as well as an economic interest in, such Covered Bond. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.*

*For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.*

*In this Section 1.4 Taxation in the Netherlands references to "the Netherlands" or "Dutch" refer only to the European part of the Kingdom of the Netherlands.*

## **Withholding Tax**

All payments by the Issuer of interest and principal under the Covered Bonds can be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

## **Taxes on Income and Capital Gains**

A Covered Bondholder who derives income from a Covered Bond or who realises a gain on the disposal or redemption of a Covered Bond will not be subject to Dutch taxation on such income or capital gains unless:

- (i) the holder is or is deemed to be resident in the Netherlands for tax purposes; or
- (ii) the income or gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in the Netherlands and the holder derives profits from such enterprise (other than by way of the holding of securities); or
- (iii) the holder is an entity and has, directly or indirectly, a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Issuer and such interest is held with the main purpose of or one of the main purposes of avoiding personal income tax (*inkomstenbelasting*) for another person; or
- (iv) the holder is an individual and such holder has a substantial interest in the Issuer; or
- (v) the income or gain otherwise qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) including without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

**Gift or Inheritance Taxes**

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Covered Bond by way of gift by, or on the death of, a holder, unless:

- (i) the holder is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or as a gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

**Value Added Tax**

There is no Dutch value added tax payable by a Covered Bondholder in respect of payments in consideration for the issuance or acquisition of the Covered Bonds or in respect of the payment of interest or principal under the Covered Bonds, or payments in consideration for the transfer or disposal of the Covered Bonds.

**Other Taxes and Duties**

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in the Netherlands by a Covered Bondholder in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of the Netherlands) of the Covered Bonds or the performance of the Issuer's obligations under the Covered Bonds.

## 1.5 Subscription and Sale

The Dealer(s) has or have, in a programme agreement (as the same may be amended and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated the Programme Date, agreed with the Issuer, the CBC and the Initial Originators a basis upon which any Dealer may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated under *Form of the Covered Bonds* and *Terms and Conditions of the Covered Bonds*. In the Programme Agreement, the Issuer has agreed to reimburse the Dealer(s) for certain of its or their expenses in connection with the establishment and any future update of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Dealer(s) against certain liabilities incurred by it or them in connection therewith.

### United States

The Covered Bonds and the Guarantee have not been and will not be registered under the Securities Act or any other applicable securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or pursuant to an effective registration statement under the Securities Act.

Each issuance of Covered Bonds may be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer(s) may agree, which additional selling restrictions shall be set out in the applicable Final Terms or Drawdown Prospectus.

In connection with any Covered Bonds which are offered and sold outside the United States in reliance on Regulation S, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will offer, sell or deliver Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the issue date, (as determined and certified by the relevant Dealer(s) or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager), of all Covered Bonds of the Tranche of which such Covered Bonds are a part, only in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A if applicable. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form may be subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

In addition, until 40 days after the commencement of the offering of any Series, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

- (iii) not a qualified investor as defined in the Prospectus Directive; and

the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered in order to enable an investor to decide to purchase or subscribe the Covered Bonds.

### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of FSMA does not, or in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer or the CBC; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

### **The Netherlands/Global**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) as long as it does not have the benefit of a licence or exemption as an investment firm of the relevant type pursuant to the Wft it shall not offer any Covered Bonds or distribute this Base Prospectus or any circulars, offer documents or information relating to the Issuer or the Covered Bonds in the Netherlands; and
- (ii) unless the Covered Bonds are traded on the regulated market of Euronext Amsterdam and (in relation to such Covered Bonds) this Base Prospectus has been approved by the AFM and Final Terms have been filed with the AFM in accordance with the Wft, it will not make an offer of Covered Bonds in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Wft; or (ii) standard exemption wording is disclosed as required by article 5:20(5) of the Wft, **provided that** no such offer of Covered Bonds shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in the Netherlands means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered in order to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in the Netherlands; and

- (iii) Zero Coupon Covered Bonds (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations, **provided that** no such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Covered Bond in global form, or (b) in respect of the initial issue of Zero Coupon Covered Bonds in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Covered Bonds in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Covered Bonds within, from or into the Netherlands if all Zero Coupon Covered Bonds (either in definitive form or as rights representing an interest in a Zero Coupon Covered Bond in global form) of any particular Series are issued outside the Netherlands and are not distributed into the Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Covered Bonds**" are Bearer

Covered Bonds that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

## France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, Covered Bonds to the public in France and that offers and sales of Covered Bonds in France will be made only to qualified investors (*investisseurs qualifiés*), as defined in Articles L.411-2 and D.411-1 of the *Code monétaire et financier*, but excluding individuals.

In addition, each Dealer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France this Base Prospectus or any other offering material relating to the Covered Bonds other than to investors to whom offers and sales of Covered Bonds in France may be made as described above.

## Republic of Italy

The offering of the Covered Bonds has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that save as set out below, it has not offered or sold and will not offer or sell any Covered Bonds in the Republic of Italy in an offer to the public and that sales of the Covered Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Covered Bonds or distribute copies of this Base Prospectus and any other document relating to the Covered Bonds in the Republic of Italy except:

- (i) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Decree No. 58**") and defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or
- (ii) that it may offer, sell or deliver Covered Bonds or distribute copies of any prospectus relating to such Covered Bonds in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree No. 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; or
- (iii) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must be:

- (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58 CONSOB Regulation No. No. 20307 of 15 February 2018, as amended and any other applicable laws and regulations;
- (ii) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended (pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy) and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### ***Provisions relating to the secondary market in the Republic of Italy***

Investors should also note that, in any subsequent distribution of the Covered Bonds in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Covered Bonds are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Covered Bonds who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Covered Bonds were purchased, unless an exemption provided for under Decree No. 58 applies.

### **Grand-Duchy of Luxembourg**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, the Covered Bonds to the public within the territory of the Grand-Duchy of Luxembourg ("**Luxembourg**") unless:

- (i) the *Commission de Surveillance du Secteur Financier* (CSSF) and the European Securities and Markets Authority have been provided by the AFM with a certificate of approval attesting that a prospectus in relation to the Covered Bonds has been duly approved in accordance with the Prospectus Directive and with a copy of that prospectus; or
- (ii) the offer of Covered Bonds benefits from an exemption from or constitutes a transaction not subject to, the requirement to publish a prospectus under the Luxembourg law of 10th July 2005 on prospectuses for securities, as amended from time to time.

### **Japan**

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, they may not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan

### **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it has complied and will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the CBC, the Trustee nor any of the other Dealers shall have any responsibility therefor.

Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the CBC and the Dealer(s) to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealer(s) shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer(s) described in this paragraph "*General*".

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or

modification relevant only to a particular Tranche of Covered Bonds) or in a supplement to this Base Prospectus.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the relevant Dealer(s) shall agree and as shall be set out in the applicable Final Terms.

## 1.6 Trustee

The trustee under the Trust Deed (the "**Trustee**") is Stichting Security Trustee Rabo Covered Bond Company, a foundation (*stichting*) incorporated under the laws of the Netherlands on 1 March 2017. It has its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands and is registered with the Commercial Register of the Chamber of Commerce under number 68199244.

The objects of the Trustee are (a) to act as agent and/or trustee in favour of holders of covered bonds to be issued by Rabobank and the other Secured Creditors; (b) to acquire security rights as agent and/or trustee and/or for itself; (c) to perform (legal) acts; (d) to hold, administer and to enforce the security rights mentioned under (b); (e) to borrow money and (f) to perform any and all acts which are related, incidental or which may be conducive to the above.

The sole director of the Trustee is Amsterdamsch Trustee's Kantoor B.V. having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. As at the date hereof, the managing directors of Amsterdamsch Trustee's Kantoor B.V. are O.J.A. van der Nap, C.J.M. Coremans and J.A. Broekhuis.



## **1.7 Application of Proceeds**

Unless specified otherwise in the applicable Final Terms, the net proceeds from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes. If in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## 1.8 Description of the Dutch Covered Bond Legislation

The Dutch regulatory framework for the issuance of covered bonds (the "**2008 CB Regulations**") came into force in the Netherlands on 1 July 2008.

The 2008 CB Regulations implemented Article 52, paragraph 4 of Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS IV) (as such paragraph may be amended, replaced and/or supplemented from time to time, "**Article 52(4) UCITS**") and were a collection of rules forming part of two layers of secondary legislation implementing the Wft: the Wft Prudential Rules Decree (*Besluit prudentiële regels Wft*) and the Wft Implementing Regulation (*Uitvoeringsregeling Wft*). The 2008 CB Regulations regarded compliance of covered bonds with 129 CRR as an option instead of a requirement.

On 1 January 2015 a revised legislative framework for the issuance of covered bonds came into force in the Netherlands, which is incorporated in the Wft and further laid down in the Wft Prudential Rules Decree (*Besluit prudentiële regels Wft*) and the Wft Implementing Regulation relating to registered covered bonds (*Uitvoeringsregeling Wft ter zake geregistreerde gedekte obligaties*) (the "**CB Legislation**"), thereby receiving a firmer statutory basis compared to the 2008 CB Regulations.

Although the CB Legislation contains a number of additional continuing registration requirements focusing on, amongst other things, transparency, cover asset quantity and quality, investor reporting, audits and stress testing, the CB Legislation does not substantially amend the requirements under the 2008 CB Regulations relating to issuers, owners of cover assets, asset segregation, risk management, asset encumbrance safeguards and reporting to DNB (including, without limitation, informing DNB of significant changes contemplated to be made to the terms of the covered bonds and related transaction documents). Also under the CB Legislation the issuer must be a licensed bank with its statutory seat (*zetel*) in the Netherlands.

The issuance of a covered bond and the legal transfer of cover assets are subject to the provisions of the Dutch Civil Code and the Dutch Bankruptcy Code.

The CB Legislation implements Article 52(4) UCITS and incorporates the conditions of Article 129 CRR. Consequently covered bonds admitted to the DNB-register in accordance with the CB Legislation, as at their admission date should comply with both Article 52(4) UCITS and Article 129 CRR. In addition, the CB Legislation takes into account the best practices identified by the European Banking Authority (EBA) in its report "EBA Report on EU Covered Bond Frameworks and Capital Treatment" of 1 July 2014.

The CB Legislation currently also contains two mandatory asset quantity tests. Firstly, the total value of the cover assets must be at least 105 per cent. of the nominal value of the outstanding covered bonds of the relevant category. In addition to this statutory minimum overcollateralisation requirement, the total value of the cover assets, so determined in accordance with the restrictions applicable to the relevant type of assets as set out in Article 129 CRR, paragraph 1 should at least be equal to the nominal value of the outstanding covered bonds of the relevant category. Furthermore, the CB Legislation requires the owner of the cover assets to have (or generate) sufficient eligible liquid assets for the payment by it during the following six-month period of interest and (except with respect to covered bonds which have an extendable maturity date of at least six months) principal of the outstanding covered bonds, and certain equal or higher ranking amounts.

In respect of an application made for registration of a covered bond and the issuer thereof by DNB pursuant to the CB Legislation, the issuer is required amongst other things:

- (a) to disclose to DNB certain key conditions applicable to the relevant category of covered bonds, which include:
- (b) whether the covered bond has one of the following maturity structures: (i) its maturity date cannot be extended (hard bullet) or its maturity date can only be extended for a maximum of 24 months (soft bullet) or (ii) its maturity date can be extended with more than 24 months (including (conditional) pass through);
- (c) which type or types of cover assets can unlimitedly be included in the cover pool (primary cover assets) and if more than one type is included, the ratio between them; and

- (d) the jurisdiction in which the debtors of the cover assets are located or resided and the governing law of the cover assets.

Such conditions cannot be changed after the date of application for registration of the relevant category of covered bonds. An issuer has the possibility to combine hard bullet covered bonds and soft bullet covered bonds in one category of registered covered bonds (i.e., under one issuance programme), **provided that** the maturity extension of the soft bullet covered bonds does not exceed 24 months;

- (a) to ensure that a healthy ratio exists between the total outstanding covered bonds of the relevant category and the total consolidated balance sheet of the issuer, thereby taking into account the outcome of any stress tests performed by the Issuer and relating to the credit risk, interest rate risk, currency risk, liquidity risk and any other risk deemed relevant by DNB (whereby DNB can upon registration and thereafter impose a discretionary issuance limit to safeguard such healthy ratio); and
- (b) to have reliable and effective strategies and procedures for verifying and procuring the sufficiency of eligible cover assets and liquid assets, taking into account the composition of the cover assets, the statutory overcollateralisation, other asset cover and liquidity buffer requirements.

DNB will perform certain supervision and enforcement related tasks in respect of DNB-registered covered bonds, including admitting issuers and categories of covered bonds to the relevant register and monitoring compliance with the ongoing requirements referred to above. If a covered bond no longer meets such requirements, or if the relevant issuer no longer complies with its ongoing obligations towards DNB, DNB can take several measures, which include, without limitation, cancelling the issuer's registration, imposing an issuance-stop and/or imposing fines and penalties on the issuer. In addition, pursuant to the CB Legislation, DNB may cancel the registered compliance with Article 129 CRR, if the relevant issuer or the owner of the cover assets would not provide the required information to DNB to monitor compliance with Article 129 CRR or if the relevant covered bonds would no longer comply with Article 129 CRR.

As at the 2018 Programme Date, the Covered Bonds comply with both Article 52(4) UCITS and are in the DNB-register registered as being compliant with Article 129 CRR. See also the risk factor entitled "*If at any point the Covered Bonds fail to be compliant with the CB Legislation, CRR and/or the UCITS Directive, holders of the Covered Bonds may be adversely affected*" above.

None of the Transaction Documents or the Covered Bonds prescribe the occurrence of an Issuer Event of Default or impose an obligation on the Issuer to notify any Covered Bondholder in the event that Covered Bonds would no longer comply with Article 52(4) UCITS and/or Article 129 CRR or in the event that the Issuer does not comply with the CB Legislation (or any amendments thereto or replacements thereof) in itself.

## 2. ASSET-BACKED GUARANTEE

### 2.1 Guarantee

The Trust Deed provides for the following guarantee:

*"The CBC irrevocably undertakes as its independent obligation that it shall pay the Guaranteed Amounts to the holders of the Covered Bonds when the same become Due for Payment, **provided that** the CBC shall have no such obligation until (i)(1) the occurrence of an Issuer Event of Default, (2) service by the Trustee on the Issuer of an Issuer Acceleration Notice and (3) service by the Trustee on the CBC of a Notice to Pay or (ii) the occurrence of a CBC Event of Default and the service by the Trustee of a CBC Acceleration Notice on the Issuer and the CBC. If the CBC is obliged to pay a Guaranteed Final Redemption Amount, then:*

- (a) the obligation of the CBC to pay such Guaranteed Final Redemption Amount shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, unless on the Extension Date or any subsequent Interest Payment Date which applies pursuant to paragraph (b) below and which falls prior to the Extended Due for Payment Date, any monies are available to the CBC after the CBC shall under the relevant Priority of Payments have paid or provided for (1) all higher ranking amounts and (2) all Guaranteed Final Redemption Amounts pertaining to any Series of Covered Bonds with an Extended Due for Payment Date falling prior to the CBC Payment Period in which the Extended Due for Payment Date for such Series falls, in which case the CBC shall (i) give notice thereof to the relevant holders of the Covered Bonds (in accordance with Condition 13 (Notices; Provision of Information)), each Rating Agency, the Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two Business Days prior to the Extension Date and/or such Interest Payment Date, respectively, and (ii) apply such remaining available monies in payment, in whole or in part, of such Guaranteed Final Redemption Amount, if applicable pro rata with any Guaranteed Final Redemption Amount pertaining to a Series of Covered Bonds with an Extended Due for Payment Date falling in the same CBC Payment Period in which the Extended Due for Payment Date for the relevant Series of Covered Bonds falls (and to such extent such Guaranteed Final Redemption Amount shall for the purpose of the relevant Priority of Payments and all other purposes be due) as well as any other pari passu ranking amounts on the Extension Date and/or such Interest Payment Date, respectively; and*
- (b) the CBC shall under the Guarantee owe interest over the unpaid portion of such Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 4 (Interest), provided that for this purpose all references in Condition 4 (Interest) to the Final Maturity Date of such Series of Covered Bonds are deemed to be references to the Extended Due for Payment Date, mutatis mutandis,*
- (c) all without prejudice to the CBC's obligation to pay any Guaranteed Amount other than the Guaranteed Final Redemption Amount when Due for Payment.*
- (d) As long as the Guaranteed Amounts have not been fully discharged, the CBC shall not exercise vis-à-vis the Issuer any right of set-off, defence or counterclaim or exercise any rights acquired by subrogation."*

The Extended Due for Payment Date shall be specified in the applicable Final Terms.

All payments of Guaranteed Amounts by or on behalf of the CBC will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the CBC will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The CBC will not be obliged to pay any amount to the Trustee or any Covered Bondholder in respect of the amount of such withholding or deduction, subject to and in accordance with Condition 7 (Taxation).

Failure by the CBC to pay Guaranteed Final Redemption Amounts or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Scheduled Payment Date, the Extended Due for Payment Date will (subject to any applicable grace period) be a CBC Event of Default.

For the purposes hereof:

**"Due for Payment"** means, with respect to a Guaranteed Amount, (i) prior to the service of a CBC Acceleration Notice, the Scheduled Payment Date in respect of such Guaranteed Amount or, if later, the day which is two Business Days after service of an Issuer Acceleration Notice and a Notice to Pay or (ii) after the service of a CBC Acceleration Notice, the date on which the CBC Acceleration Notice is served (or, in either case, if such day is not a Business Day, the first following Business Day).

For the avoidance of doubt, **"Due for Payment"** does not refer to any earlier date upon which payment of any Guaranteed Amount may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise;

**"Guaranteed Amounts"** means, in respect of a Series:

- (a) with respect to any Scheduled Payment Date falling prior to the service of a CBC Acceleration Notice, the sum of the Scheduled Interest and Scheduled Principal payable on such Scheduled Payment Date; or
- (b) with respect to any date after the service of a CBC Acceleration Notice, an amount equal to the aggregate of (i) the relevant Early Redemption Amount specified in the Conditions as being payable on that date and (ii) all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds and all amounts payable by the CBC under the Trust Deed, provided that any Guaranteed Amounts representing interest paid after the Final Maturity Date shall be paid on such dates and at such rates as specified in the applicable Final Terms;

**"Rating Agency"** means any rating agency (or its successor) who, at the request of the Issuer, assigns, and for as long it assigns, one or more ratings to the Covered Bonds under the Programme from time to time, which may include Moody's;

**"Scheduled Interest"** means, in respect of a Series, any amount of scheduled interest payable (i) under the Covered Bonds as specified in Condition 4 (*Interest*) (but excluding (a) any additional amounts relating to premiums, default interest or interest upon interest payable by the Issuer following an Issuer Event of Default but including such amounts following a CBC Acceleration Notice in circumstances where Covered Bonds had not become due and payable prior to their Final Maturity Date or Extended Due for Payment Date (as the case may be) and (b) any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (*Taxation*)), for this purpose disregarding any Excess Proceeds recovered by the Trustee on account of scheduled interest and on-paid to the CBC in accordance with the Trust Deed, or (ii) under the Guarantee as specified in Condition 3(b) (*The Guarantee*);

**"Scheduled Payment Dates"** means, in respect of a Series, each Interest Payment Date and the Final Maturity Date as specified in (i) in the case of Scheduled Interest, Condition 4 (*Interest*) or Condition 3(b) (*The Guarantee*), as the case may be, or (ii) in the case of Scheduled Principal, Condition 6(a) (*Redemption at maturity*); and

**"Scheduled Principal"** means, in respect of a Series, any amount of scheduled principal payable under the Covered Bonds as specified in Condition 6(a) (*Redemption at maturity*) (but excluding (a) any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest payable by the Issuer following an Issuer Event of Default but including such amounts (if any) together with the Early Redemption Amount and any interest accrued on the Guaranteed Amounts in accordance with Clause 3.1 of the Trust Deed following a CBC Event of Default) and (b) any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (*Taxation*)), for this purpose disregarding any Excess Proceeds recovered by the Trustee on account of scheduled principal and on-paid to the CBC in accordance with the Trust Deed.

## 2.2 Security

In the Trust Deed, the CBC undertakes to pay to the Trustee amounts equal to and in the currency of the amounts it owes (i) to the Covered Bondholders under or pursuant to the Guarantee, the Trust Deed and the other Transaction Documents and (ii) the other Secured Creditors under or pursuant to the Transaction Documents, (the "**Principal Obligations**") (such payment undertaking and the obligations and liabilities which are the result thereof the "**Parallel Debt**"). The Principal Obligations do not include the CBC's obligations pursuant to the Parallel Debt. In this respect the CBC and the Trustee acknowledge that (i) the Parallel Debt constitutes undertakings, obligations and liabilities of the CBC to the Trustee which are separate and independent from and without prejudice to the Principal Obligations of the CBC to any Secured Creditor and (ii) the Parallel Debt represents the Trustee's own claim (*vordering*) to receive payment of the Parallel Debt from the CBC, **provided that** the aggregate amount that may become due under the Parallel Debt will never exceed the aggregate amount that may become due under all of the Principal Obligations to the Secured Creditors. The total amount due and payable by the CBC under the Parallel Debt shall be decreased to the extent that the CBC shall have paid any amounts to the Covered Bondholders or any other Secured Creditor to reduce the Principal Obligations and the total amount due and payable by the CBC under the Principal Obligations shall be decreased to the extent that the CBC shall have paid any amounts to the Trustee under the Parallel Debt. Pursuant to the Common Terms (set out in Schedule 2 to the Incorporated Terms Memorandum), the Secured Creditors accept that the Security created by the Security Documents is granted by the CBC to the Trustee to secure its obligations pursuant to the Parallel Debt.

The Parallel Debt of the CBC owed to the Trustee will be secured by the following security rights granted by the CBC to the Trustee:

- (a) pursuant to a master pledge of receivables (the "**Master Receivables Pledge Agreement**"), a first ranking non-disclosed right of pledge (*stil pandrecht*) over the Transferred Receivables. The right of pledge created pursuant to the Master Receivables Pledge Agreement will not be notified to the Borrowers except under the conditions of the Master Receivables Pledge Agreement;
- (b) if Substitution Assets are transferred to the CBC, pursuant to a deed of pledge of substitution assets (the "**Substitution Assets Pledge**"), a first ranking disclosed right of pledge (*openbaar pandrecht*) over such Substitution Assets;
- (c) pursuant to a deed of pledge of accounts (the "**Accounts Pledge**"), a first ranking disclosed right of pledge (*openbaar pandrecht*) over all current and future monetary claims of the CBC *vis-à-vis* the Account Bank in respect of the CBC Accounts. The right of pledge created pursuant to the Accounts Pledge will be notified to the Account Bank. The Trustee has authorised the CBC to collect the pledged rights, which authorisation can be revoked in the circumstances set out in the deed of pledge; and
- (d) pursuant to a deed of pledge of CBC rights (the "**CBC Rights Pledge**"), a first ranking disclosed right of pledge (*openbaar pandrecht*) over the CBC's present and future rights (*vorderingen*) *vis-à-vis* any debtors of the CBC under any Transaction Document to which the CBC is a party, other than the Management Agreement (CBC). The right of pledge created pursuant to the CBC Rights Pledge will be notified to the relevant debtors. The Trustee has authorised the CBC to collect the pledged rights, which authorisation can be revoked in the circumstances set out in the deed of pledge.

If an Enforcement Event occurs, the Trustee will be entitled to enforce the Security (including selling the Transferred Assets) and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured to its satisfaction.

For the purposes hereof:

"**Enforcement Event**" means any default (*verzuim*) in the proper performance of the Secured Obligations or any part thereof **provided that** a CBC Acceleration Notice has been served;

"**Secured Creditors**" means the Trustee (in its own capacity and on behalf of the Covered Bondholders), the Originators, the Servicers, the Account Bank, the Administrator, the Swap Providers, the Asset Monitor,

the Managing Director, the Agents, any Participant and all other creditors designated by the Trustee as Secured Creditor from time to time in accordance with the Trust Deed;

**"Secured Property"** means all the CBC's assets, rights and receivables including the CBC's rights in respect of the Transferred Assets, its rights in relation to the CBC Accounts and its rights under the Transaction Documents over which security is created pursuant to the Security Documents;

**"Security"** means the security for the obligations of the CBC in favour of the Trustee for the benefit of the Secured Creditors which is created pursuant to, and on the terms set out in, the Trust Deed and the Security Documents; and

**"Security Documents"** means the Master Receivables Pledge Agreement, the Substitution Assets Pledge, the Accounts Pledge and the CBC Rights Pledge.

## 2.3 CBC

### Introduction

The issuer of the Guarantee is Rabo Covered Bond Company B.V. (the "**CBC**"), incorporated on 31 January 2017 as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its statutory seat (*statutaire zetel*) in Amsterdam, The Netherlands and its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands and registered with the Commercial Register of the Chamber of Commerce under number 67959687. The telephone number of the CBC is +31 (0)20 5214777 and the fax number of the CBC is +31 (0)20 5214888.

### Principal Activities

The CBC's articles of association have a restrictive objects clause allowing the CBC the following activities: (i) acquiring, owning and disposing of assets, (ii) raise funds through, *inter alia*, borrowing under loan agreements, entering into financial derivatives or otherwise, (iii) issuing guarantees and granting security for the obligations and debts of the CBC and of third parties, including Rabobank, (iv) entering into derivative contracts and (v) enter into agreements, including, but not limited to, bank, securities and cash administration agreements, asset management agreements and other agreements, all for the purpose of covered bonds programmes, established by Rabobank.

The CBC has not engaged since its incorporation, and will not engage whilst the Covered Bonds remain outstanding, in any material activities other than activities which are incidental or ancillary to the foregoing. The CBC has no subsidiaries.

The ability of the CBC to engage in any activities other than relating to the Programme and the transactions contemplated pursuant thereto is restricted in the Trust Deed and the other relevant Transaction Documents.

### Shareholders

The entire issued share capital is owned by Stichting Holding Rabo Covered Bond Company (the "**Holding**"), a foundation (*stichting*) established under the laws of the Netherlands. The Holding was established on 31 January 2017 and has its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The sole director of Holding is Intertrust Management B.V. having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.

The CBC has no employees.

### Directors of the CBC

The CBC has entered into a management agreement with Intertrust Management B.V. (the "**Managing Director**") on the Programme Date (the "**Management Agreement (CBC)**"), pursuant to which the Managing Director has agreed to provide corporate services to the CBC, with due observance of the requirements of the Act on the Supervision of Trust Offices (*Wet toezicht trustkantoren*). The following table sets out the managing director (*bestuurder*) of the CBC and its business address and occupation.

Name	Business Address	Business Occupation
Intertrust Management B.V.	Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	Corporate Services Provider

There is no potential conflict of interests between any duties to the CBC of the Managing Director and its private interests or other duties.



## Capitalisation and Indebtedness

The audited capitalisation of the CBC as at the date of this Base Prospectus is as follows:

Share capital	EUR 1.00
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### Indebtedness

The CBC has no indebtedness and/or guarantees as at the Programme Date, other than those which the CBC has incurred or shall incur in relation to the transactions contemplated pursuant to this Programme.

In the Trust Deed the CBC has covenanted that it will not save with the prior written consent of the Trustee, or as envisaged by the Transaction Documents:

- create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future;
- dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;
- have an interest in a bank account other than as set out in the Transaction Documents;
- incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;
- consolidate or merge with or transfer any of its property or assets to another person;
- issue any further shares (*aandelen*) in its capital;
- have any employees (for the avoidance of doubt, the Managing Director will not be regarded as employee), premises or subsidiaries;
- acquire assets other than pursuant to the Guarantee Support Agreement;
- engage in any activities or derive income from any activities within the United States or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States;
- enter into any contracts, agreements or other undertakings;
- compromise, compound or release any debt due to it; or
- commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; and
- incur any obligation or liability in respect of, or acquire any asset for the purpose of, or otherwise facilitate, any category of covered bonds issued by the Issuer or any other person, other than in relation to the Programme, the Covered Bonds from time to time issued thereunder and any other transactions contemplated pursuant to the Programme.

### 3. GUARANTEE SUPPORT

#### 3.1 Transfers

As consideration for the CBC assuming the Guarantee, and in order to enable the CBC to meet its obligations under the Guarantee, the Originators have agreed in the guarantee support agreement dated the Programme Date between the Issuer, the Initial Originators, the CBC and the Trustee (the "**Guarantee Support Agreement**") to transfer Eligible Assets to the CBC. The transfers are effectuated as follows:

- (a) in the case of Eligible Receivables, by way of undisclosed assignment (*stille cessie*). This takes place through due execution by the relevant Originator and the CBC of a deed of assignment in the form attached to the Guarantee Support Agreement and offering the same for registration to the Dutch tax authorities (*Belastingdienst*). Notification (*mededeling*) of the assignment to the Borrowers will only take place if a Notification Event occurs. Following receipt of notification by the Borrowers, in principle, only payment to the CBC will be capable of discharging a Borrower's obligations under the relevant Transferred Receivable;
- (b) in the case of Eligible Collateral, subject to paragraph (c) below, by way of book-entry transfer (*girale overboeking*) to a bank or securities account, as the case may be, designated for such purpose by the CBC; and/or
- (c) in the case of Eligible Collateral comprising Substitution Assets which (a) do not constitute securities which are deposited with Euroclear or the transfer of which is subject to the Wge and (b) which are not credited to a securities account in the relevant Originator's name administered in the Netherlands or Belgium (other than cash):
  - (i) if and to the extent possible and desirable in the opinion of the CBC and the Trustee and only upon Rating Agency Confirmation, in the manner as described above under (b); and
  - (ii) if and to the extent not so possible or desirable, in such manner as may be required by the CBC and the Trustee, and **provided that**:
    - (A) Rating Agency Confirmation has been obtained; and
    - (B) the Trustee is satisfied that pursuant to such transfer the CBC will receive assets of equivalent credit and security status and ranking as the other Eligible Collateral (supported by a legal opinion of internationally recognised counsel in form and substance satisfactory to the Trustee).

If, in the opinion of the Issuer, amendments are necessary to the Transaction Documents or if additional transaction documents are required in relation to such transfer of Eligible Collateral comprising Substitution Assets referred to under paragraph (c) above and Rating Agency Confirmation is obtained, the Trustee may consent to such amendments or additional transaction documents without consultation of the Covered Bondholders.

On the First Transfer Date, the relevant Initial Originators have transferred to the CBC the respective Eligible Receivables comprising the Initial Portfolio. Thereafter, each Originator:

- (a) may at any time offer to transfer further Eligible Assets to the CBC; and
- (b) jointly and severally with all other Originators undertakes to upon request of the CBC offer to transfer further Eligible Assets to the CBC. The CBC will only make such a request if it (or the Administrator on its behalf) determines that the Asset Cover Test has not been met under the Asset Monitor Agreement.

The CBC shall accept each such offer if the relevant conditions precedent set out in the Guarantee Support Agreement have been met, including in the case of transfer of Eligible Receivables receipt of a confirmation that the Receivables Warranties are true and correct in all material respects and not misleading in any material respect as at the relevant Transfer Date.

In the Guarantee Support Agreement the CBC has agreed with the Issuer that if the Issuer and the CBC (or the Administrator on its behalf) at any time conclude (acting reasonably) that the value of (i) any Eligible

Collateral (offered to be) transferred by an Originator in accordance with the terms of the Guarantee Support Agreement and/or (ii) any Authorised Investments from time to time held by the CBC, is necessary to be included in any calculation for the purpose of compliance with article 40f and/or 40g of the Decree on Prudential Rules Wft (*Besluit prudentiële regels Wft*) (as amended, restated and/or re-enacted from time to time) (the "**Decree**"), the CBC (or the Administrator on its behalf) and the Issuer shall procure that any such Transferred Collateral and/or Authorised Investments (or any substitute Authorised Investments) necessary for such purpose shall satisfy the requirements for eligible assets that may collateralise covered bonds in accordance with article 40f, paragraph 3 or, if agreed by the Issuer, the eligibility criteria for liquid assets in accordance with article 40g of the Decree.

In addition, in the Guarantee Support Agreement each Originator covenants that if (i) it makes any Further Advance under any Loan Agreement relating to a Transferred Receivable, (ii) such Further Advance is secured by the same Related Security and (iii) such Further Advance results in an Eligible Receivable, then it will transfer such further Eligible Receivable to the CBC as soon as reasonably practicable and, if possible, prior to the following Calculation Date.

In the Guarantee Support Agreement, the following intercreditor arrangement is agreed between each of the Originators, the CBC and the Trustee:

- (a) if and to the extent that any Related Security secures both a Transferred Receivable and any receivable which is owned by an Originator (and which has not been transferred to the CBC) (a "**Residual Claim**"), the relevant Originator and the CBC agreed that the CBC shall have, and each Originator granted the CBC, exclusive authority to perform all acts of management (*beheer*) and/or of disposal (*beschikking*) pertaining to such Related Security and in any event, without prejudice to the generality of the foregoing, to:

- (i) foreclose (*uitwinnen*) on such Related Security without any involvement of the relevant Originator; and
- (ii) apply the foreclosure proceeds in payment of the Transferred Receivable such that only the remaining proceeds (if any) will be available for application in payment of the Residual Claim,

**provided that** (i) for as long as no Notification Event has occurred and no Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served, the CBC agreed to delegate such authority to the relevant Originator and (ii) such authority shall not be vested in the CBC but in the relevant Originator if the relevant Originator can prove that such Related Security was specifically created to secure the Residual Claim and was not intended to secure the Transferred Receivable;

- (b) if paragraph (a) above is not effective to procure compliance therewith by the relevant Originator (or its liquidator in any Insolvency Proceedings), such Originator owes the CBC an amount equal to its share in the foreclosure proceeds of each relevant Related Security, which amount shall be immediately due and payable in case the relevant Borrower defaults (*in verzuim is*) in respect of the relevant Transferred Receivable or the Residual Claim(s) such Borrower owes to the relevant Originator, **provided that** the CBC's recourse to any Originator in relation to any Related Security is limited to such Originator's share in the foreclosure proceeds of such Related Security;
- (c) upon the occurrence of a relevant RC Trigger Event, unless either (x) an appropriate remedy to the satisfaction of the Trustee is found after having received Rating Agency Confirmation or (y) the Issuer has delivered a RC Deduction Notice to the CBC and the Trustee, then each of the Originators agreed to forthwith grant to the CBC a right of pledge on its Residual Claims as security for the payment of the relevant amount it owes to the CBC pursuant to paragraph (b) above. If, after the pledge of the Residual Claims, a relevant RC Release Trigger Event occurs, the CBC and the Trustee will be obliged to release the rights of pledge vested on the Residual Claims. In addition, each of the CBC and the Trustee undertakes to release such right of pledge on any Residual Claims of a Borrower if (i) the principal amount outstanding in respect of the relevant Transferred Receivable secured by the same Related Security has been repaid in full together with all accrued interest and other secured amounts due under or in connection with the related Loan or (ii) all Transferred Receivables that are secured by the same Related Security as such Residual Claims

have been retransferred to the relevant Originator in accordance with the terms of the Guarantee Support Agreement;

- (d) if the pledge pursuant to paragraph (c) above is implemented, any foreclosure proceeds are applied in discharge of amounts due pursuant to paragraph (ii) above and the Related Security is no longer in place or no longer expected to generate any proceeds, the CBC will retransfer to the relevant Originator that part of (the unsatisfied part of) the relevant Transferred Receivable for a principal amount corresponding to the principal amount of the pledged Residual Claims that was discharged;
- (e) if the CBC transfers a Transferred Receivable in accordance with the Guarantee Support Agreement and the Asset Monitor Agreement to any transferee other than the relevant Originator or insurer, it is entitled to transfer its corresponding rights and obligations pursuant to Clause 9 (*Intercreditor Arrangements*) of the Guarantee Support Agreement to such transferee and each Originator in advance irrevocably granted its co-operation to any such transfer (within the meaning of article 6:159 of the Dutch Civil Code); and
- (f) if an Originator transfers a Residual Claim to any transferee, it is entitled, and obliged, to transfer its corresponding rights and obligations pursuant to Clause 9 (*Intercreditor Arrangements*) of the Guarantee Support Agreement to such transferee and the CBC in advance irrevocably agreed to co-operate with any such transfer (within the meaning of article 6:159 of the Dutch Civil Code). Each Originator represents and warrants that it has not (nor has any originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) transferred any Residual Claim to any party (other than in the case of a Merged Originator or Demerged Originator (as the case may be), the relevant Originator) prior to the relevant Transfer Date.

Neither the CBC, the Trustee nor the Issuer has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Transferred Assets. Instead, each is relying entirely on the Representations and Warranties by the relevant Originator contained in the Guarantee Support Agreement. The parties to the Guarantee Support Agreement may, subject to the prior written consent of the Trustee and Rating Agency Confirmation, amend the Representations and Warranties. The Receivables Warranties are as follows and are given on the relevant Transfer Date by the relevant Originator in respect of the Receivables to be transferred by it to the CBC:

- (a) each Receivable is an Eligible Receivable;
- (b) the particulars of the Eligible Receivables set out in Annex 1 to the relevant deed of assignment are true, complete and accurate in all material respects and the Gross Outstanding Principal Balance in respect of each Receivable in the Initial Portfolio or in a New Portfolio as at the relevant Transfer Date and the aggregate Gross Outstanding Principal Balance of the Receivables in the Initial Portfolio or in a New Portfolio is correctly stated in Annex 1 to the relevant deed of assignment;
- (c) no Originator has created, agreed to create or permitted to subsist any limited right (*beperkt recht*) on, or right of set-off pertaining to, any of its Collection Accounts or rights or receivables pertaining thereto, other than as validly waived (*afstand van gedaan*) on or prior to the date on which it first transfers any Eligible Receivables under or pursuant to the Guarantee Support Agreement; and
- (d) prior to (but not earlier than a Reasonable Prudent Lender would deem acceptable) making the Initial Advance under each Loan Agreement, the relevant Originator complied with its obligations under the Dutch Prevention of Money Laundering and the Financing of Terrorism Act (*Wet ter voorkoming van witwassen en financieren van terrorisme*) or any predeceasing legislation) together with any other ancillary regulatory requirements, including but not limited to any requirements of the AFM, in connection with the origination of each Receivable.

The Programme Agreement provides a mechanism for (i) at the option of the Issuer members of the Group wishing to transfer Eligible Assets to the CBC, to accede to the relevant Transaction Documents as a New Originator subject always to Rating Agency Confirmation and (ii) Originators that have not originated any of the CBC's Transferred Assets at such time, to withdraw from the relevant Transaction Documents as an Originator, **provided that** no Notification Event has occurred and no Issuer Acceleration Notice, Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served.

In the Trust Deed, the Trustee agrees to, upon receipt of each Monthly Investor Report, verify whether such Monthly Investor Report states that a Notification Event has occurred.

For the purpose hereof:

**"First Transfer Date"** means the date on which the Initial Portfolio is transferred to the CBC pursuant to the Guarantee Support Agreement;

**"Further Advance"** means, in relation to a Transferred Receivable, any advance of further money under the relevant Loan Agreement, which includes a new mortgage loan, to the relevant Borrower following the making of the Initial Advance and secured by the same Mortgage;

**"Gross Outstanding Principal Balance"** in relation to a Receivable at any date, means the aggregate principal balance of such Receivable at such date (but avoiding double counting) including the following:

- (a) the Initial Advance; and
- (b) any increase in the principal amount due under that Receivable due to any Further Advance,
- (c) in each case relating to such Receivable less any prepayment, repayment or payment of the foregoing made on or prior to such date;

**"Initial Advance"** means, in respect of any Loan Agreement, the original principal amount advanced by the relevant Originator to the relevant Borrower;

**"Initial Portfolio"** means the Eligible Receivables particulars of which are set out in the deed of assignment dated the Programme Date;

**"Net Outstanding Principal Balance"** means in relation to a Transferred Receivable, at any date, the Gross Outstanding Principal Balance of such Receivable less, if it is a Participation Receivable, an amount equal to the Participation on such date;

**"New Portfolio"** means in each case the portfolio of New Receivables (other than any New Receivables which have been redeemed in full prior to the Transfer Date or which do not otherwise comply with the Eligibility Criteria as at the Transfer Date), particulars of which are set out in the relevant deed of assignment or in a document stored upon electronic media (including, but not limited to, a CD ROM);

**"Notification Event"** means the earliest to occur of the following:

- (a) a default is made by an Originator in the payment on the due date of any amount due and payable by it under any Transaction Document to which it is a party and such failure is not remedied within ten (10) Business Days after notice thereof has been given by the Issuer or the Trustee to the relevant Originator;
- (b) an Originator fails in any material respect to duly perform or comply with any of its obligations under any Transaction Document to which it is a party or any other party (except the Issuer or the Trustee) does not comply with any of the obligations under any Transaction Document to which it is a party and if such failure is capable of being remedied, such failure, is not remedied within ten (10) Business Days after notice thereof has been given by the Issuer or the Trustee to the relevant Originator or such other party;
- (c) an Originator takes any corporate action, or other steps are taken or legal proceedings are started or threatened against it, for (i) its dissolution (*ontbinding*), (ii) its liquidation (*vereffening*), (iii) its entering into emergency regulations (*noodregeling*) as referred to in Chapter 3 of the Wft, (iv) its bankruptcy, (v) any analogous insolvency proceedings under any applicable law or (vi) the appointment of a liquidator (*curator*) or a similar officer of it or of any or all of its assets;
- (d) an Originator's assets are placed under administration (*onder bewind gesteld*);
- (e) a Notice to Pay or Breach of Asset Cover Test Notice is served on the Issuer and the CBC;
- (f) a CBC Event of Default occurs;

- (g) any rating of the Issuer's ratings falls below the minimum ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time in order to maintain the rating of the highest rated Series of Covered Bonds, being as at the 2018 Programme Date, 'Baa3(cr)' by Moody's or any such rating is withdrawn; or
- (h) any Originator (other than Rabobank) ceases to be a wholly-owned and wholly-controlled subsidiary (*dochtermaatschappij*) of the Issuer (other than pursuant to a Merger whereby such Originator is the Merged Originator) before it withdraws as an Originator from the Transaction Documents in accordance with the Programme Agreement;

**"Receivables Warranties"** means the representations and warranties given by each of the Originators in respect of the Receivables as set out in Part 3 of Schedule 1 (*Representations and Warranties*) to the Guarantee Support Agreement;

**"Representations and Warranties"** means the representations and warranties given by each of the Originators as set out in Schedule 1 (*Representations and Warranties*) to the Guarantee Support Agreement;

**"Transfer Date"** means the First Transfer Date or the date of transfer of any further Eligible Assets to the CBC in accordance with the Guarantee Support Agreement;

**"Transferred Assets"** means the Transferred Receivables and the Transferred Collateral;

**"Transferred Collateral"** means any Eligible Collateral transferred or purported to be transferred to the CBC pursuant to the Guarantee Support Agreement, to the extent not retransferred, sold or otherwise disposed, or agreed to be disposed, of by the CBC; and

**"Transferred Receivables"** means any Eligible Receivables transferred to the CBC pursuant to the Guarantee Support Agreement, to the extent not (i) redeemed, (ii) retransferred, (iii) sold or refinanced pursuant to the Asset Monitor Agreement or (iv) otherwise disposed of by the CBC.

### 3.2 Retransfers

Pursuant to the Guarantee Support Agreement:

- (a) prior to the service of a Notice to Pay or Breach of Asset Cover Test Notice and **provided that** the Asset Cover Test shall not be breached upon such retransfer, the CBC will retransfer a Receivable or Defaulted Receivable to the relevant Originator if a material breach of the Receivables Warranties occurs as of the relevant Transfer Date in respect of such Receivable or if the Servicer identifies a Defaulted Receivable and sends a Defaulted Receivables Notice to the relevant Originator, subject to applicable grace periods.
- (b) prior to the occurrence of a Notification Event and service of a Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice:
  - (i) the Issuer may from time to time request a retransfer of any Transferred Asset from the CBC to the relevant Originator. The CBC shall comply with such a request so long as it has been notified by the Administrator or other relevant person that the Asset Cover Test shall not be breached upon such retransfer and no Notification Event has occurred and no Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served; and
  - (ii) the CBC will retransfer a Receivable to the relevant Originator if:
    - (A) RHB agrees with a Borrower to grant any loan, advance or other form of credit (other than a Further Advance) secured by the same Related Security as the Loan relating to the Transferred Receivables and which Loan and/or Related Security is subject to a Subordination Agreement; and
    - (B) (i) RHB is required to accept re-assignment of any Transferred Receivable relating to any RHB Loan Part which is assigned to the CBC in accordance with the Guarantee Support Agreement which has the benefit of a Subordination Agreement and (ii) at the relevant date of re-assignment one or more Rabobank Loan Parts which are assigned to the CBC in accordance with Guarantee Support Agreement are outstanding which are subject to that Subordination Agreement, such Receivables shall cease to be Eligible Receivables and Rabobank shall in accordance with the Guarantee Support Agreement, accept re-assignment from the CBC of all Receivables relating to such Selected Rabobank Loan Part(s) that are secured by the same Related Security as the Transferred Receivables which are re-assigned to RHB,  
  
**provided that** it has been notified by the Administrator or other relevant person that the Asset Cover Test shall not be breached upon such retransfer (taking into account any transfer of Eligible Receivables effected by way of a Deed of Assignment and Pledge executed prior to the date of the relevant Deed of Re-assignment and Release) and no Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served.
- (c) if the CBC intends to sell Selected Receivables on terms permitted or required by the Asset Monitor Agreement, it shall first offer such Selected Receivables for sale on the same terms to the Issuer or, if the Issuer is Insolvent, to any Originator which is not insolvent, in the manner set out in the Guarantee Support Agreement.

A retransfer by the CBC as abovementioned will be effectuated in substantially the same manner as the transfers to the CBC described above, *mutatis mutandis*. If the retransfer concerns Selected Receivables which are sold to an Originator further to the relevant Originator's right of pre-emption (*voorkeursrecht*), the underlying sale and purchase will be concluded through execution of a Selected Receivables Offer Notice.

For the purpose hereof:

**"Accrued Interest"** means in relation to any Receivable and as at any date (the **"Receivable Interest Determination Date"**) on or after the relevant Transfer Date, interest on such Receivable (not being interest

which is currently payable on such date) which has accrued from and including the scheduled interest payment date under the associated Loan Agreement immediately prior to the Receivable Interest Determination Date up to and including the Receivable Interest Determination Date;

**"Arrears of Interest"** means in relation to any Receivable and as at the Receivable Interest Determination Date, interest which is due and payable and unpaid up to and including the Receivable Interest Determination Date;

**"Current Balance"** means in relation to an Eligible Receivable at any date, the aggregate (without double counting) of the Net Outstanding Principal Balance, Accrued Interest (unless it concerns calculations for either the Asset Cover Test or the Amortisation Test Aggregate Asset Amount, in which case Accrued Interest will not be included) and Arrears of Interest as at that date;

**"Defaulted Receivable"** means any Transferred Receivable (other than a Disputed Receivable or a Written-Off Receivable) in respect of which:

- (a) a declaration has been made by the Originator that such Transferred Receivable is irrecoverable;
- (b) legal proceedings have been commenced for its recovery; or
- (c) the related Borrower is declared bankrupt (*failliet verklaard*) or has been granted a suspension of payments (*surseance van betaling*) or debt rescheduling arrangement (*schuldsaneringsregeling*) or analogous events or proceedings have occurred in relation to the relevant Borrower;

**"Defaulted Receivables Notice"** means the notice served by the Initial Servicer on the relevant Originator identifying Receivables in the Portfolio which are Defaulted Receivables;

**"Disputed Receivable"** means any Receivable in respect of which payment is disputed (in whole or in part, with or without justification) by the Borrower owing such Receivable;

**"Portfolio"** means the Initial Portfolio and each New Portfolio, to the extent not (i) redeemed, (ii) retransferred (iii) sold or refinanced pursuant to the Asset Monitor Agreement or (iv) otherwise disposed of by the CBC;

**"Receivable Due Date"** in relation to any Receivable means the original date on which such Receivable is due and payable;

**"Selected Receivables"** means Transferred Receivables to be sold or refinanced by the CBC pursuant to the terms of the Asset Monitor Agreement; and

**"Written-Off Receivable"** means any Receivable which has been written off by the relevant Originator as irrecoverable for accounting purposes in accordance with that Originator's general accounting practices.



### 3.3 Eligible Assets

The following assets are eligible to be transferred to the CBC by the Originators pursuant to the Guarantee Support Agreement:

- Eligible Receivables; and
- Eligible Collateral (together with the Eligible Receivables, the "**Eligible Assets**").

The mortgage rights securing the Eligible Receivables are vested on a Property. A long lease (*erfpacht*) is one of the Properties which could be subject to a Mortgage. For over a century different municipalities and other public bodies in the Netherlands have used long lease (*erfpacht*) as a system to issue land without giving away the ownership to it. There are three types of long lease: temporary (*tijdelijk*), ongoing (*voortdurend*) and perpetual (*eeuwigdurend*). A long lease is a right *in rem* (*zakelijk recht*) which entitles the leaseholder (*erfpachter*) to hold and use a real property (*onroerende zaak*) owned by another party, usually but not exclusively, a municipality. The long lease can be transferred by the leaseholder without permission from the landowner being required, unless the lease conditions provide otherwise and it passes to the heirs of the leaseholder in case of his death. Usually a remuneration (*canon*) will be due by the leaseholder to the landowner for the long lease. In certain limited cases, a right of superficies (*opstal*) constitutes the Property. Similar conditions as set out above apply to such Properties.

The loan products or loan parts to which the Eligible Receivables of the Initial Originators relate can be categorised as follows (regardless of the different names used by the different Initial Originators to refer to their respective loan products falling under the same category):

1. An interest-only loan (an "**Interest-Only Loan**") is a loan under which a Borrower does not pay any principal amounts towards the repayment of the relevant Loan. Interest-Only Loans generally do not have a fixed maturity but need to be repaid *inter alia*, (i) upon a sale of the relevant Property or (ii) if the relevant Borrower deceases. The General Mortgage Conditions may provide that (a certain part of) the Interest-Only Loan will have to be repaid in certain other circumstances. The Borrower pays monthly interest on such Loan which is calculated by reference to the outstanding balance of such Loan. An Interest-Only Loan is not connected to a Mixed Insurance Policy and does not have an investment part.
2. An annuity loan (an "**Annuity Loan**") is characterised by equal periodical payments by the Borrower. These payments contain both an interest and a principal component. As with each principal payment part of the Loan is redeemed, the interest component declines after each successive payment. The principal component rises in such a way that the remaining balance of the Loan at maturity will be zero. An Annuity Loan is not connected to a Mixed Insurance Policy and does not have an investment part.
3. A linear loan (a "**Linear Loan**") is a loan on which the periodical payment consists of a constant principal component plus an interest component based on the remaining Loan balance. The balance of the Loan is thus being repaid in a straight-line fashion i.e. linear, and will be zero at maturity, while the interest payment declines after each successive payment. A Linear Loan is not connected to a Mixed Insurance Policy and does not have an investment part.
4. A life loan or life insurance loan (a "**Life Loan**") is, like an Interest-Only Loan, a loan on which a Borrower does not pay any principal amounts towards the repayment of the relevant Loan. To secure the Life Loan, the Borrower pledges to the relevant Originator a mixed insurance policy to the relevant Originator, which is a combined risk and capital insurance policy.

Under the Mixed Insurance Policy the Borrower pays premium consisting of (apart from a cost element) a risk and a capital element. There are different types of life insurance policies, depending on the way in which the capital element is invested by the insurer (for example in certain designated investment funds) and the way in which the risk element of the premium is calculated. The insurance proceeds of the life insurance policy are due by the insurer at the earlier of the maturity of the life insurance policy (which is generally thirty years) and the death of the Borrower, and are applied towards repayment of the Life Loan. If and to the extent that such Life Loan is not (or not fully) repaid upon maturity of such life insurance policy, such (remaining part of the) Life Loan will switch to an Interest-Only Loan (unless it is agreed with the Borrower to switch to another

type of Loan). A Life Loan is connected to a Mixed Insurance Policy and does have an investment part.

5. A savings loan or any other loan with substantially the same or comparable characteristics (a "**Savings Loan**") is an Interest-Only Loan combined with a savings insurance policy. A savings insurance policy is a combined risk and capital insurance policy taken out by a Borrower with an Insurer in respect of a Savings Loan. Under a Savings Loan no principal is paid by the Borrower. Instead, the Borrower (being the insured party) pays a monthly premium to the relevant Insurer, which consists of (apart from a cost element) a savings and a risk element. To secure the Savings Loan, the Borrower pledges a savings insurance policy to the relevant Originator.

It is intended that the Savings Loan in the form of SpaarOptimaal Hypotheek will be repaid in full or in part with the proceeds of the savings insurance policy payable by the relevant Insurer to the Borrower upon the maturity of the Savings Loan or the death of the Borrower. In relation to the SpaarZeker Hypotheek, if and to the extent the Savings Loan is not (or not fully) repaid upon maturity of the savings insurance policy or the death of the Borrower, the (remaining part of the) Savings Loan will switch to an Interest-Only Loan (unless it is agreed with the Borrower to switch to another type of Loan). A Savings Loan is connected to a Mixed Insurance Policy, but does not have an investment part.

6. A bank savings loan (a "**Bank Savings Loan**") is an Interest-Only Loans combined with a Bank Savings Account into which payments (upfront and/or on a regular basis) by the Borrower is made. To secure the Bank Savings Loan, the Borrower pledges the rights in respect of a savings account (a "**Bank Savings Account**") to the relevant Originator, which is held in the name of the Borrower with an Initial Originator (the "**Bank Savings Deposit Bank**") and which is connected to the Bank Savings Loan. The Bank Savings Account is a blocked account and the amounts standing to the credit thereto shall in principle only be released (*gedeblokkeerd*) at maturity of the Bank Savings Loan, the death of the Borrower or, subject to the applicable general conditions, in certain other limited circumstances and shall, subject to the applicable general conditions and applicable (tax) law, in principle only be applied to repay the related Bank Savings Loan. Subject to certain conditions, the Borrower may make extra payments into the Bank Savings Account and may only withdraw monies standing to the credit of the Bank Savings Account in certain circumstances. The Bank Savings Account bears the same interest rate as the Bank Savings Loan.

It is intended that the Bank Savings Loan will be repaid in full or in part (as applicable) with the proceeds of the Bank Savings Account. The interest to be paid on the Bank Savings Account may, but is not required to be, linked to the interest to be paid on the Bank Savings Loan. If and to the extent such Bank Savings Loan is not (or not fully) repaid with the amounts standing to the credit of the Bank Savings Account, such (remaining part of the) Bank Savings Loan will switch to an Interest-Only Loan (unless it is agreed with the Borrower to switch to another type of Loan). A Bank Savings Loan has a savings part but not an investment part and is not connected to a Mixed Insurance Policy.

The Loans bear interest on the basis of any of the following alternatives:

- fixed rate, whereby the interest rates can be fixed for a specific period;
- floating rate, whereby the base rate will be calculated on the basis of the average savings premium paid by the Originator to its retail clients plus costs and may be increased with a margin; and
- any other type of interest alternatives offered by an Originator from time to time, including (a) "*Rentebedenktijd*" under which the interest rate is fixed for a specific period and whereby during the last two years of the fixed rate period the Borrower can renew the interest type; and (b) "*Rentestabiel*" under which the interest payable by Borrowers will only be adjusted if the market rate for the stable interest rate changes outside the bandwidth of 2 per cent. around the original agreed stable interest rate. The adjustment will be for a percentage equal to the difference between the 2 per cent. bandwidth and the market rate.

For the purpose hereof:

"**Adverse Claim**" means any encumbrance, attachment or other right or claim in, over or on any person's assets or properties in favour of any other person;

"**Article 129 CRR**" means article 129 (*Exposures in the form of covered bonds*) of the CRR (as such article may be amended, replaced and/or supplemented from time to time);

"**Bank Savings Receivable**" means a Transferred Receivable resulting from a Bank Savings Loan;

"**Borrower**" means, in relation to a Receivable, the individual or individuals specified as such in the relevant Loan Agreement together with the individual or individuals (if any) from time to time assuming an obligation to discharge such Receivable or any part of it;

"**CRR**" means Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (as amended from time to time);

"**Demerger**" means, in respect of a legal entity (a "**Demerged Originator**"), a legal act (*rechtshandeling*) between such entity and an Originator, pursuant to which all assets and liabilities (*vermogen*) (or part thereof) (the "**Relevant Assets and Liabilities**") of such entity have been acquired by such Originator on a general legal basis (*algemene titel*) as referred to in article 2:334(a)(3) of the Dutch Civil Code;

"**Eligible Collateral**" means euro denominated cash and/or Substitution Assets; and

"**Eligible Receivable**", means a Receivable which complies with the following criteria, which are all subject to amendment from time to time, **provided that** Rating Agency Confirmation is obtained in respect of such amendment (as amended from time to time, the "**Eligibility Criteria**") as at the relevant Transfer Date:

**A. General**

1. It is existing, is denominated in euro and is owed by Borrowers established or resident in the Netherlands who are not employed by the relevant Originator or, if the Borrower is employed by any other Originator or any of their respective subsidiaries (*dochtermaatschappijen*) or participations (*deelnemingen*), the terms and conditions of such Receivable are on arm's length terms.
2. It is governed by Dutch law and the terms and conditions of such Receivable do not provide for the jurisdiction of any court or arbitration tribunal outside the Netherlands.
3. It is secured by Property located in the Netherlands which is not the subject of any residential letting and which is occupied by the relevant Borrower since origination (or shortly thereafter) (except that in exceptional circumstances the Originator may in accordance with its internal guidelines allow a Borrower to let the Property under specific conditions and for a limited period of time) and used mainly for residential purposes.
4. Its nominal amount remains a debt, which has not been paid or discharged by set-off or otherwise, and includes all loan parts (*leningdelen*) granted to the relevant Borrower under the relevant Loan Agreement.
5. The Loan from which it results was in all material respects granted in accordance with all applicable laws, legal requirements and the code of conduct on mortgage loans (*Gedragscode Hypothecaire Financieringen*) (the "**Code of Conduct**") prevailing at the time of origination and met in all material respects the relevant Originator's Lending Criteria which, where applicable, are generally based on the NHG requirements as applicable at that time and all required consents, approvals and authorisations have been obtained in respect of such Loan.
6. The relevant Originator has in all material respects performed all its obligations which have fallen due under or in connection with the relevant Loan Agreements connected to it and so far as the relevant Originator is aware, no Borrower has threatened or commenced any legal action which has not been resolved against the relevant Originator for any failure on the part of the relevant Originator to perform any such obligation.

7. It can be easily segregated and identified for ownership and Related Security purposes on any day.
8. It is not a Receivable in respect of which the CBC has notified the relevant Originator that the CBC has determined that such Receivable or class of Receivables is not reasonably acceptable to the CBC under the Programme and it is not due from a Borrower in respect of which the CBC has notified the relevant Originator that Receivables from such Borrower are not Eligible Receivables.
9. The loan files relating to it contain the relevant Borrower Files (as defined in the Incorporated Terms Memorandum) and, if they are in electronic format, contain at least the same information and details as the loan files relating to it which are kept in paper format which include authentic copies of the notarial mortgage deeds.
10. The maximum outstanding principal amount of the Loan from which it results, or the aggregate maximum outstanding amount of all Receivables secured by the same Related Security together, does not exceed €1,500,000.
11. The outstanding principal amount of the Loan from which it results does not exceed:
  - (i) if it does not have the benefit of an NHG Guarantee (*Nationale Hypotheek Garantie*):
    - (a) 125 per cent. of the foreclosure value of the related Property at the time of origination; or
    - (b) 106 per cent. (such percentage as of 1 January 2013 to be reduced by 1 per cent. per calendar year until 100 per cent. in 2018) of the market value of the related Property in case of a Loan or a Further Advance applied for after 1 August 2011; or
    - (c) 110 per cent. of the market value of the related Property in case of Loans applied for after 1 August 2011 by Borrowers who refinance their Loan that was originated before this date, without increasing their principal sum outstanding; or
  - (ii) if it does have the benefit of an NHG Guarantee, the maximum amount as may be set under the NHG requirements at the time of origination.

**B. Borrowers**

1. It constitutes a legal, valid and enforceable obligation of the related Borrower and is enforceable against such Borrower in accordance with the terms of the relevant Loan Agreement without any right of rescission, set-off, withholding, suspension, counterclaim or other defence other than those provided for under mandatory rules of applicable law and subject to any limitations arising from bankruptcy, insolvency or any other laws of general application relating to or affecting the rights of creditors generally.
2. So far as the relevant Originator is aware:
  - (i) the related Borrower has not asserted and no circumstances exist as a result of which such Borrower would be entitled to assert any counterclaim, right of rescission or set-off, or any defence to payment of any amount due or to become due or to performance of any other obligation due under the related Loan Agreement;
  - (ii) the related Borrower is not in material breach, default or violation of any obligation under such Loan Agreement;
  - (iii) the related Borrower is not subject to bankruptcy or any other insolvency procedure within the meaning of any applicable insolvency law;
  - (iv) no proceedings have been taken in respect of it by the relevant Originator against the related Borrower; and

- (v) no litigation, dispute or complaint is subsisting, threatened or pending which affects or might affect it or the related Borrower which may have an adverse effect on the ability of such Borrower to perform its related obligations.

**C. Payments**

1. Payments of interest are scheduled to be made monthly.
2. It is not in arrears in relation to any payments and at least one payment in respect of such Receivable has been made.

**D. Unencumbered Transfer**

1. The relevant Originator has full right and title to it and has power to transfer or encumber (*is beschikkingsbevoegd*) it and such Originator has not agreed to transfer or encumber it, whether or not in advance, in whole or in part, in any way whatsoever.
2. It is owed to the relevant Originator and is free and clear of any Adverse Claims.
3. It can be transferred by way of assignment (*cessie*) and is not subject to any contractual or legal restriction of transfer by way of assignment.
4. Its transfer will not violate any law or any agreement by which the relevant Originator may be bound and upon such transfer it will not be available to the creditors of the relevant Originator on such Originator's liquidation.

**E. Security**

1. It is secured by mortgage rights and rights of pledge governed by Dutch law which:
  - (i) constitute valid mortgage rights (*hypotheekrechten*) and rights of pledge (*pandrechten*) respectively on the assets which are purported to be the subject of such mortgage rights and rights of pledge and, to the extent relating to mortgage rights, have been entered into the Land Registry;
  - (ii) have first priority (*eerste in rang*) or first and sequentially lower priority;
  - (iii) were vested for a principal amount outstanding which is at least equal to the principal amount of the related Loan when originated increased with interest, penalties, costs and/or insurance premiums together up to an amount equal to 135 per cent. of the principal amount of the related Loan when originated; and
  - (iv) were created pursuant to a mortgage or pledge deed which does not contain any specific wording regarding the transfer of such right of mortgage or pledge securing it, unless an express confirmation to the effect that upon a transfer of the relevant Receivable, the Receivable will following the transfer continue to be secured by the right of mortgage or pledge.
2. The consent, licence, approval or authorisation of any person (other than the related Borrower) which was necessary to permit the creation of its Related Security were obtained including the consent of the spouse of such Borrower pursuant to Article 1:88 of the Dutch Civil Code.
3. It:
  - (i) was originated by the relevant Originator, which includes origination by an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger and the relevant Originator (or any relevant Merged Originator or Demerged Originator) has not transferred any receivable (including but not limited to any Residual Claim) secured by the Related Security to any party other than (a) the CBC or (b) in the case of a Merged Originator or Demerged Originator, the relevant Originator);

- (ii) is either (i) a Sole Creditor Rabobank Loan or a Sole Creditor RHB Loan (as the case may be) or (ii) a Joint Creditor Loan;
- (iii) with respect to the Joint Creditor Loans, (i) each Rabobank Loan Part is fully funded by Rabobank (including its predecessor), and (ii) each RHB Loan Part is fully funded by RHB; and
- (iv) upon assignment of a Receivable relating to one or more Rabobank Loan Parts to the CBC either (i) no RHB Loan Parts are outstanding that are secured by the same Related Security as such Rabobank Loan Part(s) in respect of which a Subordination Agreement applies, or (ii) all Receivables relating to any RHB Loan Part that is secured by the same Related Security as such Rabobank Loan Part(s) in respect of which a Subordination Agreement applies, have been, or as the case may be, will at the same time be assigned to the CBC as such Receivable.

#### **F. Valuation**

- 1. The related Borrower was obliged to obtain a building insurance (*opstalverzekering*) for the Property at the time the related Loan was advanced.
- 2. Each Property concerned was valued in accordance with the Valuation Procedures.

#### **G. Long Lease**

- 1. If it is secured by a right of mortgage on a long lease (*erfpacht*) or right of superficies (*opstal*), the underwriting guidelines provide that with respect to each Loan secured by a Mortgage on a long lease (*erfpacht*) or right of superficies (*opstal*) (i) the related Loan should have a maturity that is equal to or shorter than the term of the loan lease or right of superficies (unless the relevant conditions contain a right for the relevant Borrower to extend the term under the same conditions) and (ii) the principal amount outstanding of the related Loan, including interest, will become immediately due and payable if the long lease or right of superficies terminates for whatever reason.

#### **H. No Bridge Loans**

- 1. It does not arise from bridging mortgage loans (*overbruggingshypotheken*).

#### **I. Specific Products**

- 1. It is related to an Interest-Only Loan, an Annuity Loan, a Linear Loan, a Life Loan, a Savings Loan, a Bank Savings Loan or any combination of the foregoing.
- 2. If it has an NHG Guarantee connected to it, (i) the NHG Guarantee (A) is granted for its full amount outstanding of the relevant loan part of the Loan at origination, **provided that** in respect of Loans offered as of 1 January 2014 in determining the loss incurred after foreclosure of the relevant Property, an amount of ten (10) per cent. will be deducted from such loss in accordance with the NHG Conditions and (B) constitutes legal, valid and binding obligations of WEW, enforceable in accordance with such NHG Guarantee's terms, (ii) all terms and conditions (*voorwaarden en normen*) applicable to the "Nationale Hypotheek Garantie" at the time of origination of the related Loans were complied with and (iii) the relevant Originator is not aware of any reason why any claim under any NHG Guarantee in respect of it should not be met in full and in a timely manner.
- 3. If it relates to a Life Loan or a Savings Loan, then it has the benefit of the applicable Mixed Insurance Policy and (i) the relevant Originator has either been validly appointed as beneficiary (*begunstigde*) under such Mixed Insurance Policy upon the terms of the relevant Loan Agreement and Mixed Insurance Policy (the resulting rights being the "**Beneficiary Rights**") or, if another person has been appointed as beneficiary, under an irrevocable payment instruction from such person to the relevant insurer, (ii) all receivables under such Mixed Insurance Policy have been validly pledged by the relevant Borrower to the relevant Originator for at least that part by which it exceeds 50 per cent. of the foreclosure value of the relevant Property, which pledge has been notified to the relevant insurer and (iii) none of the underlying policy, beneficiary clause, payment instruction or deed of pledge, as applicable, contains any provision (which is not waived) restricting or prohibiting (a) said pledge to the relevant Originator, (b) a transfer of the Beneficiary Rights by

the relevant Originator to the CBC, (c) an appointment by the relevant Originator of the CBC as new beneficiary under such Mixed Insurance Policy or (d) a waiver of the Beneficiary Rights by the relevant Originator.

4. The general conditions applicable to it provide that its principal sum, increased with interest, reimbursements, costs and amounts paid by the relevant Originator on behalf of the related Borrower and any other amounts due by such Borrowers to such Originator will become due and payable, amongst other things, if (a) a Mixed Insurance Policy attached to it is invalid and/or the relevant insured party fails to pay premium under the Mixed Insurance Policy and (b) if applicable, the associated right of the lender under the Loan Agreement to accelerate the Loan on that basis is exercised.
5. If it is related to an Interest-Only Loan, an Annuity Loan or a Linear Loan, it does not relate to a Mixed Insurance Policy and the applicable Mortgage Conditions do not relate to or require any savings and/or investment product.
6. If it is related to an Interest-Only Loan, it does not exceed:
  - (a) in respect of Loans originated prior to 1 August 2011, 100 per cent. of the Original Foreclosure Value; or
  - (b) in respect of Loans originated after 1 August 2011, 50 per cent. of the Original Market Value, unless such Borrower refinances a Loan originated prior to 1 August 2011 without increasing their principal sum outstanding in which case paragraph (a) applies.
7. If it is related to a Loan which falls under category 2 of the Deduction Risk description (See *Section B.4 Guarantee Support* above) (i) the relevant Mixed Insurance Policy and the relevant Loan are in the relevant insurer's and Originator's promotional materials not offered as one product or under one name and (ii) the relevant Borrowers are not obliged to enter into a Mixed Insurance Policy with an insurer which is a group company of the relevant Originator and are free to choose the relevant insurer (subject to prior approval of the relevant Originator).
8. If it is related to a Bank Savings Loan it does not relate to a Mixed Insurance Policy or investment product and (A) the relevant Bank Savings Account maintained in the name of the relevant Borrower has been validly pledged to the relevant Originator, (B) at maturity of the Bank Savings Loan the amounts standing to the credit of the related Bank Savings Account must be applied to repay such Bank Savings Loan and (C) the general conditions applicable to it provide that the entire Loan will become due and payable, amongst other things, if (a) such Borrower is in default with its monthly payments into the related Bank Savings Account; and (b), if applicable, the associated right of the lender under the Loan Agreement to accelerate the Loan on that basis is exercised.

**"Foreclosure Value"** means the foreclosure value of the Property;

**"Lending Criteria"** means such criteria applicable to the granting of a Loan to a Borrower as the relevant Originator may from time to time apply and which would be acceptable to a Reasonable Prudent Lender;

**"Loan Agreement"** means a mortgage loan agreement between an Originator and a Borrower secured by a right of mortgage (*recht van hypotheek*), including the corresponding notarial deed, pledge deed and general terms and conditions as such Originator may from time to time apply and which would be acceptable to a Reasonable Prudent Lender;

**"Loan"** means any loan (including the Initial Advance and any Further Advance) or loan part (*leningdeel*) granted by the relevant Originator to a Borrower pursuant to the terms of a Loan Agreement;

**"Merged"** means, in respect of a legal entity (a **"Merged Originator"**), that as a result of a legal act (*rechtshandeling*) between such entity and an Originator, all assets and liabilities (*vermogen*) of such entity have transferred to such Originator on a general legal basis (*algemene titel*) as referred to in article 2:309 of the Dutch Civil Code (such transfer, a **"Merger"**), with such legal entity being the disappearing entity;

**"Mixed Insurance Policy"** means any insurance policy under which premium is paid consisting of a risk element and a capital element consisting of a savings part or an investment part, as the case may be;

**"Mortgage"** means a right of mortgage (*recht van hypotheek*) over a Property securing the related Receivable;

**"NHG"** or **"NHG Guarantee"** means guarantees (*borgtochten*) issued by Stichting Waarborgfonds Eigen Woningen under the terms and conditions of the National Mortgage Guarantee (*Nationale Hypotheek Garantie*), as from time to time amended;

**"Original Foreclosure Value"** means the Foreclosure Value of the Property as assessed by the Originator at the time of granting the Loan, as adjusted by the Originator from time to time;

**"Partially Funded Loan"** means a Joint Creditor Loan (consisting of more than one loan part) that was partially funded by RHB and partially by Rabobank (including its predecessors);

**"Participation Receivable"** means a Category 3 Receivable or a Bank Savings Receivable, as the case may be, to which a Participation applies;

**"Property"** means (i) a real property (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*), (iii) a long lease (*erfpacht*) or (iv) a right of superficies (*opstalrecht*), which is subject to a Mortgage;

**"Rabobank Loan Part"** means that loan part of the Partially Funded Loan which was fully funded by Rabobank (including its predecessors);

**"Rabobank Loan"** means a Sole Creditor Rabobank Loan or a Joint Creditor Loan that consists of one or more loan parts (*leningdelen*) which were fully funded by Rabobank (including its predecessors);

**"Reasonable Prudent Lender"** means the Originators and/or the Servicers, as applicable, acting (a) in accordance with the standards of a reasonable lender of Dutch residential mortgage loans to Borrowers in the Netherlands and (b) as a reasonable creditor in protection of its own interests;

**"Receivable"** means a registered claim (*vordering op naam*) *vis-à-vis* a Borrower for repayment of a Loan and includes any Related Security;

**"Related Security"** means, with respect to any Receivable, all related accessory rights (*afhankelijke rechten*), ancillary rights (*nevenrechten*), connected rights (*kwalitatieve rechten*) and independently transferable claims (*zelfstandig overdraagbare vorderingsrechten*), including rights of mortgage (*hypotheekrechten*), rights of pledge (*pandrechten*), suretyships (*borgtochten*), guarantees, rights to receive interest and penalties and, to the extent transferable, Beneficiary Rights and interest reset rights as well as any rights of the relevant Originator under the Subordination Agreement with respect to such Receivable;

**"RHB Loan"** means a Sole Creditor RHB Loan or a Joint Creditor Loan that consists of one or more loan parts (*leningdelen*) which are fully funded by RHB;

**"RHB Loan Part"** means that loan part of the Partially Funded Loan which RHB has fully funded;

**"Standardised Approach"** means Chapter 2 (*Standardised Approach*) of Title II of Part Three of the CRR (as amended, varied and/or supplemented from time to time);

**"Substitution Assets"** means the classes of assets from time to time eligible under Article 129 CRR paragraph 1(a), (b), (c) or credit quality step 2 exposures permitted by DNB under Article 129 CRR and the CB Legislation to collateralise covered bonds, **provided that** the aggregate value of the Substitution Assets, at any time, shall not exceed in aggregate an amount equal to 20 per cent. or such other percentage as required under the CB Legislation of the Aggregate Principal Amount Outstanding of all Covered Bonds outstanding; and

**"Valuation Procedures"** means the valuation procedures of the relevant Originator prevailing at the time of origination of the relevant Loan.



### 3.4 Overview of the Dutch Residential Mortgage Market

*This paragraph 3.4 is substantially derived from the Dutch Residential Mortgage Market Overview over the period until May 2018, which overview is publicly available at the website of the Dutch Securitisation Authorisation<sup>1</sup>. The information has been accurately reproduced and the Issuer and the CBC believe that this source (namely the Dutch Securitisation Authorisation) is reliable and as far as the Issuer and the CBC are aware and is able to ascertain from the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

#### ***Dutch residential mortgage market***

The Dutch residential mortgage debt stock is relatively sizeable, especially when compared to other European countries. Since the 1990s, the mortgage debt stock of Dutch households has grown considerably, mainly on the back of mortgage lending on the basis of two incomes in a household, the introduction of tax-efficient product structures such as mortgage loans with deferred principal repayment vehicles and interest-only mortgage loans, financial deregulation and increased competition among originators. Moreover, Loan-to-Value (LTV) ratios have been relatively high, as the Dutch tax system implicitly discouraged amortisation, due to the tax deductibility of mortgage interest payments. After a brief decline between 2012 and 2015, mortgage debt reached a new peak of EUR 672 billion in Q4 2017<sup>2</sup>. This represents a rise of EUR 8.2 billion compared to Q4 2016.

#### ***Tax system***

The Dutch tax system plays an important role in the Dutch mortgage market, as it allows for almost full deductibility of mortgage interest payments from taxable income. This tax system has been around for a very long time, but financial innovation has resulted in a greater leverage of this tax benefit. From the 1990s onwards until 2001, this tax deductibility was unconditional. In 2001 and 2004, several conditions have been introduced to limit the usage of tax deductibility, including a restriction of tax deductibility to (mortgage interest payments for) the borrower's primary residence and a limited duration of the deductibility of 30 years.

A further reform of the tax system was enforced on 1 January 2013. Since this date, all new mortgage loans have to be repaid in full in 30 years, at least on an annuity basis, in order to be eligible for tax relief (linear mortgage loans are also eligible). The tax benefits on mortgage loans, of which the underlying property was bought before 1 January 2013, have remained unchanged and are grandfathered, even in case of refinancing and relocation. As such, new mortgage originations still include older loan products, including interest-only. However, any additional loan on top of the borrower's grandfathered product structure, has to meet the mandatory full redemption standards to allow for tax deductibility.

Another reform imposed in 2013 to reduce the tax deductibility is to lower the maximum deduction percentage. This used to be equal to the highest marginal tax bracket (52%), but since 2013 the maximum deduction is lowered by 0.5% per annum (2018: 49.5%). The new government coalition has the intention to speed up this decrease. According to their policy agenda, they will reduce the maximum deduction percentage by 3.0% per annum, starting in 2020. In 2023, the maximum deduction percentage will be 37%, which will then be equal to the second highest marginal income tax rate.

There are several housing-related taxes which are linked to the fiscal appraisal value ("WOZ") of the house, both imposed on national and local level. Moreover, a transfer tax (stamp duty) of 2% is applied when a house changes hands. Although these taxes partially unwind the benefits of tax deductibility of interest payments, and several restrictions to this tax deductibility have been applied, tax relief on mortgage loans is still substantial.

#### ***Loan products***

The Dutch residential mortgage market is characterised by a wide range of mortgage loan products. In general, three types of mortgage loans can be distinguished.

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<sup>1</sup> <https://www.dutchsecuritisation.nl/sites/default/files/documents/Dutch%20residential%20mortgage%20market%20%28May%202018%29.pdf>

<sup>2</sup> Statistics Netherlands, household data.

Firstly, the "classical" Dutch mortgage product is an annuity loan. Annuity mortgage loans used to be the norm until the beginning of the 1990s, but they have returned as the most popular mortgage product in recent years. Reason for this return of annuity mortgage loans is the tax system. Since 2013, tax deductibility of interest payments on new loans is conditional on full amortisation of the loan within 30 years, for which only (full) annuity and linear mortgage loans qualify.

Secondly, there is a relatively big presence of interest-only mortgage loans in the Dutch market. Full interest-only mortgage loans were popular in the late nineties and in the early years of this century. Mortgage loans including an interest-only loan part were the norm until 2013, and even today, grandfathering of older tax benefits still results in a considerable amount of interest-only loan origination.

Thirdly, there is still a big stock of mortgage products including deferred principal repayment vehicles. In such products, capital is accumulated over time (in a tax-friendly manner) in a linked account in order to take care of a bullet principal repayment at maturity of the loan. The principal repayment vehicle is either an insurance product or a bank savings account. The latter structure has been allowed from 2008 and was very popular until 2013. Mortgage loan products with insurance-linked principal repayment vehicles used to be the norm prior to 2008 and there is a wide range of products present in this segment of the market. Most structures combine a life-insurance product with capital accumulation and can be relatively complex. In general, however, the capital accumulation either occurs through a savings-like product (with guaranteed returns), or an investment-based product (with non-guaranteed returns).

A typical Dutch mortgage loan consists of multiple loan parts, e.g. a bank savings loan part that is combined with an interest-only loan part. Newer mortgage loans, in particular those for first-time buyers after 2013, are full annuity and often consists of only one loan part. Nonetheless, tax grandfathering of older mortgage loan product structures still results in the origination of mortgage loans including multiple loan parts.

Most interest rates on Dutch mortgage loans are not fixed for the full duration of the loan, but they are typically fixed for a period between 5 and 15 years. Rate term fixings differ by vintage, however. More recently, there has been a bias to longer term fixings (10-20 years). Most borrowers remain subject to interest rate risk, but compared to countries in which floating rates are the norm, Dutch mortgage borrowers are relatively well-insulated against interest rate fluctuations.

### ***Underwriting criteria***

Most of the Dutch underwriting standards follow from special underwriting legislation (*Tijdelijke regeling hypothecair krediet*). This law has been present since 2013 and strictly regulates maximum LTV and Loan-to-Income (LTI) ratios. The current maximum LTV is 100% (including all costs such as stamp duties). The new government coalition has indicated not to lower the maximum LTV further beyond 2018. LTI limits are set according to a fixed table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation "NIBUD" and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal costs of living.

Prior to the underwriting legislation, the underwriting criteria followed from the Code of Conduct for Mortgage Lending, which is the industry standard. This code, which limits the risk of over crediting, has been tightened several times in the past decade. The 2007 version of the code included a major overhaul and resulted in tighter lending standards, but deviation in this version was still possible under the "explain" clause<sup>3</sup>. In 2011, another revised and stricter version of the Code of Conduct was introduced. Moreover, adherence to the "comply" option was increasingly mandated by the Financial Markets Authority (AFM). Although the Code of Conduct is currently largely overruled by the underwriting legislation, it is still in force. The major restriction it currently regulates, in addition to the criteria in the underwriting legislation, is the cap of interest-only loan parts to 50% of the market value of the residence. This cap was introduced in 2011 and is in principle applicable to all new mortgage contracts. A mortgage lender may however diverge from the cap limitation if certain conditions have been met.

### ***Recent developments in the Dutch housing market***

The Dutch housing market has shown clear signs of recovery since the second half of 2013. Important factors are among others the economic recovery, high consumer confidence and low mortgage rates.

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<sup>3</sup> Under the "explain" clause it is in exceptional cases possible to deviate from the loan-to-income and loan-to-value rules set forth in the Code of Conduct.

Existing house prices (PBK-index) in Q1 2018 rose by 2.7% compared to Q4 2017. Compared to Q1 2017 this increase was 8.9%. By comparison with the peak in 2008, the average price drop only amounted to 0.7%. The continued increase in house prices is mostly caused by an increasing supply scarcity in the market. Indeed, existing homes sales are trending down. Compared to a year ago, sales numbers declined by 6.8% in Q1 2018. The twelve month total of existing home sales now stands at 238,054, which is still well above pre-crisis levels.

### ***Forced sales***

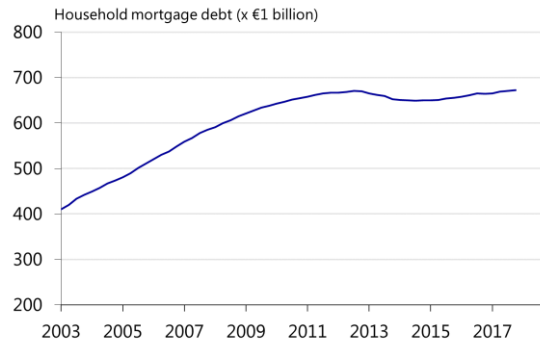
Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates<sup>4</sup>. The most important reason for default is relationship termination, although the increase in unemployment following the economic downturn in recent years is increasingly also a reason for payment problems. The ultimate attempt to loss recovery to a defaulted mortgage borrower is the forced sale of the underlying property.

For a long time, mortgage servicers opted to perform this forced sale by an auction process. The advantage of this auction process is the high speed of execution, but the drawback is a discount on the selling price. In Q1 2018, only 265 sales were forced, which is 0.51% of the total number of sales in this period.

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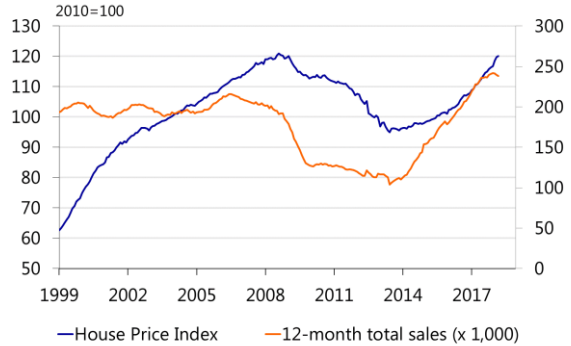
<sup>4</sup> Comparison of S&P RMBS index delinquency data.

Chart 1: Total mortgage debt



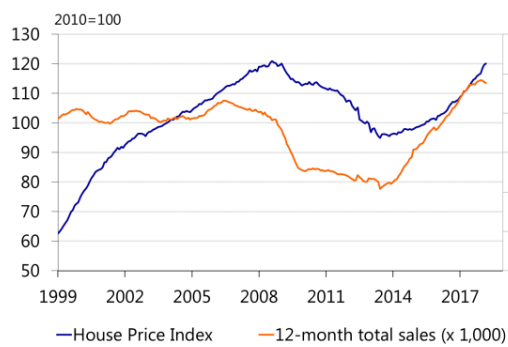
Source: Statistics Netherlands, Rabobank

Chart 2: Sales and prices



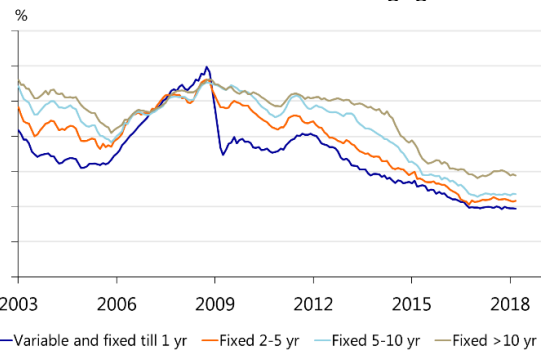
Source: Statistics Netherlands, Rabobank

Chart 3: Price index development



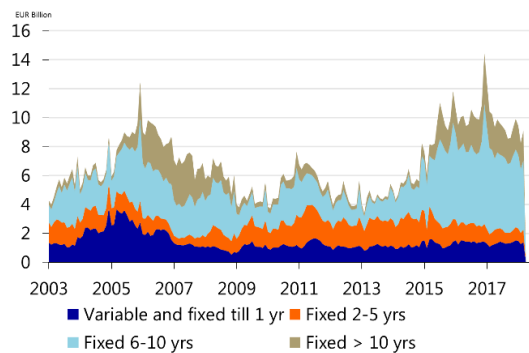
Source: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



Source: Dutch Central Bank

Chart 5: New mortgage loans by interest type



Source: Dutch Central Bank

Chart 6: Confidence



Source: Delft University OTB, Rabobank

### 3.5 NHG Guarantee Programme

#### NHG Guarantee

In 1960, the Dutch government introduced the 'municipal government participation scheme', an open ended scheme in which both the Dutch State and the municipalities guaranteed, according to a set of defined criteria, residential mortgage loans made by authorised lenders to eligible borrowers to purchase a primary family residence. The municipalities and the Dutch State shared the risk on a 50/50 basis. If a municipality was unable to meet its obligations under the municipality guarantee, the Dutch State would make an interest free loan to the municipality to cover its obligations. The aim was to promote home ownership among the lower income groups.

Since 1 January 1995 WEW, a central privatised entity, is responsible for the administration and granting of the NHG Guarantee, under a set of uniform rules. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee is reduced on a monthly basis by an amount which is equal to principal repayment part of the monthly instalment as if the mortgage loan were to be repaid on a thirty year annuity basis. In respect of each mortgage loan, the NHG Guarantee decreases further to take account of scheduled repayments and prepayments under such mortgage loan. Also, amounts paid as savings or investment premium under savings insurance policies or life insurance policies, respectively, are deducted from the amount outstanding on such mortgage loans for purposes of the calculation of the amount guaranteed under the NHG Guarantee (See *Section B. Risk Factors* above).

#### Financing of WEW

WEW finances itself, *inter alia*, by a one-off charge to the borrower of 1.00 per cent. (as of 1 January 2014) of the principal amount of the mortgage loan. Besides this, the scheme provides for liquidity support to WEW from the Dutch State and the participating municipalities. Should WEW not be able to meet its obligations under guarantees issued, (i) in respect of all loans issued before 1 January 2011, the Dutch State will provide subordinated interest free loans to WEW of up to 50 per cent. of the difference between WEW's own funds and a pre-determined average loss level and municipalities participating in the NHG Guarantee scheme will provide subordinated interest free loans to WEW of the other 50 per cent. of the difference, and (ii) in respect of all loans issued on or after 1 January 2011, the Dutch State will provide subordinated interest free loans to WEW of up to 100 per cent. of the difference between WEW's own funds and a predetermined average loss level. Both the keep well agreement between the Dutch State and WEW and the keep well agreements between the municipalities and WEW contain general 'keep well' undertakings of the Dutch State and the municipalities to enable WEW at all times (including in the event of bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or liquidation (*ontbinding*) of WEW) to meet its obligations under guarantees issued.

#### Terms and conditions of the NHG Guarantee

Under the NHG scheme, the lender is responsible for ensuring that the guarantee application meets the NHG conditions. If the application qualifies, various reports are produced that are used in the processing of the application, including the form that will eventually be signed by the relevant lender and forwarded to the NHG to register the mortgage and establish the guarantee. WEW has, however, no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the NHG conditions, which were applicable at the date of origination of the mortgage loan, unless such non-payment is unreasonable towards the lender.

The specific terms and conditions for the granting of NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents by WEW.

The NHG has specific rules for the level of credit risk that will be accepted. The credit worthiness of the applicant must be verified with the *Bureau Krediet Registratie* ("**BKR**"), a central credit agency used by all financial institutions in the Netherlands. All financial commitments over the past five years that prospective borrowers have entered into with financial institutions are recorded in this register. In addition, as of 1 January 2008 the applicant itself must be verified with the Foundation for Fraud Prevention of Mortgages (*Stichting Fraudepreventie Hypotheken*, "**SFH**"). If the applicant has been recorded in the SFH system, no NHG Guarantee will be granted.

To qualify for an NHG Guarantee various conditions relating to valuation of the property must be met. In addition, the mortgage loan must be secured by a first ranking mortgage right (or a second ranking mortgage right in case of a further advance). Furthermore, the borrower is required to take out insurance in respect of the mortgaged property against risk of fire, flood and other accidental damage for the full restitution value thereof. The borrower is also required to create a right of pledge in favour of the lender on the rights of the relevant borrower against the insurance company under the relevant life insurance policy connected to the mortgage loan or to create a right of pledge in favour of the lender on the proceeds of the investment funds. The terms and conditions also require a risk insurance policy which pays out upon the death of the borrower/insured for the period that the amount of the mortgage loan exceeds 80 per cent. of the value of the property.

The mortgage conditions applicable to each mortgage loan should include certain provisions, among which the provision that any proceeds of foreclosure on the mortgage right and the right of pledge on the life insurance policy or the investment funds shall be applied firstly towards repayment of the mortgage loan guaranteed under the NHG scheme.

### **Claiming under the NHG Guarantees**

When a borrower is in arrears with payments under the mortgage loan for a period of three months, a lender informs WEW in writing within 30 days of the outstanding payments, including the guarantee number, borrower's name and address, information about the underlying security, the date of start of late payments and the total of outstanding payments. When the borrower is in arrears WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, WEW reviews the situation with the lender to endeavour to generate the highest possible proceeds from the property. The situation is reviewed to see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. Permission of WEW is required in case of a private sale unless sold for an amount higher than 95 per cent. of the market value. A forced sale of the mortgaged property is only allowed in case the borrower is in arrears with payments under the mortgage loan for a period of seven or more monthly instalments, unless WEW has agreed that the forced sale may take place for other reasons or within a period of seven months.

Within one month of the receipt of the proceeds of the private or forced sale of the property, the lender must make a formal request to WEW for payment, using standard forms, which request must include all of the necessary documents relating to the original loan and the NHG Guarantee. After receipt of the claim and all the supporting details, WEW must make payment within two months. If the payment is late, provided the request is valid, WEW must pay interest for the late payment period.

In the event that a borrower fails to meet its obligation to repay the mortgage loan and no or no full payment is made to the lender under the NHG Guarantee by WEW because of the lender's culpable negligence, the lender must act *vis-à-vis* the borrower as if WEW were still guaranteeing the repayment of the Loan during the remainder of the term of the Loan. In addition, the lender is not entitled to recover any amounts due under the mortgage loan from the borrower in such case. This is only different if the borrower did not act in good faith with respect to his inability to repay the mortgage loan and has failed to render his full cooperation in trying to have the mortgage loan repaid to the lender to the extent possible.

For mortgage loans originated after 1 January 2014, the mortgage lender will participate for 10 per cent. in any loss claims made under the NHG Guarantee. The lender is not entitled to recover this amount from the borrower.

### **Additional loans**

Furthermore, on 1 July 2005 provisions were added to the NHG conditions pursuant to which a borrower who is or threatens to be in arrears with payments under the existing mortgage loan may have the right to request WEW for a second guarantee to be granted by it in respect of an additional mortgage loan to be granted by the relevant lender. The monies drawn down under the additional loan have to be placed on deposit with the relevant lender and may, up to a maximum period of two years, be used for, *inter alia*, payment of the amounts which are due and payable under the existing mortgage loan, interest due and payable under the additional mortgage loan and the costs made with respect to the granting of the additional mortgage loan. The relevant borrower needs to meet certain conditions, including, *inter alia*, the fact that the financial difficulties are caused by a divorce, unemployment, disability or death of the partner.

### ***NHG underwriting criteria (Normen) as of 1 January 2018***

With respect to a borrower, the underwriting criteria include but are not limited to:

- The lender has to perform a BKR check. Only under certain circumstances are registrations allowed.
- As a valid source of income the following qualifies: indefinite contract of employment, temporary contract of employment if the employer states that the employee will be provided an indefinite contract of employment in case of equal performance of the employee and equal business circumstances, for workers with flexible working arrangements or during a probational period ("*proeftijd*") a three year history of income statements or perspective statement ("*perspectiefverklaring*"), for self-employed three year annual statements.
- The maximum loan based on the income of the borrowers is based on the "financieringslasten acceptatiecriteria" tables and an annuity style redemption (even if the actual loan is (partially) interest only). The mortgage lender shall calculate the borrowing capacity of a borrower of a mortgage loan with a fixed interest terms of less than 10 years on the basis of a percentage determined and published by the AFM, which is based on a weighted average (according to market share) of the mortgage interest rate of at least five of the six large mortgage originators. According to law, the applicable interest rate is a minimum of five per cent.
- The mortgage lender may also apply a higher notional interest rate when calculating the borrowing capacity of the borrower. The mortgage lender shall calculate the borrowing capacity for a mortgage loan with a fixed interest term of 10 years or more on the basis of the interest rate actually charged by the mortgage lender during that fixed interest term.

With respect to the mortgage loan, the underwriting criteria include but are not limited to:

- As of 1 January 2013, for new borrowers the redemption types are limited to annuity mortgage loans and linear mortgage loans with a maximum term of 30 years.
- As of 1 July 2014, the maximum amount of the mortgage loan was €265,000. This amount was reduced to €245,000 as of 1 July 2015 (the maximum amount was €290,000 from July 2013 until July 2014, €320,000 from July 2012 until July 2013, €350,000 from July 2009 until July 2012 and €265,000 from January 2007 until July 2009). For borrowers with an existing NHG mortgage (as at 1 January 2016) taking a further advance relating to the improvement of an existing property, the maximum loan amount is €245,000 (or such other amount as was applicable under the relevant main NHG underwriting criteria (*Normen*) at the time of granting such further advance).
- As of 1 January 2017 the maximum amount of the mortgage loan is dependent on the average house price level in the Netherlands (based on the information available from the Land Registry) multiplied with the statutory loan to value, which is 101 per cent. (as of 1 January 2017) and decreased to 100 per cent. as of 1 January 2018) if there are no energy saving improvements and 106 per cent. if there are energy saving improvements.

As a consequence, there are two maximum loan amounts (based on an average house price level of €245,000):

- €247,450 for loans without energy saving improvements; and
- €259,700 for loans with energy saving improvements

As of 1 January 2018 the maximum amount of the mortgage loan is increased. There are two maximum loan amounts (based on an average house price level):

- €265,000 for loans without energy saving improvements; and
- €280,900 for loans with energy saving improvements.

- The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:
  - For the purchase of existing properties, the maximum loan amount is broadly based on the sum of (i) the lower of the purchase price and the market value based on a valuation report, (ii) the costs of improvements and (iii) 6 per cent. of the amount under (i) plus (ii). In case an existing property can be bought without paying transfer taxes (*vrij op naam*), the purchase amount under (i) is multiplied by 97 per cent.
  - For the purchase of a property to be built, the maximum loan amount is broadly based on the purchase or construction cost increased with a number of costs such as the cost of construction interest, value added tax and architects (to the extent not included already in the purchase or construction cost).



### 3.6 Originators

The entities that act as transferor of Eligible Assets to the CBC under the Guarantee Support Agreement (the "**Originators**") are:

- (a) Rabobank and Rabohypotheekbank N.V. ("**RHB**"), in each case, including any of its predecessors (the "**Initial Originators**"); and
- (b) any other member of the Group that will accede to, amongst others, the Programme Agreement as an Originator (the "**New Originators**").

No member of the Group other than the Initial Originators have acceded to the Programme Agreement as an Originator since the establishment of the Programme.

#### Introduction

##### *Rabobank and RHB*

The local business is organised through about 100 local banks. These local banks are not separate legal entities but are part of the legal entity Rabobank. As the case may be, advice is given by an intermediary instead of a local bank. However, local banks always initiate the mortgage loan origination, offering and underwriting process and are responsible for the relationship with Borrowers. After the mortgage loan offer has been accepted by the Borrower, Rabobank or RHB (as the case may be) funds a mortgage loan on its own balance sheet.

In 2018 it is intended to merge RHB with Rabobank pursuant to which Rabobank would assume all of RHB's rights and obligations under general legal title. Subject to, amongst other things, internal decision making, (advice) rights of stakeholders, regulatory approvals and other procedural actions in accordance with Dutch law merger proceedings, the merger would be intended to be effectuated in the course of 2018. No negative consequences are expected for Covered Bondholders since RHB will become part of Rabobank and therefore the capacity to transfer Eligible Assets to the CBC is not affected by such merger.

##### *Operations Financierien Bijzonder Beheer ("OFBB")*

OFBB is the centralised servicer for mortgage loans of Rabobank and thus the local banks. RHB uses OFBB for the processing, servicing, arrears and default management for all its mortgage loans. Arrangements between Rabobank, RHB and OFBB are made in service level agreements.

Processing, settlement, servicing, arrears and default management with regard to mortgage loans funded by Rabobank and RHB are conducted under the same criteria and procedures, whether performed by Rabobank or by OFBB.

The following paragraphs give an overview of the processing, settlement, servicing, arrears and default management of mortgage loans by OFBB when a mortgage loan is funded by Rabobank and/or RHB. The criteria as described below are the current prevailing criteria as applied by Rabobank and/or RHB and comply with the *Tijdelijke Regeling Hypothecair Krediet*, the Code of Conduct and other regulations, but may not necessarily describe the underwriting criteria and processes that were in place at the time of origination of the relevant Loans. However, as set forth in Section 3.3 hereof the Eligible Receivables comply with the Eligibility Criteria, including that the loans were in all material respects granted in accordance with the applicable laws and regulations prevailing at the time of origination.

##### *Mortgage loan origination and underwriting*

The relevant local bank initiates the mortgage loan origination, offering and underwriting process. The local bank enters the information about the Borrower into the mortgage information system Hypo Take Care ("**HTC**") directly or via Rabobank Hypotheekdossier ("**RHD**") into HTC. HTC and RHD perform an automated check in respect of the underwriting criteria or the criteria applying to NHG Guarantees, if applicable. After approval by the relevant local bank HTC will generate a mortgage offer for the Borrower which has to be signed and returned by the Borrower within two weeks. After the mortgage offer has been signed by the Borrower and the relevant Rabobank branch, the mortgage offer is valid for a period of up to six (on the basis of the "*Basisvoorwaarden*") or twelve months (on the basis of the "*Plusvoorwaarden*"). After all

documents have been received and approved, the relevant local bank sends all relevant information electronically to OFBB through the mortgage information system HTC. Subsequently, OFBB informs the civil law notary. See further the paragraph entitled *Mortgage information systems* below.

The civil law notary confirms to OFBB (by fax, telephone or electronically) the transfer date of the Property. Thereafter, OFBB informs the relevant local bank of the execution date of the mortgage deed and sends all relevant documents to the civil law notary and copies to the Borrower. The *AWS workflow system* alerts OFBB that it should transfer the relevant loan amount by debiting the account of the relevant local bank to a third party account (*derdengeldrekening*) of the civil law notary. After the transaction is finalised, the civil law notary sends all signed documents (e.g., the mortgage deed) to OFBB. OFBB completes and checks the mortgage loan data. Thereafter the mortgage loan data is fed into the loan and security information systems through HTC. Furthermore, all documents are scanned into an electronic file (EKD). In case of mortgage loans with a NHG Guarantee the WEW is subsequently informed by OFBB.

The process as mentioned above applies to mortgage loans secured on new collateral. For mortgage loans secured on existing collateral, the process is similar up to the point where OFBB receives the information from the relevant local bank. However, there is in such case no involvement of the civil law notary. For these mortgage loans OFBB prepares the private deed(s) and sends these to the Borrower. When these deeds have been signed by the client and are subsequently received by OFBB, the loan amount is transferred and the private deed(s) will be sent to the relevant local bank for filing.

### ***Application of Savings Loans***

If a Borrower applies for a Savings Loan, the relevant local bank generates an insurance proposal, on behalf of Interpolis, in addition to the mortgage offer. This insurance proposal is generated through the mortgage information system HTC which connects Rabobank, the local banks and Interpolis. If Interpolis does not accept the Borrower as an insured person, the relevant local bank will not accept the application for a Savings Loan.

### ***Underwriting criteria***

Rabobank has given its branches a conditional permission through the *Algemene Principes Klantbediening Particulieren (APKP)* to offer mortgage loans. Furthermore, Rabobank branches are committed to regulations and advices which apply to their services to clients. These underwriting criteria are incorporated in the mortgage information systems HTC and RHD. The most important criteria are set out below:

### ***Loan requirements***

The Loans must meet the following requirements:

- the Loan must be secured on a property which is fully owned by the Borrower;
- the amount of the Loan complies in all respect with the relevant NHG Criteria applicable at the time of origination of the Loan;
- in respect of any Loan originated after 1 August 2011 the Loan(s) granted to the relevant Borrower (whether or not in combination with an Interest-Only Loan) exceed(s) 50 per cent. of the market value of the relevant Property, the excess will either (i) need to be repaid by the Borrower through an Annuity Loan or Linear Loan or (ii) need to be covered by a Savings Insurance Policy or through a capital that will be built via deposits on a Bank Savings Account (e.g. through a Savings Loan or a Bank Savings Loan); and
- the foreclosure value of the Property must be based on a recent assessment by an independent qualified valuer (which valuer can also be a person employed by, or an entity forming part of, the Rabobank Group) or be based on an automated valuation as determined by Calcasa.

### ***Borrower requirements***

The Borrower must be a natural person of at least 18 years old. The Loan can be applied for by one or more co-Borrowers, in which case each of them will be fully liable for the total amount of the Loan.

Before the Loan is provided, the local bank assesses the creditworthiness of the Borrower and co-Borrower (if applicable), whereby the following factors play an important role.

The Borrower's income must be of a steady nature (e.g. gross wage or salary, pension benefits). In order to determine the income of a Borrower who is self-employed, the Borrower must provide an income statement to his business account manager.

The Ministerial Regulation (*Tijdelijke regeling hypothecair krediet*) is applicable to all Dutch financial institutions offering mortgage loans for the purchase, reconstruction or refinancing of the borrower's property. This regulation was introduced in 2013 and strictly regulates maximum LTV and Loan-to-Income (LTI) ratios. The current maximum LTV is 100 per cent. LTI limits are set according to a fixed table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation "NIBUD" and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal costs of living. The calculation of the maximum loan capacity is based on an annuity test, an interest rate determined quarterly by the AFM and the maximum debt-to-income ratios (housing ratios). Currently, a minimum interest rate of 5.0 per cent. applies to mortgage loans with a floating or fixed rate of interest of up to a term of 10 years or the actual interest rate of the loan if it is higher or if the loan is totally redeemed after the fixed interest period. Based on this interest rate and the duration of the loan a monthly annuity is calculated. The total annuity payments per year should be less than the maximum housing ratio (i.e. compliant with the annuity test). In case of a dual income household, the housing ratio is determined by the higher of the two incomes plus 70 per cent. of the lower of the two incomes. The total of incomes is accounted to determine the maximum loan amount. In order to meet the underwriting criteria, the maximum acceptable housing ratio ranges between 10.5 per cent. and 36.5 per cent. and where the borrower is eligible for Old Age Pension (AOW), between 13 per cent. and 43.5 per cent., depending of the income of the borrower. The higher the income, the higher the maximum housing ratio.

Prior to the underwriting regulation described above, the underwriting criteria followed from the Code of Conduct for Mortgage Lending, which is the industry standard. Although the Code of Conduct is currently largely overruled by the underwriting regulation, it is still in force. The major restriction it currently regulates, in addition to the criteria in the underwriting regulation, is the cap of interest-only loan parts to 50 per cent. of the total mortgage amount. This cap was introduced in 2011 and is applicable to all new mortgage contracts, including those for refinancing and/or relocations (i.e. no grandfathering is applied to older mortgage loans).

For mortgage loans having the benefit of a NHG Guarantee the maximum mortgage loan amount is equal to the sum of the purchase price of the property plus several costs, but never more than the maximum amount which can be guaranteed pursuant to the NHG Guarantee, as established by the WEW on a yearly basis.

Furthermore, the Borrower must have a sound credit history. A verification of the Borrower's and/or co-Borrower(s) credit history is always carried out through the National Credit Register (*Bureau Krediet Registratie* (BKR)). If the BKR database indicates that the Borrower and/or co-Borrower are or have been in arrears on any financial obligations administered by BKR the mortgage loan will in principle not be approved. Additionally, the identity of the Borrower and/or co-Borrowers is checked through the identity verification system (*Verificatie Informatie Systeem* (VIS)) and a test on the fraud database EVA is conducted.

### **Documents to be provided by the Borrower**

#### ***Valuation report***

The maximum loan level is determined as a percentage of the market value: on the date hereof, the maximum loan level is 100 per cent. of the market value of the property as stated in a valuation report or 90 per cent. of the automated value model (AVM) as determined by Calcasa.

The market value of a new-build residential property is established based on one of the following valuation benchmarks:

- A comprehensive valuation report. The Property must be valued by an independent qualified expert not more than 6 months before the application. The expert can be an employee of the Rabobank Group.
- The total costs of construction (*koop aanneemsom*)
- The market value of an existing residential property is established based on one of the following valuation benchmarks:
  - A comprehensive valuation report
  - Automated Valuation Models (AVM) as determined by Calcasa.
- AVM is used if:
  - the application is a non–NHG application;
  - the collateral is occupied and used as the main residence;
  - the total loan is less than 90% of the Calcasa value;
  - the confidence level of the AVM report is 5 or higher;
  - the Calcasa value is no higher than € 750,000;
  - the deviation between the purchase price / value estimate and the AVM value is no higher than 20%;
  - long lease is not applicable;
  - the collateral is at least 2 years old (no new-build residential property);
  - the destination of the collateral has not changed since the last valuation.

#### ***Other documents***

The Borrower must also provide the local bank with identification documentation, a recent salary slip, an employer's certificate, a copy of the sale contract or the combined purchase agreement and building contract. For the Savings Loan, a completed application form for the insurance policy and a medical certificate is also required.

#### **Mortgage information systems**

Rabobank uses several mortgage information systems that are developed and maintained in-house.

##### *Workflow systems: AWS*

Mortgage loan processing and servicing is monitored by the AWS workflow system respectively. These systems provide an overview of all necessary operations of OFBB on a daily basis.

##### *Loan and security systems (CPS-leningen and CPS-zekerheden)*

All mortgage loan information and security information is stored in the CPS-loan and CPS-security system respectively. This is a centralised system within Rabobank to which all local banks and RHB have access. The mortgage loan information is automatically transferred from HTC to CPS. All changes that pertain to existing loans are also made in this system.

### *Communication with the civil law notary*

#### Civil law notary

The electronic system ECH is developed by Rabobank in conjunction with the '*Koninklijke Notariële Beroepsorganisatie*', the professional organisation for civil law notaries in the Netherlands, and is designed for electronic communication between Rabobank and the civil law notaries.

#### *SAM: Special Asset Management*

SAM is the workflow system used by OFBB for arrears management including payment settlements and loss reports in case of sale of the property. It provides an integrated view on the Borrowers position and is linked with CPS and Siebel (local bank customer relationship system).

### **Mortgage loan servicing, arrears and default management**

There are different contact programs in place during duration of a loan. Product risks on loans in our active product range are managed locally, whereas product risks in the legacy portfolio as well as affordability risks on interest only loans are managed by central teams. Borrowers with high product- or affordability risks are contacted at least once every three years. The tool that financial advisors use locally to discuss the Borrowers financial position during the duration of a mortgage loan (or other financial products) is named 'Insight Financial Position (IFP)'. IFP gives insight in the Borrowers lifetime-affordability of their mortgage loan and whether the loan still meets the customer's needs and goals. OFBB provides services whenever the relevant local bank gives an instruction (e.g. changing the interest type or account information).

Payments by the Borrowers on the mortgage loans are in almost all cases collected by means of direct debit with interest and principal being payable in arrears. In the other cases, payments are either made by automatic transfer or by manual transfer. Borrowers with a bank account at Rabobank (currently 90 per cent. of the Borrowers) are debited on the first day of each month and Borrowers with a bank account at a third party bank (currently 10 per cent. of the Borrowers) are debited on the last working day of the previous month. Savings Premiums for the Savings Loans and Bank Savings for the Bank Savings Loans are collected on the first day of each month.

If, after monthly processing, the CPS loan system identifies Borrowers that have failed to pay the amounts due, CPS automatically generates a reminder after 9 days of non-payment. The first demand letter (*sommatiebrief*) is generated after 19 days of non-payment. The second and final demand letter is automatically sent to the Borrower after 49 days of non-payment. The relevant local bank receives copies of all correspondence and can contact the Borrower at any time in order to establish a payment settlement of the amounts due. For Borrowers with a high risk profile the mortgage loan will be transferred to the special asset management department after day 15.

If the second demand letter does not result in payment of the amounts due then, after 60 days of non-payment, the mortgage loan for the other borrowers is transferred to the special asset management department of OFBB. The special asset management department will first contact the relevant local bank and subsequently the Borrower to establish a payment settlement, which must be reached within 6 months of non-payment of any amounts due. The BKR is notified by OFBB after 3 monthly instalments in arrears following which the Borrower is included in the BKR register.

The foreclosure process of the Loan is started by sending the foreclosure letter to demand repayment of the Loan (including all amounts of principal, interest, arrears, penalties and other costs incurred) after 6 months of non-payment. Thereafter, the Borrower has 14 days to contact OFBB to reach an agreement.

If the Borrower does not react or no payment settlement is reached within 14 days a civil law notary will be instructed to prepare the auction of the property and any other collateral (including, but not limited to, the rights of any pledge granted by the Borrower). The minimum purchase price of the property is determined by OFBB through consultation with a specialised entity within the Rabobank Group (Bodemgoed B.V.).

Prior to the auction of the property, the civil law notary places an auction advertisement inviting parties to make a bid. If no acceptable bid is received in response to the auction advertisement, further public auction proceedings are started. The mortgaged property will subsequently be sold in a public auction within approximately three months after the civil law notary is instructed (approximately one year after the first arrear). Rabobank is represented at the auction through Bodemgoed B.V. to ensure that the property will be sold for at least the minimum purchase price. If the minimum purchase price is not realised, Rabobank or an entity appointed by Rabobank may buy the property for subsequent sale.

Mortgage loan servicing, arrears and default management for mortgage loans having the benefit of a NHG Guarantee or a Municipality Guarantee is conducted in accordance with the relevant terms and conditions applying to the NHG Guarantee or Municipality Guarantee (as the case may be).

OFBB is authorised to take action on arrears decisions. At some points in the abovementioned process OFBB may contact the relevant local bank for consultation. Also certain remedial actions are executed by local banks and hence interaction between OFBB and local banks will continuously occur.

#### *Actions and timeline*

Typical timeline:

Day 0:	Non-payment of the Borrower
Day 9:	Reminder Borrower (automatically)
Day 15:	High risk borrowers are transferred to SAM
Day 19:	1 <sup>st</sup> demand letter (automatically)
Day 49:	2 <sup>nd</sup> demand letter (automatically)
Day 60:	Mortgage loan to special asset management
Day <sup>(1)</sup> 60-210:	Settlements, action at least on a monthly basis
Day <sup>(1)</sup> 90:	BKR notification and (if applicable) notification to WEW
Day <sup>(1)</sup> 210-240:	Foreclosure letter
Day <sup>(1)</sup> 220-250:	Settlement or demand repayment
Day <sup>(1)</sup> 220-250:	Instruction for auction to civil law notary
Day <sup>(1)</sup> 60-330:	Private sale (if possible)
Day 316	Bodemgoed B.V. to establish minimum purchase price
Day <sup>(1)</sup> 330+:	Auction
After auction	Collection of residual debt (up to 10 years)

<sup>(1)</sup> indicative timing, determined on a case-by-case basis

At any time during the arrears management period, OFBB can reach a payment settlement with the Borrower. The first option is that the Borrower pays the entire amount in a lump sum. The second option is that a repayment schedule is agreed with the Borrower. The aim is to minimise the repayment term while taking into account the Borrower's financial situation. The credit management specialists of OFBB are responsible for the decisions regarding a repayment schedule.

### **Management of deficits after foreclosure**

When the property and other collateral have been foreclosed, the remaining outstanding debt, if any, is determined. The Borrower and/or co-Borrowers will remain liable for any outstanding debt. OFBB will try to agree a payment settlement with the Borrower.

Unless a payment settlement has been agreed, a bailiff will be instructed to recover any remaining outstanding debt of the Borrower. One of the possibilities at the bailiff's disposal is the attachment of income. In the Netherlands, in addition to the attachment of current income, it is also possible to attach all future income of a natural person above the minimum subsistence level applicable to that person. In general, files are kept for ten years.

### 3.7 Sub-Participation

Under each master sub-participation agreement entered into between the CBC, the relevant Participant, the relevant Originator and the Trustee (each a "**Master Sub-Participation Agreement**"), the CBC grants the relevant Participant a Participation in each relevant Savings Receivable or Bank Savings Receivable, as the case may be, in return for the on-payment by the Participant of the relevant Savings and Accrued Savings Interest, as follows.

#### Participation

First, the Participant undertakes to pay to the CBC for each Participation Receivable:

- (1) on the Participation Date an amount equal to the Initial Settlement Amount for such Participation Receivable; and
- (2) on each subsequent CBC Payment Date an amount equal to a Further Settlement Amount for such Participation Receivable, unless as a result of such payment the Participation in respect of such Participation Receivable would exceed the Gross Outstanding Principal Balance of such Participation Receivable at such time or, if lower and if such Participation Receivable is a Bank Savings Receivable, the amount standing to the credit of the related Bank Savings Account at such time, in which case only such amount shall be paid as is necessary for such Participation (which includes Accrued Increases) to reach such Gross Outstanding Principal Balance or amount standing to the credit of the related Bank Savings Account, as the case may be.

In return, in relation to each Participation Receivable, the CBC undertakes to pay to the Participant on each CBC Payment Date, the Redemption Amount, if any, received by the CBC in respect of such Participation Receivable since the preceding CBC Payment Date.

If:

- (1) a Borrower with respect to a Category 3 Receivable invokes any defence purporting to establish that he may deduct an amount from the Participation Receivable based on (i) any default by the Participant in the performance of any of its obligations under the relevant insurance policy or (ii) the Participant not having paid out all or part of the savings under the relevant insurance policy when due as a result of any set-off or deduction right invoked by the Participant under the relevant insurance policy for the reason that the relevant Originator is not able to return to the Participant any savings kept by the Participant in its account with that Originator;
- (2) with respect to Category 3 Receivables, the Participant, for the reason that the relevant Originator is subject to Insolvency Proceedings, in accordance with the terms of the relevant insurance policy invokes its right to apply any savings kept by the Participant in its account with that Originator on behalf of the relevant Borrower as full or partial repayment of the relevant Savings Loan;
- (3) a Borrower with respect to a Bank Savings Receivable invokes any defence purporting to establish that he may deduct an amount from the Participation Receivable based on any default by the Participant in the performance of any of its obligations in respect of the related Bank Savings Account; or
- (4) a Borrower with respect to a Bank Savings Receivable invokes a right of set-off, or set-off is applied by operation of law, in respect of any amount standing to the credit of the related Bank Savings Account against the Participation Receivable,

and, in each case, as a consequence thereof, the CBC will not have received such amount in respect of such Participation Receivable, then such amount will be deducted from the relevant Participation.

#### Enforcement Notice

If a CBC Acceleration Notice is served by the Trustee on the CBC, then the Trustee may and, if so directed by the Participant, shall on behalf of the Participant by notice to the CBC:

- (1) terminate the obligations of the Participant under the Master Sub-Participation Agreement; and



- (2) declare the Participations to be immediately due and payable, **provided that** such payment obligations shall be limited to the aggregate Redemption Amount received by or on behalf of the CBC or the Trustee under the Participation Receivables.

### **Sale of Participation Receivable**

If a Participation Receivable is sold by or on behalf of the CBC to the relevant Originator or a third party pursuant to the Trust Deed or the Asset Monitor Agreement, then the CBC will (in addition to paying the Redemption Amount (if any) in respect of such Participation Receivable in accordance with the relevant Master Sub-Participation Agreement), if so requested by the Participant use reasonable endeavours to procure that the acquirer of the Participation Receivable will (a) enter into a master sub-participation agreement with the Participant in a form similar to the relevant Master Sub-Participation Agreement or (b) by way of partial contract transfer take over the relevant Master Sub-Participation Agreement to the extent relating to the Participation associated to the Participation Receivable (in which case the Redemption Amount will be zero).

### **Priorities of Payments**

Unless and until:

- (1) both an Issuer Acceleration Notice and a Notice to Pay are served; or
- (2) a CBC Acceleration Notice is served,

any amount expressed to be payable by or to the CBC under the relevant Master Sub-Participation Agreement shall instead be payable by or to the Issuer in accordance with the Pre-Notice-to-Pay Priority of Payments.

The Post-Notice-to-Pay Priority of Payments will be funded by Available Revenue Receipts and Available Principal Receipts. When calculating the relevant Principal Receipts, certain deductions will be made by reference to the relevant Redemption Amounts, which deducted amounts will not be applied in accordance with the Post-Notice-to-Pay Priority of Payments, but will be credited to the Participation Ledger and be paid to the relevant Participants in accordance with the Administration Agreement and the relevant Master Sub-Participation Agreement. When calculating the relevant Revenue Receipts, certain deductions will be made by reference to the relevant Participation Fractions, with a view to the relevant Increases in the relevant Participations. The equivalent of such Increases is in turn treated as a Principal Receipt, for application in accordance with the Post-Notice-to-Pay Priority of Payments.

Likewise, the Post-CBC-Acceleration-Notice Priorities of Payments will not be funded by amounts which have been received by or on behalf of the CBC and which are required to be credited to the Participation Ledger and paid to Participants on account of Redemption Amounts.

In relation to a Participation:

**"Accrued Increases"** means the sum of the Increases for all months from the Participation Date;

**"Accrued Savings Interest"** means the sum of the Monthly Interest for all months from the date on which the first Savings were received;

**"Bank Savings Interest Correction"** means for any month:

- (i) in the case of a Category 3 Receivable: one (1); and
- (ii) in the case of a Bank Savings Receivable the lower of (a) one (1) and (b) the interest rate applicable to the related Bank Savings Account *divided by* the interest rate applicable to such Bank Savings Receivable for such month, both expressed as a percentage per annum;

**"Further Settlement Amount"** means an amount equal to the Savings received by the Participant in the preceding month;

**"Increase"** means for any month:

(the Participation Fraction x I) + FSA,

where (i) "I" means the amount of interest actually received by or on behalf of the CBC from the relevant Borrower for such month and (ii) "FSA" means the Further Settlement Amount for such month actually received by or on behalf of the CBC;

**"Initial Settlement Amount"** means an amount equal to the sum of all Savings plus Accrued Savings Interest;

**"Monthly Interest"** means for any month:

$MIR \times (S + AI),$

where (i) "MIR" means the monthly interest rate applicable in such month (a) in the case of a Category 3 Receivable, to the Participation Receivable or (b) in the case of a Bank Savings Receivable, to the related Bank Savings Account, (ii) "S" means the Savings received up to the first day of such month and (iii) "AI" means the Accrued Savings Interest up to the first day of such month;

**"Participation"** means, in relation to a Participation Receivable, an amount equal to the sum of (i) the Initial Settlement Amount as at the Participation Date plus (ii) Accrued Increases up to the Gross Outstanding Principal Balance or, if lower and if it concerns a Bank Savings Receivable, the amount standing to the credit of the related Bank Savings Account *minus* (iii) any Redemption Amount paid by the CBC to the Participant;

**"Participation Date"** means the later of the Transfer Date and the date of the relevant Master Sub-Participation Agreement;

**"Participation Fraction"** means, with respect to a Participation Receivable, the Bank Savings Interest Correction *times* the outcome of: the relevant Participation *divided* by the Gross Outstanding Principal Balance of such Participation Receivable;

**"Redemption Amount"** means (i) if the full Gross Outstanding Principal Balance has been repaid or prepaid since the preceding CBC Payment Date: an amount equal to the Participation, (ii) in the case of partial (p)repayment of the Gross Outstanding Principal Balance since the preceding CBC Payment Date: the surplus, if any, of the amount received over the Net Outstanding Principal Balance up to the Participation or (iii) the amount up to the Participation received (a) pursuant to a sale or refinancing pursuant to Clause 5 (*Sale or Refinancing of Selected Assets*) of the Asset Monitor Agreement, unless the corresponding rights and obligations under or pursuant to the relevant Master Sub-Participation Agreement are transferred in connection therewith or (b) pursuant to a foreclosure on, or collection of, any Related Security, to the extent relating to the Gross Outstanding Principal Balance; and

**"Savings"** means with respect to (i) a Category 3 Receivable, the savings part of all premiums received by the Participant from the relevant Borrower under or pursuant to the relevant insurance policy, and (ii) a Bank Savings Receivable, all payments made by the relevant Borrower to the related Bank Savings Account.

## 4. ASSET MONITORING

### 4.1 Asset Cover Test

Under the asset monitor agreement entered into between the Issuer, the Administrator, the CBC and the Trustee (the "**Asset Monitor Agreement**") and the Guarantee Support Agreement, the CBC and the Originators, respectively, shall use reasonable endeavours to ensure that as at the end of each calendar month until the service of a Notice to Pay, Breach of Asset Cover Test Notice, Issuer Acceleration Notice or CBC Acceleration Notice:

- (a) the Adjusted Aggregate Asset Amount is an amount at least equal to the euro equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month as calculated on the immediately succeeding Calculation Date;
- (b) the First Regulatory Current Balance Amount is at least equal to 105 per cent. (or such other percentage as may be required from time to time under the CB Legislation) of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month all as calculated on the immediately succeeding Calculation Date; and
- (c) the Second Regulatory Current Balance Amount is at least equal to 100 per cent. (or such other percentage as may be required from time to time under the CB Legislation) of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month all as calculated on the immediately succeeding Calculation Date,

(together the "**Asset Cover Test**").

If on any Calculation Date it is calculated that the Asset Cover Test is not met at the end of the preceding calendar month, then (i) the CBC (or the Administrator on its behalf) shall immediately notify the Trustee thereof in writing and (ii) the CBC shall request the Originators to transfer sufficient further Eligible Assets to the CBC in accordance with the Guarantee Support Agreement to ensure that the Asset Cover Test is met at the end of the next succeeding calendar month, as calculated on the immediately succeeding Calculation Date, and if the Asset Cover Test is not met at the end of such calendar month as calculated on the immediately succeeding Calculation Date (such failure to remedy the Asset Cover Test by the end of such calendar month being a "**Breach of the Asset Cover Test**") it will entitle the Trustee to serve a notice on the CBC (the "**Breach of Asset Cover Test Notice**") under the Guarantee.

Save where otherwise agreed with any Rating Agency, the Asset Percentage will be adjusted in accordance with the various methodologies prescribed by any Rating Agency or will otherwise be in compliance with the relevant methodologies agreed with any Rating Agency from time to time with a view to maintain the rating of the highest rated Series of Covered Bonds. Any adjustment of the Asset Percentage will appear from the relevant Monthly Investor Report as the new Asset Percentage as determined in accordance with Clause 3.1 of the Asset Monitor Agreement. In the event the Asset Percentages (as computed in response to the relevant Rating Agency calculations) prior to any Calculation Date differ, the CBC (or the Administrator on its behalf) shall on such Calculation Date apply the lowest Asset Percentage. Prior to the date on which a relevant Rating Agency has provided the CBC (or the Administrator on its behalf) with a new Asset Percentage, the CBC (or the Administrator on its behalf) will be entitled to rely on the previously provided Asset Percentage.

In the "**Administration Agreement**" entered into between the CBC, Rabobank as administrator (the "**Administrator**") and the Trustee, the Administrator agrees to prepare monthly investor reports for the CBC including, amongst other things, the relevant calculations in respect of the Asset Cover Test, in the form set out in Schedule 3 to the Administration Agreement (each a "**Monthly Investor Report**") and to deliver the same to the CBC and the Trustee two Business Days prior to each relevant CBC Payment Date. In the Trust Deed, the Trustee agrees, upon receipt of each Monthly Investor Report, to verify whether such Monthly Investor Report states that the Asset Cover Test has been passed or failed and, if failed, whether the following Monthly Investor Report states that the Asset Cover Test has been failed again, meaning that a Breach of the Asset Cover Test shall have occurred.

For the purposes hereof:

"**Adjusted Aggregate Asset Amount**" means  $A + B + C + D - X - Y$ ;

"A" means the lower of:

the sum of all Adjusted Current Balances of all Transferred Receivables. The "**Adjusted Current Balance**" of a Transferred Receivable is the lower of:

- (i) the Current Balance of such Transferred Receivable minus  $\alpha$ ; and
- (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Transferred Receivable, minus  $\beta$ ; and

the Asset Percentage of the sum of the Current Balance minus  $\alpha$  of all Transferred Receivables;

" $\alpha$ " means for each Transferred Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

- (a) if it is a Category 3 Receivable: an amount calculated on the basis of a method notified to the Rating Agency related to the Savings and Accrued Savings Interest in connection with such Transferred Receivable, provided that no amount will be deducted if and to the extent that a Master Sub-Participation Agreement is effective in relation to the relevant Transferred Receivable;
- (b) if it was used to fund a Construction Deposit: the amount of the Construction Deposit;
- (c) if it was in breach of the Receivable Warranties as of the relevant Transfer Date: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;
- (d) if it is a Defaulted Receivable: such amount as is necessary to reduce its Current Balance to zero;
- (e) if it is 3 months or more in arrears (other than any Defaulted Receivable): such amount as is necessary to reduce its Current Balance to 30 per cent. of its Current Balance;
- (f) if it is a Bank Savings Receivable: the amount standing to the credit of the related Bank Savings Account, unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance;
- (g) if any of the Issuer's ratings from the Rating Agency fall below the relevant minimum rating determined to be applicable or agreed by the Rating Agency, being as at the 2018 Programme Date 'P-1(cr)' (short-term) by Moody's and the related Borrower has a deposit with Rabobank or any other Originator that engages in the business of, amongst other things, attracting or accepting deposits: an amount equal to the amount by which the aggregate deposits of such Borrower (other than any deposit relating to a Bank Savings Loan) exceeds EUR 100,000 (or such other amount which is not advanced to a Borrower in accordance with the Dutch deposit guarantee scheme (*depositogarantiestelsel*)); and/or
- (h) if the Originator has a Residual Claim (excluding, for the avoidance of doubt, a Further Advance) and (i) a RC Trigger Event has occurred and (ii) a RC Deduction Notice has been delivered to the CBC and the Trustee: an amount equal to the Deductible Residual Claim;

" $\beta$ " means for each Transferred Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii)  $\alpha$  minus L. "L" means for each Transferred Receivable its Current Balance minus the LTV Cut-Off Percentage of its Indexed Valuation **provided that** if the result is negative, L shall be zero and if the result exceeds  $\alpha$ , L shall equal  $\alpha$ ;

"**Asset Percentage**" means 100 per cent. or such other percentage figure as is determined from time to time in accordance with the Asset Monitor Agreement as described above;

"**LTV Cut-Off Percentage**" means such percentage as is required from time to time for the Covered Bonds to comply with Article 129 CRR, currently being 80 per cent. for all Transferred Receivables;

"B" means the aggregate amount of all Principal Receipts, all Adjusted Revenue Receipts on the Transferred Receivables and (without double counting) all amounts received by the CBC under any Swap

Agreement after netting up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the Trust Deed;

"C" means the aggregate amount of (i) all Transferred Collateral in cash which has not been applied in accordance with the Trust Deed and (ii) the amounts standing to the credit of the Reserve Fund Ledger;

"D" means the aggregate outstanding principal balance of all Transferred Collateral in Substitution Assets and accrued interest thereon which has not been applied in accordance with the Trust Deed. Substitution Assets will be valued on a monthly basis and be taken into account for their mark-to-market value at a discount, based on a methodology proposed to the Rating Agency;

"**Deductible Residual Claim**" means, following the occurrence of a RC Trigger Event and until the occurrence of a RC Release Trigger Event, in respect of a Transferred Receivable in respect of which a Residual Claim exists and which has not been pledged to the CBC in accordance with the terms of the Transaction Documents:

- (a) in case the sum of the outstanding balance of the Residual Claim and Net Outstanding Principal Amount of such Transferred Receivable is lower than the Indexed Valuation of the Property times (1- MVD Assumption), zero; and
- (b) in all other cases, an amount equal to the lower of:
  - (i) the amount by which the sum of the outstanding balance of the Residual Claim and the Net Outstanding Principal Amount of such Transferred Receivable exceeds the Indexed Valuation of the Property times (1- MVD Assumption); and
  - (ii) the lower of (a) the outstanding balance of the Residual Claim or (b) the Net Outstanding Principal Amount of such Transferred Receivable;

"X" means, in respect of each Series of Covered Bonds in respect of which no Portfolio Swap is entered into by the CBC, for as long as (i) the Issuer's rating from the Rating Agency falls below the relevant minimum rating determined to be applicable or agreed by the Rating Agency, being as at the 2018 Programme Date 'P-1(cr)' by Moody's and (ii) the interest (expressed as a percentage per annum) payable in respect of the relevant Series of Covered Bonds exceeds the weighted average interest of all Transferred Assets, an amount equal to the higher of:

- (a) zero; and
- (b) the product of:
  - (i) the aggregate of:
    - (A) the interest (expressed as a percentage per annum) payable in respect of the relevant Series of Covered Bonds in respect of which no Portfolio Swap is entered into by the CBC *less*
    - (B) the weighted average interest of all Transferred Assets;
  - (ii) the remaining maturity in years of the relevant Series of Covered Bonds;
  - (iii) the euro equivalent of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds (and in respect of those Covered Bonds not denominated in euro, converted into euro at the respective Structured Swap Rate);

For the purpose of calculating the interest payable by the CBC in respect of any Series of Covered Bonds which is a Floating Rate Covered Bond, the interest as most recently determined in respect of such Series of Covered Bonds shall be used.

"Y" means:

- (a) if the Issuer's rating from the Rating Agency falls below the relevant minimum rating determined to be applicable or agreed by the Rating Agency, being as at the 2018 Programme Date 'Baa1(cr)' by Moody's, an amount equal to the Net Outstanding Principal Balance of all Receivables on the

last day of the month immediately preceding the Calculation Date multiplied by the Monthly Payment Ratio as calculated in respect of the calendar month immediately preceding the Calculation Date, in connection with commingling risk; or

- (b) if
  - (i) the Issuer's credit rating from the Rating Agency is at least equal the relevant minimum rating determined to be applicable or agreed by the Rating Agency, being as at the 2018 Programme Date 'Baa1(cr)'; or
  - (ii) following the occurrence of a Notification Event and the relevant Borrowers have been notified of the assignment of the Receivables,

zero;

**"Adjusted Revenue Receipts"** means an amount equal to the aggregate Revenue Receipts received during the previous Calculation Period and which are not required to be paid to any Swap Provider in respect of the relevant Calculation Period;

**"First Regulatory Current Balance Amount"** means an amount equal to sum of (i) the aggregate amount of the Current Balance of the Transferred Receivables, excluding any defaulted receivables (as defined in Article 178 CRR), and (ii) the Substitution Assets Amount, or such other amount as is permitted to be taken into account pursuant to the CB Legislation;

**"Index"** means the index of increases or decreases, as the case may be, of house prices issued by the Land Registry in relation to residential properties in the Netherlands;

**"Indexed Valuation"** means at any date in relation to any Transferred Receivable secured over any Property:

- (a) where the Original Market Value of that Property is equal to or greater than the Price Indexed Valuation as at that date, the Price Indexed Valuation; or
- (b) where the Original Market Value of that Property is less than the Price Indexed Valuation as at that date, the Original Market Value plus 90 per cent. (or, if a different percentage is required or sufficient from time to time for the Covered Bonds to comply with Article 129 CRR and the Issuer wishes to apply such different percentage, then such different percentage) of the difference between the Original Market Value and the Price Indexed Valuation;

**"Land Registry"** means the relevant Dutch land registry (*het Kadaster*) where the ownership of the relevant Properties together with the Mortgages and any other Adverse Claims thereon are registered;

**"Monthly Payment Ratio"** means, in respect of a month, the ratio between all principal payments and interest payments made by the Borrowers in respect of the Loans in that month and the Net Outstanding Principal Amount of all Receivables on the last day of the immediately preceding month;

**"MVD Assumption"** means the most conservative market value decline assumption as notified by the Administrator to Moody's in order to achieve a rating (i) of 'Aaa' in relation to the first issue of Covered Bonds or (ii) in relation to any subsequent issue of Covered Bonds, equal to the current rating assigned to the outstanding Series of Covered Bonds;

**"Original Market Value"** in relation to any Property means the market value (*marktwaaarde*) given to that Property by the most recent valuation addressed to the Originator that transferred the relevant Transferred Receivable to the CBC;

**"Price Indexed Valuation"** in relation to any Property at any date means the Original Market Value of that Property increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value;

**"Second Regulatory Current Balance Amount"** means an amount equal to the sum of (A) the lower of (i) the Current Balance of the Transferred Receivables, excluding any defaulted receivables (as defined in Article 178 CRR), and (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such

Transferred Receivables and (B) the Substitution Assets Amount, or such other amount as is permitted to be taken into account pursuant to the CB Legislation;

**"Structured Swap Rate"** means the currency exchange rate agreed by the CBC and a Structured Swap Provider under any Structured Swap; and

**"Substitution Assets Amount"** means an amount equal to the sum of (i) C (as defined above) and (ii) D (as defined above), less any cash standing to the credit of the CBC Accounts held with an entity within the Rabobank Group, which amount will be limited to a maximum of 20 per cent., or such other percentage as required under the CB Legislation, of the aggregate Principal Amount Outstanding of the Covered Bonds.

## 4.2 Amortisation Test

Under the Asset Monitor Agreement and the Guarantee Support Agreement, the CBC and the Originators, respectively, must ensure that as at the end of each calendar month following service of a Notice to Pay or Breach of Asset Cover Test Notice (but prior to service of a CBC Acceleration Notice):

the Amortisation Test Aggregate Asset Amount is an amount at least equal to the euro equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds, all as calculated on the immediately succeeding Calculation Date;

the First Regulatory Current Balance Amount is at least equal to 105 per cent. (or such other percentage as may be required from time to time under the CB Legislation) of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month all as calculated on the immediately succeeding Calculation Date; and

the Second Regulatory Current Balance Amount is at least equal to 100 per cent. (or such other percentage as may be required from time to time under the CB Legislation) of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month all as calculated on the immediately succeeding Calculation Date,

(together the "**Amortisation Test**").

If on any Calculation Date following the service of a Notice to Pay or Breach of Asset Cover Test Notice it is calculated that the Amortisation Test is not met as per the end of the immediately preceding calendar month, then that shall constitute a "**Breach of the Amortisation Test**" and the CBC (or the Administrator on its behalf) shall immediately notify the Trustee thereof, and the Trustee shall be entitled to serve a CBC Acceleration Notice under the Conditions.

For this purpose:

"**Amortisation Test Aggregate Asset Amount**" means  $A + B + C - X$ ;

"**A**" means the sum of all Amortisation Test Current Balances of all Transferred Receivables. The "**Amortisation Test Current Balance**" of a Transferred Receivable is the lower of:

- (i) the Current Balance of such Transferred Receivable minus  $\alpha$ ; and
- (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Transferred Receivable, minus  $\beta$ ;

" $\alpha$ " means for each Transferred Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

- (a) if it is a Category 3 Receivable: an amount calculated on the basis of a method notified to the Rating Agency related to the Savings and Accrued Savings Interest in connection with such Transferred Receivable, **provided that** no amount will be deducted if and to the extent that a Master Sub-Participation Agreement is effective in relation to the relevant Transferred Receivable;
- (b) if it was used to fund a Construction Deposit: the amount of the Construction Deposit;
- (c) if it was in breach of the Receivable Warranties as of the relevant Transfer Date: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;
- (d) if it is a Defaulted Receivable: such amount as is necessary to reduce its Current Balance to zero;
- (e) if it is 3 months or more in arrears (other than any Defaulted Receivable): such amount as is necessary to reduce its Current Balance to 30 per cent. of its Current Balance;
- (f) if it is a Bank Savings Receivable: the amount standing to the credit of the related Bank Savings Account, unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance;



- (g) if any of the Issuer's ratings from the Rating Agency fall below the relevant minimum rating determined to be applicable or agreed by the Rating Agency, being as at the 2018 Programme Date 'P-1(cr)' (short-term) by Moody's and the related Borrower has a deposit with Rabobank or any other Originator that engages in the business of, amongst other things, attracting or accepting deposits: an amount equal to the amount by which the aggregate deposits of such Borrower (other than any deposit relating to a Bank Savings Loan) exceeds EUR 100,000 (or such other amount which is not advanced to a Borrower in accordance with the Dutch deposit guarantee scheme (*depositogarantiestelsel*)); and/or
- (h) if the Originator has a Residual Claim (excluding, for the avoidance of doubt, a Further Advance) and (i) a RC Trigger Event has occurred and (ii) a RC Deduction Notice has been delivered to the CBC and the Trustee: an amount equal to the Deductible Residual Claim;

"**β**" means for each Transferred Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii)  $\alpha$  minus L. "**L**" means for each Transferred Receivable its Current Balance minus the LTV Cut-Off Percentage of its Indexed Valuation **provided that** if the result is negative, L shall be zero and if the result exceeds  $\alpha$ , L shall equal  $\alpha$ ;

"**B**" means the aggregate amount of all Principal Receipts, all Adjusted Revenue Receipts on the Transferred Receivables and (without double counting) all amounts received by the CBC under any Swap Agreement after netting up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the Trust Deed;

"**C**" means the aggregate of (i) outstanding principal balance of any Substitution Assets and (ii) the amounts standing to the credit of the Reserve Fund Ledger. Substitution Assets will be valued on a monthly basis and be taken into account for their mark-to-market value at a discount based on a methodology notified to the Rating Agency;

"**X**" means, in respect of each Series of Covered Bonds in respect of which no Portfolio Swap is entered into by the CBC, for as long as (i) the Issuer's rating from a Rating Agency falls below the relevant minimum rating determined to be applicable or agreed by such Rating Agency, being as at the 2018 Programme Date 'P-1(cr)' by Moody's and (ii) the interest (expressed as a percentage per annum) payable in respect of the relevant Series of Covered Bonds exceeds the weighted average interest of all Transferred Assets, an amount equal to the higher of

- (a) zero; and
- (b) the product of:
  - (i) the aggregate of:
    - (A) the interest (expressed as a percentage per annum) payable in respect of the Covered Bonds in respect of which no Portfolio Swap is entered into by the CBC *less*
    - (B) the weighted average interest of all Transferred Assets;
  - (ii) the remaining maturity in years of the relevant Series of Covered Bonds;
  - (iii) the euro equivalent of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds (and in respect of those Covered Bonds not denominated in euro, converted into euro at the respective Structured Swap Rate);

For the purpose of calculating the interest payable by the CBC in respect of any Series of Covered Bonds which is a Floating Rate Covered Bond, the interest as most recently determined in respect of such Series of Covered Bonds shall be used; and

"**Authorised Investments**" means any Substitution Asset which is permitted pursuant to the CB Legislation **provided that** such investment meets the following criteria:

- (a) euro denominated government securities, euro demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) **provided that** (a) in all cases such

investments have a remaining maturity date of 30 days or less and mature on or before the next following CBC Payment Date and the unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made have a minimum rating as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2018 Programme Date a senior unsecured unsubordinated rating of 'P-1' (short-term) by Moody's and (b) the total exposure to such investments shall not exceed 20 per cent. of the (euro equivalent of the) aggregate Principal Amount Outstanding of all Covered Bonds then outstanding;

- (b) euro denominated government securities, euro demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) **provided that** in all cases such investments have a remaining maturity date of 364 days or less and the unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made have a minimum rating as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2018 Programme Date a senior unsecured unsubordinated rating of 'P-1' (short-term) by Moody's; and
- (c) euro denominated government securities, euro demand or time deposits, certificates of deposit which have a remaining maturity date of more than 364 days and the unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made have a minimum rating as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2018 Programme Date 'Aaa' by Moody's.
- (d) unless the ratings of the Issuer are downgraded below a minimum rating as determined to be applicable or agreed by a relevant Rating Agency from time to time (being as at the 2018 Programme Date 'P-2' (short-term) by Moody's in which case such investments must have a remaining maturity date of 30 days or less and mature on or before the next following CBC Payment Date.

### 4.3 Sale or Refinancing of Selected Assets

The Asset Monitor Agreement provides that the CBC shall sell or refinance Selected Receivables following the service of a Notice to Pay and an Issuer Acceleration Notice, but prior to the service of a CBC Acceleration Notice, if on any date the Earliest Maturing Covered Bonds have, an Extended Due for Payment Date which falls within twelve months of such date, or such longer term as the Trustee may approve.

The proceeds from any such sale or refinancing will, in the case of each Participation Receivable, after deduction of an amount equal to the relevant Redemption Amount, be credited to the relevant AIC Account Principal Ledger and applied as set out in the Post-Notice-to-Pay Priority of Payments.

In each case the CBC will be obliged to sell or refinance Selected Receivables in the Portfolio in accordance with the Asset Monitor Agreement (as described below), subject to the rights of pre-emption enjoyed by the Originators to purchase Selected Receivables pursuant to the Guarantee Support Agreement.

If the CBC is required to sell or refinance Selected Receivables as abovementioned, the Asset Monitor Agreement provides that the CBC shall ensure that (a) Selected Receivables will be selected on a random basis as described in the Asset Monitor Agreement and (b) no more Selected Receivables will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount and (c) the Amortisation Test is not breached following the proposed sale or refinancing.

The CBC will offer the portfolio of such Selected Receivables (or part of such portfolio) for sale to Purchasers for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount plus, in the case of Participation Receivables, an amount equal to the aggregate Participations.

If such Selected Receivables have not been sold or refinanced (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount plus, in the case of each Participation Receivable, an amount equal to the relevant Participation by the date which is six months prior to the Extended Due for Payment Date of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the CBC will (i) offer such Selected Receivables for sale for the best price reasonably available or (ii) seek to refinance such Selected Receivables on the best terms reasonably available, notwithstanding that such amount may be less than the Adjusted Required Redemption Amount plus, in the case of each Participation Receivable, an amount equal to the relevant Participation.

In respect of the sale or refinancing of Selected Receivables following service of a Notice to Pay on the CBC, in addition to offering Selected Receivables for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the CBC (subject to the rights of pre-emption enjoyed by the Originators pursuant to the Guarantee Support Agreement) is under the Asset Monitor Agreement permitted to sell or refinance a portfolio of Selected Receivables, in accordance with the provisions summarised above, in respect of other Series.

Under the Asset Monitor Agreement, if the CBC is required or permitted to sell or refinance Selected Receivables as abovementioned, the CBC is permitted (but not required) to sell to Purchasers part of any portfolio of Selected Receivables ("**Partial Portfolio**"). Except in circumstances where the Partial Portfolio of Selected Receivables is being sold within six months of the Extended Due for Payment Date of the Series to be repaid from such proceeds (in which case a minimum sale price as described above shall apply *mutatis mutandis*), the sale price of the Partial Portfolio shall be at least an amount equal to that part of the relevant Adjusted Required Redemption Amount (plus, for each Participation Receivable included in such Partial Portfolio, an amount equal to the relevant Participation) which bears the same proportion to such Adjusted Required Redemption Amount (plus, for each Participation Receivable included in such Partial Portfolio, an amount equal to the relevant Participation) as the aggregate Current Balance of the Partial Portfolio (plus, for each Participation Receivable included in such Partial Portfolio, an amount equal to the relevant Participation) bears to the aggregate Current Balance of the relevant entire portfolio of Selected Receivables (plus, for each Participation Receivable included in such entire portfolio, an amount equal to the relevant Participation).

With respect to the contemplated sale or refinancing of Selected Receivables referred to above, the CBC will through a tender process appoint a portfolio manager of recognised standing on a basis intended to

incentivise the portfolio manager to achieve the best price for the sale or refinancing of the Selected Receivables (if such terms are commercially available in the market) to advise it in relation to the sale or refinancing of Selected Receivables to Purchasers (except where the Originators are buying the Selected Receivables in accordance with their right of pre-emption in the Guarantee Support Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender shall be approved by the Trustee.

In respect of any sale or refinancing of Selected Receivables following the service of a Notice to Pay and an Issuer Acceleration Notice, pursuant to the beginning of this Section 4.3, but prior to the service of a CBC Acceleration Notice, the CBC will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Receivables are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the Guarantee Support Agreement and the Asset Monitor Agreement.

The terms of any sale and purchase agreement with respect to the sale of Selected Receivables or the terms of any refinancing will be subject to the prior written approval of the Trustee.

If Purchasers accept the offer or offers from the CBC, then the CBC will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require amongst other things a cash payment from the relevant Purchasers.

Any such sale or any refinancing will not include any representations or warranties from the CBC in respect of Selected Receivables unless expressly agreed by the Trustee.

After a CBC Acceleration Notice has been served on the CBC, the Trustee may institute such proceedings or take such action as it thinks fit against the Issuer and the CBC to enforce its rights under the Trust Deed and the Security Documents in accordance with the terms of the Trust Deed.

#### **Sale of Substitution Assets**

The Asset Monitor Agreement provides that the CBC (or the Administrator on its behalf) shall sell all Substitution Assets as quickly as reasonably practicable, subject to the pre-emption rights enjoyed by the Originators pursuant to the Guarantee Support Agreement, in each of the following circumstances:

- (a) following service of an Issuer Acceleration Notice and a Notice to Pay; or
- (b) upon a downgrade of the Issuer's ratings below the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2018 Programme Date 'P-2(cr)' (short-term) by Moody's.

For the purposes hereof:

**"Adjusted Required Redemption Amount"** means an amount equal to the euro equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the AIC Account and the principal amount of any Authorised Investments and Substitution Assets (excluding all amounts to be applied on the following CBC Payment Date to repay higher ranking amounts in the Post-Notice-to-Pay Priority of Payments and those amounts that are required to repay any Series of Covered Bonds, which have their Extended Due for Payment Date in the same CBC Payment Period as the Extended Due for Payment Date of the relevant Series of Covered Bonds, respectively);

**"Earliest Maturing Covered Bonds"** means at any time the relevant Series of Covered Bonds, that has the earliest Extended Due for Payment Date, as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of a CBC Event of Default);

**"Purchaser"** means any third party or any Originator to whom the CBC offers to sell Selected Receivables pursuant to the Asset Monitor Agreement; and

**"Required Redemption Amount"** means in respect of any relevant Series of Covered Bonds, the amount calculated as follows: the Principal Amount Outstanding of such Series x  $(1 + (0.005 \times (\text{days to the Extended Due for Payment Date of such Series}/365)))$ .

#### **4.4 Asset Monitor**

Under the terms of an asset monitor appointment agreement entered into on the Programme Date between KPMG Accountants N.V. (the "**Asset Monitor**"), the CBC, the Administrator, the Issuer and the Trustee (the "**Asset Monitor Appointment Agreement**"), the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Administrator to the Asset Monitor, to conduct tests on the arithmetic accuracy of the calculations performed by the Administrator in respect of the Asset Cover Test, the Amortisation Test and the liquidity buffer to be maintained by the CBC in accordance with the CB Legislation with a view to confirmation of the accuracy of such calculations.

##### **Asset Cover Test and Amortisation Test**

The Asset Monitor will within five Business Days upon receipt of the relevant information conduct such tests (i) in respect of the Asset Cover Test carried out by the Administrator on or prior to the Calculation Date immediately preceding each anniversary of the Programme Date; and (ii) in respect of the Amortisation Test carried out by the Administrator on or prior to each Calculation Date. If and for so long as the ratings of the Issuer or the Administrator fall below the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the Programme Date 'Baa3(cr)' by Moody's the Asset Monitor will be required to conduct such tests in respect of the Asset Cover Test carried out by the Administrator on each Calculation Date unless and until the Administrator and the Issuer regain the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, following which the relevant tests will be conducted by the Asset Monitor in accordance with the first part of this paragraph.

Following a determination by the Asset Monitor of any material errors in the arithmetic accuracy of the calculations performed by the Administrator such that (a) the Asset Cover Test has been failed as at the end of a calendar month (where the Administrator had recorded it as being satisfied) or (b) the Adjusted Aggregate Asset Amount, the First Regulatory Current Balance, the Second Regulatory Current Balance or the Amortisation Test Aggregate Asset Amount is misstated by an amount exceeding 1 per cent. of the Adjusted Aggregate Asset Amount, the First Regulatory Current Balance, the Second Regulatory Current Balance or the Amortisation Test Aggregate Asset Amount, as applicable, all as at the end of the relevant calendar month, the Asset Monitor will be required to conduct such tests for each of the four consecutive Calculation Dates thereafter.

The results of the tests conducted by the Asset Monitor in respect of the Asset Cover Test or, as applicable, the Amortisation Test will be delivered to the Administrator, the CBC, the Issuer, the Trustee, DNB and the relevant Rating Agency (the "**Asset Monitor Report**") in accordance with the Asset Monitor Appointment Agreement. If the calculations performed by the Administrator have not been performed correctly, the Asset Monitor Report shall (i) set out the correct calculation of the Asset Cover Test or Amortisation Test, as applicable (ii) indicate whether the Asset Cover Test or Amortisation Test, as applicable, has been passed or failed and (iii) set out the result of such correct calculation together with the incorrect calculation and the result of such incorrect calculation as carried out by the CBC (or the Administrator on its behalf).

##### **Tests pursuant to the CB Legislation**

In addition, subject to the terms of the Asset Monitor Agreement, the Asset Monitor will perform mandatory annual audits in respect of the calculations of (i) the First Regulatory Current Balance Amount and the Second Regulatory Current Balance Amount which, in each case form part of the Asset Cover Test and (ii) the amount to be retained by the CBC pursuant to article 40g of the Decree.

##### **General**

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Administrator for the purpose of conducting such tests is true and correct and is complete and not misleading, and is not required to conduct a test or otherwise take steps to verify the accuracy of any such information.

Under the terms of the Asset Monitor Appointment Agreement the CBC will pay to the Asset Monitor a fee per test for the tests to be performed by the Asset Monitor.

The CBC may, at any time, but subject to the prior written consent of the Trustee, terminate the appointment of the Asset Monitor by providing at least 30 days' prior written notice to the Asset Monitor, **provided that** such termination may not be effected unless and until a replacement asset monitor has been found by the CBC (such replacement to be approved by the Trustee if the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

The Asset Monitor may, at any time, resign from its appointment under the Asset Monitor Appointment Agreement upon providing the CBC and the Trustee (copied to the Rating Agency) with 60 days' prior written notice **provided that** such resignation may not be effected unless and until a replacement has been found by the CBC (such replacement to be approved by the Trustee provided the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

If a replacement asset monitor has not been found by the CBC within 60 days of notice of resignation by the Asset Monitor, the Asset Monitor shall immediately use its best endeavours to propose a replacement (such replacement to be approved by the Trustee provided the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

In the Trust Deed the Trustee agrees to, upon receipt of each Monthly Investor Report, verify whether it states that the Asset Cover Test or the Amortisation Test, as the case may be, has been passed or failed.

## 5. SERVICING AND CUSTODY

### 5.1 Servicing

Pursuant to the terms of a servicing agreement entered into on the Programme Date and between the CBC, the Initial Originators, Rabobank (as Issuer and in its capacity as servicer, the "**Initial Servicer**") and the Trustee (the "**Initial Servicing Agreement**"), the Initial Servicer has agreed to service on behalf of the CBC the Portfolio, unless any New Originator and the Initial Servicer agree that such New Originator or a third party servicer shall act as servicer in relation to Eligible Receivables transferred by such New Originator to the CBC subject to fulfilling the Servicer Criteria (as described below).

If the Initial Servicer is to service the Eligible Receivables transferred by such New Originator, this will be provided for through an amendment to the Initial Servicing Agreement. If it is agreed that the New Originator or third party servicer will service, on behalf of the CBC, the New Receivables transferred by such New Originator to the CBC, then a servicing agreement will be entered into between such New Originator or third party servicer, as applicable, (in its capacity as servicer, the "**New Servicer**" and, together with the Initial Servicer and any other New Servicer, a "**Servicer**"), the CBC and the Trustee on substantially the same terms as the Initial Servicing Agreement so that each New Servicer has substantially the same rights and obligations as the Initial Servicer (each a "**New Servicing Agreement**" and, together with the Initial Servicing Agreement, a "**Servicing Agreement**").

Each Servicer will be required to:

- (a) administer the relevant Transferred Receivables in accordance with the relevant Originator's Lending Criteria and the relevant Servicing Agreement;
- (b) collect as agent for the CBC and, following the occurrence of a CBC Event of Default, for the Trustee, all amounts due under each Transferred Receivable; and
- (c) use all reasonable endeavours to collect all payments due under or in connection with the Transferred Receivable and to enforce all covenants and obligations of each Borrower in accordance with the Enforcement Procedures and take such action as is not materially prejudicial to the interest of the CBC and in accordance with such actions that a Reasonable Prudent Lender would undertake.

Each Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the CBC in relation to the Receivables that it is servicing pursuant to the terms of the relevant Servicing Agreement, and to do anything which it reasonably considers necessary or convenient or incidental to the administration of those Receivables.

Each Servicer has undertaken or will undertake, as the case may be, to, amongst other things, perform the services listed below (the "**Services**") in relation to those Receivables that it is servicing, and to:

- assist the Administrator in the preparation of a Monthly Investor Report in accordance with the Administration Agreement and deliver to the CBC and the Trustee two Business Days prior to the last CBC Payment Date of the relevant month all portfolio characteristics and other information relating to the Receivables reasonably required to complete the relevant Monthly Investor Report;
- keep records and books of account on behalf of the CBC in relation to the Transferred Receivables;
- notify relevant Borrowers of any change in their payments;
- assist the auditors of the CBC and provide information to them upon reasonable request;
- notify relevant Borrowers of any other matter or thing which the applicable Loan Agreement require them to be notified of in the manner and at the time so required;
- subject to the provisions of the relevant Servicing Agreement take all reasonable steps to recover all sums due to the CBC including without limitation by the institution of proceedings and/or the enforcement of any Transferred Receivable;

- to the extent permitted under applicable data protection and other laws provide on a timely basis to the Rating Agency all information on the Borrowers and the Loan Agreements which is reasonably required in order for the Rating Agency to be able to establish their credit estimates on Borrowers at all reasonable times upon reasonable notice subject to the relevant Servicer being reasonably capable of providing such information without significant additional cost;
- make all calculations and render all other services required for compliance with the Master Sub-Participation Agreements;
- take all other action and do all other things which it would be reasonable to expect a Reasonable Prudent Lender to do in administering its Loan Agreements and their Related Security; and
- act as collection agent on behalf of the CBC in accordance with the provisions of the Servicing Agreement.

The Initial Servicer will represent and warrant that it is, and covenants that it shall remain, adequately licensed under the Wft to act as consumer credit provider and intermediary and covenants to comply with the information duties towards the Borrowers under or pursuant to the Wft. Furthermore, the Initial Servicer will covenant that it shall only engage any sub-contractor with due observance of the applicable rules under the Wft. The Initial Servicer may only terminate the Initial Servicing Agreement if a New Servicer has been appointed prior to such termination which holds the requisite licences, including being duly licensed under the Wft to act as consumer credit provider and intermediary.

The CBC will pay to the Initial Servicer a servicing fee as separately agreed between the Initial Servicer and the CBC. Fees payable to New Servicers and/or the Initial Servicer acting as Servicer in respect of Receivables transferred by New Originators to the CBC will be determined on the date that they accede to the Programme.

Furthermore, in connection with the role of the Initial Servicer to collect as agent for the CBC and, following the occurrence of a CBC Event of Default, for the Trustee, all amounts due under each Transferred Receivable, the following is relevant.

Until a Notification Event has occurred and all Borrowers owing Transferred Receivables have been notified of the assignment of the Transferred Receivables and instructed to make all payments under the Transferred Receivables directly to the AIC Account or such other account as the Trustee or the CBC may designate for such purpose in accordance with the Guarantee Support Agreement, all payments by the Borrowers are required to be made into one or more bank account held with Rabobank (the "**Collection Accounts**").

Pursuant to the Initial Servicing Agreement, the Initial Servicer has agreed to pay (or cause to be paid) any monies collected in respect of the Transferred Receivables (a) in any calendar month, to the relevant Originator no later than a Business Day of the subsequent calendar month (to be agreed between the Initial Servicer and the relevant Originator and as notified to the CBC and the Trustee) for as long as no Notification Event has occurred and no Notice to Pay, a Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served or (b) within two Business Days of receipt (i) to the AIC Account following a Notification Event or service of a Notice to Pay or Breach of Asset Cover Test Notice (but prior to service of a CBC Acceleration Notice) or (ii) to an account specified by the Trustee following service of a CBC Acceleration Notice. See also the risk factor entitled "*In the event of a Dutch Insolvency Proceeding against an Originator that occurs prior to the notification of the transfer of the Transferred Receivables to the debtors, the CBC's claims to payments by such Originator under such Transferred Receivables may rank in priority behind the claims of other creditors of the Originator, in turn adversely affecting the ability of the CBC to collect fully and/or timely payments under the Transferred Receivables and subsequently meet its obligations fully and/or timely to Covered Bondholders*" in Section B.4 Guarantee Support above in relation to the position of the CBC as creditor of an Originator in the event of such Originator being the subject of a Dutch Insolvency Proceeding.

"**Enforcement Procedures**" means the procedures for the enforcement of the Receivables undertaken by a Servicer from time to time in accordance with the relevant Originator's enforcement criteria; and



**"New Receivables"** means Eligible Receivables, other than the Eligible Receivables comprised in the Initial Portfolio, which an Originator may assign and transfer, to the CBC on a Transfer Date following the First Transfer Date pursuant to the Guarantee Support Agreement.

## 5.2 Servicers

The CBC and the Trustee may, upon written notice to the relevant Servicer and the Rating Agency, terminate the relevant Servicer's rights and obligations immediately if any of the following events (a "**Servicer Event of Default**") occurs:

- the relevant Servicer defaults in the payment of any amount due to the CBC under the relevant Servicing Agreement and fails to remedy that default for a period of 14 days after the earlier of the relevant Servicer becoming aware of the default and receipt by the relevant Servicer of written notice from the Trustee or the CBC requiring the same to be remedied;
- the relevant Servicer fails to comply with any of its other obligations under the Servicing Agreement which failure in the opinion of the Trustee is materially prejudicial to Covered Bondholders and does not remedy that failure within 14 days after the earlier of the relevant Servicer becoming aware of the failure and receipt by the relevant Servicer of written notice from the Trustee or the CBC requiring the same to be remedied;
- the relevant Servicer is subjected to Insolvency Proceedings; or
- at any time it becomes unlawful for the relevant Servicer to perform all or a material part of its obligations under the relevant Servicing Agreement or the relevant Servicer ceases to be duly licensed to act as consumer credit provider and intermediary pursuant to the Wft.

Subject to the fulfilment of a number of conditions, a Servicer may voluntarily resign by giving not less than 12 months' notice to the Trustee and the CBC **provided that** a substitute servicer which meets the Servicer Criteria has been appointed and enters into a servicing agreement with the CBC which meets the relevant requirements of the Data Protection Legislation but is otherwise substantially on the same terms as the Initial Servicing Agreement. The resignation of a Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by a Programme Resolution.

If the appointment of a Servicer is terminated, the relevant Servicer must deliver the Borrower Files and other documentation held by it relating to the Transferred Receivables administered by it to, or at the direction of, the CBC. The relevant Servicing Agreement will terminate at such time as the CBC has no further interest in any of the Transferred Receivables serviced under the relevant Servicing Agreement.

A Servicer may sub-contract the performance of its duties under the Servicing Agreement **provided that** it meets conditions as set out in the relevant Servicing Agreement.

Each new Servicer and any assignee or transferee of an existing Servicer will have to fulfil, amongst other things, the following criteria (the "**Servicer Criteria**"):

- (a) it has experience with and systems capable of administering portfolios of residential mortgage loans in the Netherlands and is approved by the CBC and the Trustee;
- (b) it enters into an agreement substantially on the same terms as the Initial Servicing Agreement;
- (c) it has all necessary consents, licences, authorities and approvals required under the laws of the Netherlands (including the Wft) which may be necessary in connection with the performance of the Services; and
- (d) the then current ratings of the Covered Bonds are not adversely affected by the appointment of the new Servicer.

For the purposes of this Section:

"**Data Protection Legislation**" means (i) the EU General Data Protection Regulation (EU) 2016/679 and (ii) any other applicable data protection and data privacy laws and regulations.

### **5.3 Custody**

If Substitution Assets are transferred to the CBC, the CBC will appoint a custodian to provide custody services in relation to such Substitution Assets. The Substitution Assets will be serviced in accordance with a custody agreement to be entered into with an eligible custodian, the terms and conditions of which will be agreed with the Trustee (the "**Custody Agreement**").

## 6. SWAPS

In order to hedge certain interest rate, currency or other risks in respect of amounts received by the CBC under the Transferred Receivables, the AIC Accounts, the Authorised Investments and the Substitution Assets and/or amounts payable by the CBC under the Guarantee to the Covered Bondholders in respect of the Covered Bonds, the CBC may enter into swap transactions with one or more Swap Providers, including portfolio swap transactions, interest rate swap transactions and structured swap transactions.

The CBC is only permitted to enter into Swap Agreements and transactions thereunder with either (a) Rabobank or (b) third party Eligible Swap Providers, as the case may be (each a "**Swap Provider**"). All such Swap Agreements will be required to be either in Approved Form or in form and substance acceptable to each of the CBC, the Trustee and subject to Rating Agency Confirmation. A Swap Agreement may govern the terms of a Portfolio Swap and/or one or more Interest Rate Swaps and/or one or more Structured Swaps. There is no requirement for the CBC or the relevant Eligible Swap Provider to enter into a Swap Agreement for each Swap separately.

In the Swap Undertaking Letter Rabobank undertakes to, or to procure an Eligible Swap Provider to, enter into one or more (as agreed between the CBC and such Eligible Swap Provider) Swap Agreements with the CBC governing (a) Structured Swap(s) for each Series denominated in a currency other than Euro if (i) a Notification Event occurs, (ii) a Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice is served or (iii) the rating(s) of Rabobank are, or fall, below the minimum rating(s) set for an Eligible Swap Provider (in which case Structured Swaps will be required) or (b) as may be determined by the Issuer, one or more Portfolio Swap(s) and/or one or more Interest Rate Swap(s) for any Series.

Pursuant to the provisions of the Trust Deed and the Swap Agreements, regardless of whether a Notification Event has occurred, unless and until (a) both an Issuer Acceleration Notice and a Notice to Pay are served or (b) a CBC Acceleration Notice is served, all amounts to be paid and received by the CBC under any Swap Agreement will be paid and received on behalf of the CBC by the Issuer. However, any amounts of collateral payable by a relevant Swap Provider to the CBC (or, returned by the CBC to the relevant Swap Provider, as the case may be) will be paid directly by the relevant Swap Provider to the CBC (or by the CBC to the relevant Swap Provider, as the case may be), regardless of whether an Issuer Acceleration Notice, Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice is served or whether a Notification Event has occurred.

### **Minimum Rating of Swap Provider**

Under the terms of each Swap Agreement, in the event that the rating(s) of the Swap Provider is below, or is downgraded by a Rating Agency below, the minimum rating(s) specified in the relevant Swap Agreement for that Swap Provider (in accordance with the requirements of the relevant Rating Agency), that Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain *remedial* measures which may include:

- (a) providing collateral for its obligations under the relevant Swap Agreement;
- (b) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency;
- (c) procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations under the relevant Swap Agreement; or
- (d) taking such other action or putting in place such alternative hedging as it may agree with the relevant Rating Agency (subject to Rating Agency Confirmation).

A failure to take such steps within the time periods specified in the relevant Swap Agreement will allow the CBC to terminate the Swap Agreement.

### **Other Termination Events**

A Swap Agreement may also be terminated early in certain other circumstances, including:

- (a) at the option of either party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement and any applicable grace period has expired;

- (b) upon the occurrence of an insolvency of the Swap Provider, or any guarantor, or the merger of one of the parties without an assumption of the obligations under the relevant Swap Agreement (except in respect of the security interests created by the CBC in favour of the Trustee in accordance with the Security Documents);
- (c) if there is a change of law or change in application of the relevant law which results in the CBC or the Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under the Swap Agreement and the Swap Provider thereby being required under the terms of the Swap Agreement to gross up payments made to the CBC, or to receive net payments from the CBC (which is not required under the terms of the Swap Agreement to gross up payments made to the Swap Provider); and
- (d) if there is a change in law which results in the illegality of the obligations to be performed by either party under the Swap Agreement.

Upon the termination of a Swap Agreement, the CBC or the relevant Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this termination payment will be calculated and made in euro.

For the purpose hereof:

**"Approved Form"** means a 1992 Multicurrency - Cross Border or 2002 ISDA Master Agreement, Schedule and Credit Support Annex thereto and confirmation in such form as agreed by the Trustee, the CBC and the relevant Swap Provider (subject to prior receipt of Rating Agency Confirmation in respect of any documents);

**"Eligible Swap Provider"** means a financial institution which is permitted under Dutch law to enter into derivative contracts with Dutch residents and whose ratings are rated not lower than the ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2018 Programme Date (if no remedial action would be taken as provided for in the relevant Swap Agreement) a counterparty risk assessment of 'P-2(cr)' (short-term) from Moody's and 'A3(cr)' (long-term) from Moody's.

**"Swap Agreements"** means a 1992 (Multicurrency Cross Border) or 2002 ISDA Master Agreement together with the relevant schedule and confirmation(s) entered into between a Swap Provider, the CBC and the Trustee, governing one or more Swaps in the Approved Form, each Portfolio Swap Agreement, each Interest Rate Swap Agreement and each Structured Swap Agreement;

**"Swap Undertaking Letter"** means a letter pursuant to which Rabobank, the Trustee and the CBC agree that Rabobank in connection with (i) Structured Swaps shall enter into and, (ii) Interest Rate Swaps and/or Portfolio Swaps may enter into (or, in each case, procure an Eligible Swap Provider to enter into) Structured Swaps and/or Interest Rate Swaps and/or Portfolio Swaps in the Approved Form; and

**"Swap Provider Default"** means the occurrence of an Event of Default or Termination Event (each as defined in each of the relevant Swap Agreements) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Swap Agreement).

## 6.1 Portfolio Swap

In order to hedge the risk of possible mismatches between

- (1) the rates of interest or revenues on the Transferred Receivables, the Authorised Investments, the Substitution Assets and the balance of the AIC Account; and
- (2) the amounts of interest payable under one or more Series of Covered Bonds or (y) any amount payable under any Structured Swap and/or any Interest Rate Swap in respect of a specific Series of Covered Bonds,

the CBC, Rabobank (in its capacity as portfolio swap provider, the "**Portfolio Swap Provider**") and the Trustee (in respect of certain provisions) may enter into a Swap Agreement and may enter into a portfolio swap transaction (the "**Portfolio Swap**" and together with such Swap Agreement, the "**Portfolio Swap Agreement**").

A Portfolio Swap may be entered into by the CBC, in respect of all or part of the Transferred Receivables, Authorised Investments and Substitution Assets acquired by the CBC from time to time and the balance of the AIC Account from time to time multiplied with the Portfolio Swap Fraction, to ensure that certain interest rate and revenue risks in respect of such Transferred Receivables, Authorised Investments, Substitution Assets and the balance of the AIC Account are hedged. If any Portfolio Swap is entered into by the CBC in respect of part of the Transferred Receivables, Authorised Investments and Substitution Assets acquired by the CBC from time to time, the revenue risk scheduled in respect of such Transferred Assets will be multiplied by the Portfolio Swap Fraction is exchanged for any (fixed or floating) interest basis as determined by the CBC calculated by reference to the Principal Amount Outstanding of the relevant Series of Covered Bonds in respect of which a Portfolio Swap is entered into.

A Portfolio Swap may provide that in case of a sale or refinancing of Selected Receivables, the prospective purchaser of such Selected Receivables (**provided that** such purchaser has been approved by a Portfolio Swap Provider) has the option to elect for the rights and obligations of the CBC under a Portfolio Swap (or part thereof) relating to such Selected Receivables to be transferred to it and such Swap Agreement permits the CBC to make such transfer subject to certain conditions, as specified in such Swap Agreement. If the prospective purchaser elects for the rights and obligations of the CBC under a Portfolio Swap (or part thereof) relating to such Selected Receivables not to be transferred to it (or does elect for such transfer but such transfer is not possible due to non-compliance with the relevant conditions specified in such Swap Agreement), the Portfolio Swap (or part thereof) relating to such Selected Receivables will be terminated.

For the purposes of the foregoing:

a Transferred Receivable will be "performing" on any CBC Payment Date if it is not a Defaulted Receivable; and

**"Portfolio Swap Fraction"** means the fraction to be calculated in relation to the relevant Portfolio Agreement by dividing (i) the Principal Amount Outstanding of the relevant Series of Covered Bonds by (ii) the Principal Amount Outstanding of all outstanding Covered Bonds.

## 6.2 Interest Rate Swaps

In order to hedge the risk of any possible mismatches between:

- (1) any (fixed or floating) interest basis as determined by the Issuer; and
- (2) rate of interest payable under any euro denominated Series,

the CBC, one or more Swap Providers (each in its capacity as interest rate swap provider, an "**Interest Rate Swap Provider**") and the Trustee (in respect of certain provisions) may enter into one or more swap agreements in the Approved Form or in form and substance acceptable to each of the CBC, the Trustee and subject to Rating Agency Confirmation and interest rate swap transactions in relation to one or more Series (each an "**Interest Rate Swap**" and together with any such swap agreement, an "**Interest Rate Swap Agreement**") in relation to the relevant Series.

The following payments will be made under each Interest Rate Swap entered into in respect of a Series:

- (a) on or before each Interest Payment Date, the relevant Interest Rate Swap Provider will pay the CBC an amount equal to the product of (i) the aggregate Principal Amount Outstanding of such Series as at the preceding Interest Payment Date and (ii) the relevant swap rate corresponding to the interest rate payable on the relevant Series; and
- (b) on each Fixed Rate Payer Payment Date or, if applicable, Floating Rate Payer Payment Date, the CBC will pay to the Interest Rate Swap Provider an amount equal to the product of (i) the aggregate Principal Amount Outstanding of such Series as at the preceding Interest Payment Date and (ii) the sum of the relevant fixed rate or, if applicable, EURIBOR for the relevant period of time and the Spread (as defined in the applicable Interest Rate Swap Agreement).

Unless otherwise agreed between the CBC and the relevant Interest Swap Provider in the relevant Interest Rate Swap, each Interest Rate Swap will terminate on the Final Maturity Date of the relevant Series of Covered Bonds, subject to the early termination provisions of the relevant Swap Agreement as outlined above.

For the purpose of this Section 6.2:

**"Fixed Rate Payer Payment Date"** means the fixed rate payer payment date as defined in the relevant confirmation for the Interest Rate Swap, which is expected to be the CBC Payment Date; and

**"Floating Rate Payer Payment Date"** means the floating rate payer payment date as defined in the relevant confirmation for the Interest Rate Swap, which is expected to be the CBC Payment Date.

### 6.3 Structured Swaps

In order to hedge against certain interest rate and/or currency risks in respect of mismatches between:

- (1) any (fixed or floating) interest basis as determined by the Issuer and the currency in which it is payable under any Series; and/or
- (2) euro denominated Principal Receipts and amounts of principal payable under any non-euro denominated Series,

the CBC, one or more Swap Providers (each in its capacity as structured swap provider, a "**Structured Swap Provider**"), and the Trustee (in respect of certain provisions) will (if required by the Swap Undertaking Letter) or may (if not required by the Swap Undertaking Letter) enter into one or more swap agreements in the Approved Form or in form and substance acceptable to each of the CBC, the Trustee and subject to Rating Agency Confirmation and swap transactions in relation to one or more Series (each a "**Structured Swap**" and together with any such swap agreement, a "**Structured Swap Agreement**"). Any Structured Swaps, Interest Rate Swaps and Portfolio Swap are together referred to as "**Swaps**".

One or more of the following payments will be made under each Structured Swap entered into in respect of a Series (depending on whether any applicable interest and/or currency risk is hedged):

- (a) on or before each Interest Payment Date, the Structured Swap Provider will pay the CBC an amount in the currency of the relevant Series equal to the product of (i) the aggregate Principal Amount Outstanding of such Series as at the preceding Interest Payment Date and (ii) the relevant swap rate corresponding to the interest rate payable on, or interest basis applicable to, the relevant Series;
- (b) on each Floating Rate Payer Payment Date, the CBC will pay to the Structured Swap Provider an amount in euro equal to the product of (i) the aggregate Principal Amount Outstanding of such Series or, if such Series is denominated in a currency other than euro, an amount equal to the euro equivalent of the aggregate Principal Amount Outstanding of such Series and (ii) the sum of the relevant fixed rate or, if applicable, EURIBOR for the relevant period of time and the Spread (as defined in the applicable Structured Swap Agreement); and
- (c) on the Termination Date, if such Series is denominated in a currency other than euro, the CBC will pay to the Structured Swap Provider an amount equal to the euro equivalent of the aggregate Principal Amount Outstanding of such Series (as determined by the relevant swap confirmation), and the Structured Swap Provider will pay the CBC an amount equal to the aggregate Principal Amount Outstanding of such Series in the currency in which such Series is denominated.

Unless otherwise agreed between the CBC and the relevant Structured Swap Provider in the relevant Structured Rate Swap, each Structured Swap will terminate on the Final Maturity Date of the relevant Series of Covered Bonds, (such date, the "**Termination Date**"), subject to the early termination provisions of the relevant Swap Agreement as outlined above.

For the purpose of this Section 6.3

**"Fixed Rate Payer Payment Date"** means the fixed rate payer payment date as defined in the relevant confirmation for the Structured Rate Swap, which is expected to be the CBC Payment Date; and

**"Floating Rate Payer Payment Date"** means the floating rate payer payment date as defined in the relevant confirmation for the relevant Structured Swap, which is expected to be the CBC Payment Date.



## 7. CASHFLOWS

- (A) For as long as no Notification Event has occurred and no Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served:
- (a) pursuant to the Guarantee Support Agreement any proceeds from the Transferred Assets will be received and retained by the Originators for their own benefit; and
  - (b) pursuant to the Trust Deed, the following will apply:
    - (i) all costs and expenses of the CBC (including for the avoidance of doubt the minimum taxable profit (and any tax in respect thereof) to be deposited in the Capital Account) will be paid on behalf of the CBC by the Issuer for its own account, as consideration for the CBC assuming the Guarantee;
    - (ii) all amounts to be paid and received, respectively, by the CBC under any Swap Agreement or, if applicable, Master Sub-Participation Agreement will be paid and received, respectively, on behalf of the CBC by the Issuer for its own account (except that any collateral to be provided by a Swap Provider following its downgrade will be delivered to the CBC irrespective of whether any Notification Event has occurred or any Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served at such time and, accordingly, any payments or deliveries to be made in respect of any such collateral arrangements shall be made directly between the CBC and the relevant Swap Provider); and
    - (iii) on each CBC Payment Date the CBC or the Administrator on its behalf will distribute all amounts (if any) then standing to the credit of the CBC Accounts, but excluding any amounts standing to the credit of the Swap Collateral Ledger and, to the extent amounts are required to be maintained thereon in accordance with the Administration Agreement, the Asset Monitor Agreement or the Trust Deed, the Reserve Fund Ledger to the Issuer or, if the Issuer is subject to an Insolvency Proceeding, any solvent Originator to the extent permitted by the Asset Cover Test. The CBC need not concern itself as to how such proceeds are allocated between the Issuer and the Originators.
- (B) If a Notification Event occurs or a Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice is served on the CBC:
- (a) pursuant to the Guarantee Support Agreement, the CBC shall, subject to the rights of the Trustee as pledgee, be entitled to receive for its own benefit all proceeds of the Transferred Assets to the extent relating to the period following such Notification Event or service of such Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice;
  - (b) pursuant to the Trust Deed, the following will apply:
    - (i) if a Notification Event has occurred but no Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice has been served, all costs, expenses, Swaps and Master-Sub-Participation Agreements will continue to be settled on behalf of the CBC by the Issuer as abovementioned and all amounts standing to the credit of the CBC Accounts will continue to be distributed as abovementioned;
    - (ii) if a Notification Event has occurred and a Breach of Asset Cover Test Notice has been served but no Issuer Acceleration Notice or CBC Acceleration Notice has been served, all costs, expenses, Swaps and Master Sub-Participation Agreements will continue to be settled on behalf of the CBC by the Issuer as abovementioned but no further amounts standing to the credit of the AIC Account will be distributed as mentioned under paragraph (A)(b)(iii) above;
    - (iii) if a Notification Event has occurred and an Issuer Acceleration Notice and a Notice to Pay have been served, but no CBC Acceleration Notice has been served, the Administrator will apply all (1) Available Revenue Receipts and all Available Principal Receipts on behalf of the CBC in accordance with the Post-Notice-to-

Pay Priority of Payments and (2) other monies standing to the credit of the CBC Accounts in accordance with the Administration Agreement, the AIC Account Agreement, the Trust Deed and any other Transaction Document; or

- (iv) if a CBC Acceleration Notice has been served, all monies received or recovered by the Trustee or any other Secured Creditor and all monies held by or on behalf of the CBC will be applied in accordance with the Post-CBC-Acceleration-Notice Priority of Payments (other than amounts standing to the credit of the Participation Ledger or the Swap Collateral Ledger, or amounts required to be deducted pursuant to paragraph (a)(iii) of the definition of Principal Receipts, which will continue to be applied in accordance with the provisions of the Administration Agreement pertaining to the Participation Ledger and the Swap Collateral Ledger).
- (C) Pursuant to the Trust Deed, the CBC will be required to maintain a Reserve Fund on the AIC Account (which Reserve Fund is administered through the Reserve Fund Ledger). In consideration for the CBC to assume the Guarantee, the Issuer will transfer to the CBC an amount equal to the Reserve Fund Required Amount and such further amounts as are necessary from time to time to ensure that an amount up to the Reserve Fund Required Amount is standing to the credit of the Reserve Fund Ledger. The CBC will credit any such amount to the Reserve Fund Ledger. If (i) there are amounts standing to the credit of the Reserve Fund Ledger, (ii) no Notice to Pay, Breach of Asset Cover Test Notice, Issuer Acceleration Notice or CBC Acceleration Notice has been served and (iii) the amounts standing to the credit of the Reserve Fund Ledger exceed the Reserve Fund Required Amount as at the relevant CBC Payment Date, then any amounts standing to the credit of the Reserve Fund Ledger which are no longer required to be so maintained shall be repaid to the Issuer.

For the purposes hereof:

**"Available Principal Receipts"** means on a Calculation Date an amount equal to the aggregate of (without double counting):

- (a) the amount of Principal Receipts received during the previous Calculation Period and required to be credited to the AIC Account Principal Ledger, less the equivalent of any Third Party Amounts due and payable or expected to become due and payable in the immediately following CBC Payment Period;
- (b) any other amount standing to the credit of the Principal Ledger; and
- (c) all amounts in respect of principal (if any) to be received by the CBC under the Transaction Documents (other than the Master Sub-Participation Agreements) on the relevant CBC Payment Date (other than the Swap Principal Excluded Amounts and, for the avoidance of doubt, any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts);

**"Available Revenue Receipts"** means on a Calculation Date an amount equal to the aggregate of:

- (a) the amount of Revenue Receipts received during the previous Calculation Period;
- (b) other net income of the CBC including all amounts of interest received on the CBC Accounts, the Substitution Assets and Authorised Investments in the preceding Calculation Period and amounts received by the CBC under a Portfolio Swap on the relevant CBC Payment Date (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts);
- (c) any other amount standing to the credit of the Revenue Ledger; and
- (d) following the service on the CBC of a Notice to Pay or Breach of Asset Cover Test Notice, amounts standing to the credit of the Reserve Fund Ledger (other than the Mandatory Liquidity Reserve Amount);

**"Mandatory Liquidity Required Amount"** means an amount equal to the amount which is at such time required to be maintained by the CBC to ensure compliance with article 40g of the Decree after taking into

account any certain amounts standing to the credit of the AIC Account as permitted to be taken into account pursuant to article 40g of the Decree and any other amounts (whether held or generated and) permitted to be taken into account pursuant to article 40g of the Decree, (in each case all as calculated on each relevant Calculation Date for the relevant period prescribed by article 40g of the Decree);

**"Participant"** means with respect to (i) a Participation Receivable which is a Category 3 Receivable, any relevant Insurer which enters into a Master Sub-Participation Agreement with the CBC and the Trustee, and which is acknowledged by the relevant Originator(s) and (ii) a Bank Savings Receivable, Rabobank;

**"Pre-Notice-to-Pay Priority of Payments"** means the arrangement set out in paragraphs (A)(b)(i) through (iii) and (B)(b)(i) and (ii) of this *Section 7 Cashflows*;

**"Principal Receipts"** means:

- (a) any amount, sales proceeds, refinancing proceeds, arrears and other amount relating to principal, and any Accrued Interest and Arrears of Interest as at the Transfer Date of the relevant Transferred Receivable, received or recovered by the CBC in respect of the Transferred Receivables (i) other than any prepayment penalties, (ii) net of any relevant foreclosure costs and (iii) less, with respect to each Participation Receivable, an amount equal to the relevant Redemption Amount;
- (b) any Initial Settlement Amount received from any Participant under the relevant Master Sub-Participation Agreement; and
- (c) an amount equal to any Increase which applies to any Participation pursuant to the relevant Master Sub-Participation Agreement;

**"Rating Trigger Required Amount"** means an amount equal to:

- (a) the aggregate for all Series of:
  - (i) to the extent that no Swap has been entered into in relation to any Series, the aggregate Scheduled Interest for each such Series due in the next three following CBC Payment Periods; and
  - (ii) to the extent that any Swaps have been entered into in relation to any Series;
    - (A) if Rabobank is the Swap Provider for any such Swaps in relation to the relevant Series, the higher of:
      - (1) the aggregate Scheduled Interest due; and
      - (2) the aggregate interest component due by the CBC under such Swap for such Series in the next three following CBC Payment Periods, all as calculated on each relevant Calculation Date; or
    - (B) if a party other than Rabobank is the relevant Swap Provider for any such Swaps entered into in respect of the relevant Series, the aggregate interest component due by the CBC under the relevant Swap Agreements in the next three following CBC Payment Periods; or
    - (C) if a party other than Rabobank is the relevant Swap Provider in respect of any of the Swaps entered into in respect of that Series and Rabobank is the Swap Provider of the other Swap(s) entered into respect of that Series, the higher of:
      - (1) the aggregate Scheduled Interest due; and
      - (2) the aggregate interest component due by the CBC under such Swaps for such Serie in the next three following CBC Payment Periods, all as calculated on each relevant Calculation Date,

plus

- (b) to the extent not covered in the relevant Swap, the anticipated aggregate amount payable in the next three following CBC Payment Periods in respect of the items referred to in paragraphs (a) up to and including (d) of the Post-Notice-to-Pay Priority of Payments, as calculated on each relevant Calculation Date;

**"Reserve Fund Required Amount"** means:

- (a) until the occurrence of a Reserve Fund Trigger: an amount equal to the Mandatory Liquidity Required Amount; and
- (b) following the occurrence of a Reserve Fund Trigger: an amount equal to the higher of:
  - (i) the Mandatory Liquidity Required Amount; and
  - (ii) the Rating Trigger Required Amount;

**"Reserve Fund Trigger"** means if any of the Issuer's ratings falls below the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2018 Programme Date a counterparty risk assessment 'P-1(cr)' (short-term) by Moody's;

**"Revenue Receipts"** means:

- (a) interest, fees and other amounts received or recovered by the CBC in respect of the Transferred Receivables (i) other than the Principal Receipts and any payment penalties, (ii) net of any relevant foreclosure costs and (iii) *less*, with respect to interest in respect of each Participation Receivable, an amount equal to the net amount received or recovered *multiplied* by the applicable Participation Fraction; and
- (b) prepayment penalties received or recovered by the CBC in respect of the Transferred Receivables;

**"Savings Receivable"** means a Transferred Receivable resulting from a Savings Loan;

**"Swap Collateral Excluded Amounts"** means amounts standing to the credit of the Swap Collateral Ledger;

**"Swap Interest Excluded Amounts"** means amounts standing to the credit of the Swap Interest Ledger;

**"Swap Principal Excluded Amounts"** means amounts standing to the credit of the Swap Principal Ledger; and

**"Swap Replacement Excluded Amounts"** means amounts standing to the credit of the Swap Replacement Ledger.

## 7.1 Ledgers

### (A) Credits to ledgers

Pursuant to the Administration Agreement, the CBC (or the Administrator on its behalf) agreed to open, administer and maintain the following ledgers and credit amounts thereto as follows:

1. A revenue ledger of the AIC Account (the "**AIC Account Revenue Ledger**"), to which the following euro amounts shall be credited upon deposit of the same into the AIC Account:
  - (a) all Revenue Receipts;
  - (b) all amounts of interest paid on the AIC Account;
  - (c) all amounts of interest paid in respect of any Substitution Assets and Authorised Investments;
  - (d) to the extent that any Substitution Asset or Authorised Investment is redeemed or sold, the difference (if positive) between the acquisition price thereof, on the one hand, and sale or redemption price thereof, on the other; if such difference is negative, it will be debited to the AIC Account Revenue Ledger upon completion of such redemption or sale;
  - (e) all euro amounts (other than Swap Collateral Excluded Amounts, Swap Interest Excluded Amounts, Swap Principal Excluded Amounts and Swap Replacement Excluded Amounts) received by the CBC under the Swap Agreements; and
  - (f) all euro amounts otherwise required to be credited to the AIC Account Revenue Ledger in accordance with the relevant provisions of the Administration Agreement.

If pursuant to the Administration Agreement a bank account is opened in a currency other than euro, the Administrator shall maintain a revenue ledger in respect of such foreign currency account (the AIC Account Revenue Ledger and all such foreign currency revenue ledgers, the "**Revenue Ledger**"). Amounts shall be credited to such foreign currency revenue ledger in the same manner as amounts are credited to the AIC Account Revenue Ledger.

2. A principal ledger of the AIC Account (the "**AIC Account Principal Ledger**"), to which the following amounts shall be credited upon deposit of the same into the AIC Account:
  - (a) all Principal Receipts;
  - (b) any amount received (other than from redemption or sale) from any Substitution Asset or Authorised Investment which is not required to be credited to the Revenue Ledger;
  - (c) the principal amount of any Transferred Collateral in the form of cash;
  - (d) 100 per cent. of the aggregate acquisition price paid by the relevant Originator for any Transferred Collateral in the form of Substitution Assets; and
  - (e) any amount required to be transferred to the AIC Account in accordance with item (h) of the Post-Notice-to-Pay Priority of Payments, **provided that** if on a CBC Payment Date an amount is credited or to be credited to the AIC Account Principal Ledger pursuant to item (h) of the Post-Notice-to-Pay Priority of Payments and on such CBC Payment Date or during the CBC Payment Period starting on such CBC Payment Date there is an unexpected default by a Swap Provider in the performance of its obligation to pay to the CBC an amount (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) of interest or principal under any Interest Rate Swap or Structured Swap, then an amount equal to the lower of (i) the amount so credited or to be credited to the AIC Account Principal Ledger and (ii) the amount by which the available proceeds in respect of such Series standing to the credit of the Swap Interest Ledger or Swap Principal Ledger falls short of the corresponding Scheduled Interest and/or Scheduled Principal that is Due for Payment in such CBC Payment Period under the Guarantee, shall on such CBC Payment Date or during such CBC Payment

Period be credited to the Swap Interest Ledger or the Swap Principal Ledger, as the case may be.

If pursuant to the Administration Agreement a foreign currency CBC Account is opened, the Administrator shall maintain a principal ledger in respect of such foreign currency CBC Account (the AIC Account Principal Ledger and all such foreign currency principal ledgers, the "**Principal Ledger**"). Amounts shall be credited to such foreign currency principal ledger in the same manner as amounts are credited to the AIC Account Principal Ledger.

3. A ledger of the AIC Account (the "**Swap Collateral Ledger**") to which shall be credited any collateral provided by a Swap Provider not or no longer having the minimum ratings required for an Eligible Swap Provider.
4. A ledger of the AIC Account (the "**Swap Replacement Ledger**") to which shall be credited (i) premiums received from any replacement Swap Provider upon entry by the CBC into a replacement Swap Agreement or (ii) termination payments received from any Swap Provider in respect of a Swap Agreement which has terminated.
5. A ledger of the AIC Account (the "**Reserve Fund Ledger**") to which shall be credited all amounts received from the Issuer for the purpose of the Reserve Fund.
6. A ledger of the AIC Account (the "**Participation Ledger**") to which shall be credited all Redemption Amounts deducted pursuant to paragraph (a)(iii) of the definition of Principal Receipts.
7. A ledger of the AIC Account (the "**Swap Interest Ledger**") to which shall be credited (i) all amounts (for the avoidance of doubt excluding any Swap Collateral Excluded Amount and Swap Replacement Excluded Amounts) in respect of interest received by the CBC under any Swap, after any netting or otherwise, and (ii) any amount that may be credited to the Swap Interest Ledger pursuant to paragraph (A)(2)(f) above or (B)(2) below.
8. A ledger of the AIC Account (the "**Swap Principal Ledger**") to which shall be credited (i) all amounts (for the avoidance of doubt Excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amount) in respect of principal received by the CBC under any Structured Swap or Portfolio Swap, after any netting or otherwise, and (ii) any amount that may be credited to the Swap Principal Ledger pursuant to paragraph (A)(2)(e) above or (B)(2) below.

**(B) Debits to ledgers**

Pursuant to the Administration Agreement, the CBC (or the Administrator on its behalf) agreed not to debit any amounts to any ledger, except as follows, subject to the Post-CBC-Acceleration Notice Priority of Payments:

1. The Revenue Ledger: in accordance with the relevant Priority of Payments.
2. The Principal Ledger: in accordance with the relevant Priority of Payments **provided that** if on a CBC Payment Date an amount is credited or to be credited to the Principal Ledger pursuant to item (h) of the Post-Notice-to-Pay Priority of Payments and on such CBC Payment Date or during the CBC Payment Period starting on such CBC Payment Date there is an unexpected default by a Swap Provider in the performance of its obligation to pay to the CBC an amount (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) of interest or principal under any Interest Rate Swap or Structured Swap, then an amount equal to the lower of (i) the amount so credited or to be credited to the Principal Ledger and (ii) the amount by which the available proceeds in respect of such Series standing to the credit of the Swap Interest Ledger or Swap Principal Ledger falls short of the corresponding Scheduled Interest and/or Scheduled Principal that is Due for Payment in such CBC Payment Period under the Guarantee, shall on such CBC Payment Date or during such CBC Payment Period be credited to the Swap Interest Ledger or the Swap Principal Ledger, as the case may be.
3. The Swap Collateral Ledger: amounts may only be withdrawn (i) to return collateral to the relevant Swap Provider in accordance with the terms of the applicable Swap Agreement and collateral arrangements and (ii) following termination of the applicable Swap Agreement to the extent not required to satisfy any termination payment due to the relevant Swap Provider, (a) if a replacement

Swap Agreement is to be entered into, for credit to the Swap Replacement Ledger or (b) if no relevant Swap Agreement is to be entered into, for credit to the Revenue Ledger.

4. The Swap Replacement Ledger: amounts credited to the Swap Replacement Ledger will only be available to pay (i) any termination amount due to a Swap Provider in respect of a Swap Agreement which has terminated, (ii) any premium due to a replacement Swap Provider upon entry into a replacement Swap Agreement and (iii) to the extent in excess of amounts owed to Swap Providers in respect of (a) Swap Agreements which have terminated or (b) any premium payable to a replacement Swap Provider upon entry into a replacement Swap Agreement, for credit to the Revenue Ledger.
5. The Reserve Fund Ledger:
  - (a) if no Notice to Pay, Breach of Asset Cover Test Notice, Issuer Acceleration Notice or CBC Acceleration Notice has been served:
    - (i) the amounts standing to the credit of the Reserve Fund Ledger exceed the Reserve Fund Required Amount as at the relevant CBC Payment Date, then any amounts standing to the credit of the Reserve Fund Ledger which are no longer required to be so maintained shall be repaid to the Issuer; or
    - (ii) otherwise, shall be applied in accordance with the Pre-Notice-to-Pay Priority of Payments;
  - (b) if a Notice to Pay and an Issuer Acceleration Notice but no CBC Acceleration Notice has been served, the Reserve Fund Ledger will be debited in accordance with the Post-Notice to Pay Priority of Payments;
  - (c) if a CBC Acceleration Notice has been serviced, the Reserve Fund Ledger will be debited in accordance with the Post-CBC-Acceleration Notice Priority of Payments.
6. The Participation Ledger: Redemption Amounts standing to the credit of the Participation Ledger will only be available to be on-paid to the relevant Participant under the relevant Participation on a CBC Payment Date to which such Participant is entitled.
7. The Swap Interest Ledger: amounts that are credited to the Swap Interest Ledger in a CBC Payment Period in respect of a particular Series will only be available (i) to be on-paid to the Trustee or (if so directed by the Trustee) the Principal Paying Agent on behalf of the Covered Bondholders of such Series as Scheduled Interest that is Due for Payment in such CBC Payment Period under the Guarantee in respect of such Series and (ii) to the extent in excess of Scheduled Interest that is Due for Payment in such CBC Payment Period under the Guarantee in respect of such Series, for credit to the Revenue Ledger.
8. The Swap Principal Ledger: amounts that are credited to the Swap Principal Ledger in a CBC Payment Period in respect of a particular Series will only be available (i) to be on-paid to the Trustee or (if so directed by the Trustee) the Principal Paying Agent on behalf of the Covered Bondholders of such Series as Scheduled Principal that is Due for Payment under the Guarantee in respect of such Series and (ii) to the extent in excess of Scheduled Principal that is Due for Payment in such CBC Payment Period under the Guarantee in respect of such Series, for credit to the Principal Ledger.

## 7.2 Post-Notice-To-Pay Priority of Payments

On each CBC Payment Date following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay, but prior to the service of a CBC Acceleration Notice, the Administrator will apply (1) all monies standing to the credit of the CBC Accounts other than, if applicable, Available Revenue Receipts and Available Principal Receipts in accordance with the Administration Agreement, the AIC Account Agreement, the Trust Deed and any other Transaction Document and (2) all Available Revenue Receipts and all Available Principal Receipts on behalf of the CBC to make the following payments and provisions in the following order of priority (the "**Post-Notice-to-Pay Priority of Payments**"), in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

- (a) first, to the payment of all amounts due and payable or to become due and payable to the Trustee in the immediately following CBC Payment Period under the provisions of the Trust Deed (other than under the Parallel Debt), together with interest and plus any applicable VAT (or similar taxes) thereon as provided therein;
- (b) second, to the payment of (i) amounts equal to the minimum reportable taxable profit stated in the Dutch tax agreement obtained on behalf of the CBC to be deposited in the Capital Account from time to time and of (ii) taxes owing by the CBC to any tax authority accrued and unpaid (other than any Dutch corporate income tax in relation to the amounts equal to the minimum reportable taxable profit referred to under (i) above);
- (c) third, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Agents and any Registrar under or pursuant to the Agency Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein; and
  - (ii) any amounts then due and payable by the CBC to third parties and incurred without breach by the CBC of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the CBC in the immediately following CBC Payment Period and to pay or discharge any liability of the CBC for taxes;
- (d) fourth, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Servicers and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicers in the immediately following CBC Payment Period under the provisions of the Servicing Agreements;
  - (ii) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately following CBC Payment Period under the provisions of the Administration Agreement;
  - (iii) amounts (if any) due and payable to the Account Bank (including costs or charges relating to any negative interest applicable to the AIC Account) pursuant to the terms of the AIC Account Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein;
  - (iv) any amounts (including costs and expenses) due and payable to the Managing Director and the Trustee's Director pursuant to the Management Agreements, plus any applicable VAT (or similar taxes) thereon as provided therein; and
  - (v) any amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (j) below) pursuant to the terms of the Asset Monitor Appointment Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein;



- (e) fifth, to pay *pro rata* and *pari passu* according to the respective amounts owing thereto, to each Portfolio Swap Provider, all amounts in respect of each amount due and payable to a Portfolio Swap Provider in respect of the relevant Portfolio Swap (including any termination payment due and payable by the CBC under the relevant Swap Agreement (i) **provided that** any such termination payment shall not exceed an amount equal to the Capped Portfolio Termination Amount and (ii) excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;
- (f) sixth, to pay *pro rata* and *pari passu* according to the respective amounts owing thereto to the extent not paid or expected to be paid from the Swap Collateral Ledger, the Swap Interest Ledger or the Swap Replacement Ledger:
  - (i) to each Interest Rate Swap Provider, all amounts in respect of each Interest Rate Swap (including any termination payment due and payable by the CBC under the relevant Swap Agreement (or, in the case of a Swap Agreement which also governs a Portfolio Swap, the remaining portion thereof that is attributable to such Interest Rate Swap), but excluding any Excluded Swap Termination Amount), due and payable on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date in accordance with the terms of the relevant Swap Agreement;
  - (ii) to each Structured Swap Provider, all amounts in respect of each Structured Swap (including any termination payment due and payable by the CBC under the relevant Swap Agreement (or, in the case of a Swap Agreement which also governs a Portfolio Swap, the remaining portion thereof that is attributable to such Structured Swap), but excluding any Excluded Swap Termination Amount), other than in relation to principal due and payable on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date in accordance with the terms of the relevant Swap Agreement; and
  - (iii) to the Principal Paying Agent, any Scheduled Interest that is Due for Payment under the Guarantee in respect of each Series on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date;
- (g) seventh, to pay *pro rata* and *pari passu* according to the respective amounts owing thereto to the extent not paid or expected to be paid from the Swap Collateral Ledger, the Swap Principal Ledger or the Swap Replacement Ledger:
  - (iv) to each Structured Swap Provider, all amounts in respect of each Structured Swap (excluding any Excluded Swap Termination Amount) in relation to principal due and payable on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date in accordance with the terms of the relevant Swap Agreement; and
  - (v) to the Principal Paying Agent, any Scheduled Principal that is Due for Payment under the Guarantee in respect of each Series on such CBC Payment Date or in the CBC Payment Period starting on such CBC Payment Date;
- (h) eighth, to deposit the remaining monies in the AIC Account for application on the next following CBC Payment Date in accordance with the priority of payments described in paragraphs (a) to (g) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series);
- (i) ninth, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the CBC to the relevant Swap Provider under the relevant Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;
- (j) tenth, towards payment of any indemnity amount due to the Originators pursuant to the Guarantee Support Agreement and certain costs, expenses and indemnity amounts due by the CBC to the Asset Monitor pursuant to the Asset Monitor Appointment Agreement; and
- (k) eleventh, thereafter any remaining monies will be paid to the Issuer or, if the Issuer is subject to an Insolvency Proceeding, any Originator which is not subject to an Insolvency Proceeding, **provided**

**that** the CBC may assume that the Issuer and any Originator are not subject to an Insolvency Proceeding unless it has received at least five Business Days' prior written notice to the contrary from any Originator (and the CBC need not concern itself as to how such proceeds are allocated between the Originators).

For the purposes hereof:

**"Capped Portfolio Termination Amount"** means an amount equal to any amount that would have been determined as payable by the CBC (i) in respect of an Early Termination Date (as defined in the relevant Swap Agreement) under Section 6(e) (*Payments on Early Termination*) of the relevant Swap Agreement if it is in the form of a 1992 (Multicurrency - Cross Border) ISDA Master Agreement or (ii) as Early Termination Amount under the relevant Swap Agreement if it is in the form of a 2002 ISDA Master Agreement, in each case before the application of any set-off, as if the relevant Portfolio Swap had been the sole Swap entered into under such Swap Agreement;

**"CBC Payment Period"** means each period from (and including) a CBC Payment Date to (but excluding) the next CBC Payment Date;

**"Excluded Swap Termination Amount"** means, in relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable to the relevant Swap Provider as a result of a Swap Provider Default or Swap Provider Downgrade Event with respect to such Swap Provider;

**"Hedged Series Amount"** means an amount listed in paragraph (f)(iii) or (g)(ii), as the case may be, of the Post-Notice-to-Pay Priority of Payments and relating to any outstanding Series which is the subject of an Interest Rate Swap and/or a Portfolio Swap and/or a Structured Swap, as the case may be, and which is as of the relevant CBC Payment Date expected to be paid from the Swap Interest Ledger or the Swap Principal Ledger, as the case may be;

**"Swap Provider Downgrade Event"** means the occurrence of any Additional Termination Event as described in the Schedule forming part of a Swap Agreement and any similar provision of the Schedule forming part of any other Swap Agreement; and

**"Third Party Amounts"** means any amounts due and payable by the CBC to third parties that are not provided for payment elsewhere in the relevant Priority of Payments and incurred by the CBC in the ordinary course of its business which amounts may be paid daily from monies on deposit in the AIC Account.

### 7.3 Post-CBC-Acceleration-Notice Priority of Payments

Under the terms of the Trust Deed, each of the Secured Creditors agrees that all monies received or recovered by the Trustee or any other Secured Creditor (whether in the administration, liquidation of the CBC or otherwise) following the occurrence of a CBC Event of Default and service of a CBC Acceleration Notice (other than, if applicable, amounts standing to the credit of the Participation Ledger or the Swap Collateral Ledger, or required to be deducted pursuant to paragraph (a)(iii) of the definition of Principal Receipts, which will continue to be applied in accordance with the provisions of the Administration Agreement pertaining to the Participation Ledger and the Swap Collateral Ledger) will be applied following the enforcement of the Security in the following order of priority (the "**Post-CBC-Acceleration-Notice Priority of Payments**"), in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

- (a) first, in or towards satisfaction of all amounts due and payable or to become due and payable to the Trustee under the provisions of the Trust Deed (other than under the Parallel Debt) together with interest and any applicable VAT (or similar taxes) thereon;
- (b) second, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any remuneration then due and payable to the Agents and any Registrar under or pursuant to the Agency Agreement plus any applicable VAT (or similar taxes) thereon as provided therein;
- (c) third, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of:
  - (i) any remuneration then due and payable to the Servicers and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicers under the provisions of the Servicing Agreements;
  - (ii) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator under the provisions of the Administration Agreement;
  - (iii) amounts (if any) due and payable to the Account Bank (including costs or charges relating to any negative interest applicable to the AIC Account) pursuant to the terms of the AIC Account Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein; and
  - (iv) amounts (including costs and expenses) due to the Managing Director and the Trustee's Director pursuant to the terms of the Management Agreements, plus any applicable VAT (or similar taxes) thereon as provided therein;
- (d) fourth, to pay *pro rata* and *pari passu* according to the respective amounts owing thereto, to each Portfolio Swap Provider, all amounts in respect of each amount due and payable to a Portfolio Swap Provider in respect of the relevant Portfolio Swap (including any termination payment due and payable by the CBC under the relevant Swap Agreement (i) **provided that** any such termination payment shall not exceed an amount equal to the Capped Portfolio Termination Amount and (ii) excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;
- (e) fifth, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to the Interest Rate Swap Providers in respect of each Interest Rate Swap under the Swap Agreements (including any termination payment due and payable by the CBC under such Swap Agreement (or, in the case of a Swap Agreement which also governs a Portfolio Swap, the remaining portion thereof that is attributable to such Interest Rate Swap), but excluding any Excluded Swap Termination Amounts) pursuant to the respective terms of the relevant Swap Agreements to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;

- (f) sixth, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger:
  - (i) to each Structured Swap Provider in respect of each Structured Swap under the relevant Swap Agreement (including any termination payment due and payable by the CBC under such Swap Agreement (or, in the case of a Swap Agreement which also governs a Portfolio Swap, the remaining portion thereof that is attributable to such Structured Swap), but excluding any Excluded Swap Termination Amounts); and
  - (ii) to the Principal Paying Agent for payment to the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series in accordance with the Guarantee;
- (g) seventh, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the CBC to the relevant Swap Provider under the relevant Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger; and
- (h) eighth, thereafter any remaining monies will be paid to the Issuer or, if the Issuer is subject to an Insolvency Proceeding, any Originator which is not subject to an Insolvency Proceeding, **provided that** the CBC may assume that the Issuer and any Originator are not subject to an Insolvency Proceeding unless it has received at least five Business Days' prior written notice to the contrary from any Originator (and the CBC need not concern itself as to how such proceeds are allocated between the Originators).

## 7.4 CBC Accounts

### AIC Account

Pursuant to the terms of an AIC Account Agreement dated the Programme Date between the CBC, Rabobank as account bank (in such capacity, the "**Account Bank**"), and the Trustee (the "**AIC Account Agreement**"), the CBC will maintain, with the Account Bank, the AIC Account:

- (a) into which are paid all amounts received by the CBC in respect of Transferred Assets; and
- (b) monies standing to the credit of which will on each CBC Payment Date be applied by the Administrator in accordance with the relevant Priority of Payments.

If the rating of the Account Bank is not at least the Minimum Account Bank Ratings then within the relevant time period determined to be applicable or agreed to by a relevant Rating Agency from time to time:

- (a) the AIC Account will need to be closed and new accounts will need to be opened under the terms of a new AIC Account Agreement substantially on the same terms as the AIC Account Agreement opened with a financial institution (i) having a rating of at least the Minimum Account Bank Ratings and (ii) having the regulatory capacity for offering such services as a matter of Dutch law;
- (b) the Account Bank will need to obtain a guarantee of its obligations under the AIC Account Agreement on terms acceptable to the Trustee, acting reasonably, from a financial institution whose relevant ratings are at least the Minimum Account Bank Ratings; or
- (c) any other action will need to be taken,

(in each case, **provided that** Rating Agency Confirmation has been obtained) unless the Rating Agency confirms that its then current rating of the Covered Bonds will not be adversely affected as a result of the ratings of the Account Bank falling below the Minimum Account Bank Ratings (or the reason for this having occurred) within the applicable time period specified in the AIC Account Agreement, of such downgrade. If the Rating Agency Confirmations are given as above, for this purpose only, reference to the Minimum Account Bank Ratings shall be deemed to be instead the relevant rating of the Account Bank at the time of such confirmations, but the original rating shall be reinstated if the relevant rating of the Account Bank is subsequently upgraded to the original level.

Pursuant to the AIC Account Agreement, the Account Bank has agreed to pay interest on the monies standing to the credit of the AIC Account at specified rates determined in accordance with the AIC Account Agreement. If either the Account Bank shows evidence to the satisfaction of the Issuer, the CBC and the Trustee that the AIC Rate as defined in the Incorporated Terms Memorandum is no longer economically feasible to it or upon a reasonable request thereto from the Issuer, the CBC and/or the Trustee to the Account Bank to review the then current AIC Rate, the rate of interest in respect of the AIC Account shall be equal to the rate as reasonably determined by the Account Bank in good faith. If any recognised overnight benchmark rate or any official overnight interest rate set by a central bank or other monetary authority is negative or zero the Account Bank may apply a charge to any such AIC Account or balances. The Account Bank will give each of the CBC and the Trustee prompt written notice of the application of any such charges and of the methodology by which they are applied.

### Foreign Currency Accounts

If a Notification Event occurs or a Notice to Pay, Breach of Asset Cover Test Notice or CBC Acceleration Notice is served, and the Issuer has any Covered Bonds denominated in a currency other than euro outstanding or issues such Covered Bonds at any time thereafter, the Administrator shall, on behalf of the CBC, establish and maintain an account in that currency and, unless otherwise specified in the Transaction Documents, all amounts received by the CBC in that currency shall be promptly deposited into such account.

### Capital Account

The CBC also opened an account with Rabobank into which its paid-up share capital (*gestort aandelenkapitaal*) has been deposited (the "**Capital Account**"). The minimum reportable taxable profit

will be deposited in such Capital Account. No security rights are granted over the amounts standing to the credit of such Capital Account.

For the purposes hereof:

**"AIC Account"** means the account designated as the "AIC Account" in the name of the CBC held with the Account Bank and maintained subject to the terms of the AIC Account Agreement and the Accounts Pledge or such additional or replacement account as may be for the time being in place with the prior consent of the Trustee;

**"AIC Rate"** means the rate of interest accruing on the balance standing to the credit of the AIC Account equal to the rate of EONIA;

**"CBC Accounts"** means the AIC Account, any foreign currency account and any additional or replacement accounts opened in the name of the CBC, excluding the Capital Account;

**"EONIA"** means the rate administered by the European Banking Federation (or any person that takes over the administration of that rate) displayed on the page EONIA= of the Reuters screen (or any replacement Reuters page which displays that rate);

**"Minimum Account Bank Ratings"** means the minimum ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time in respect of the Account Bank or other relevant financial institution or institutions, being as at the 2018 Programme Date in respect of the Account Bank, a short-term bank deposit rating of 'P-1' by Moody's; and

**"Priority of Payments"** means the Pre-Notice-to-Pay Priority of Payments, the Post-Notice-to-Pay Priority of Payments or the Post CBC-Acceleration-Notice Priority of Payments, as the case may be.

## **8. GENERAL INFORMATION**

### **Authorisation**

The Programme and the issue of Covered Bonds under the Programme have been duly authorised by resolutions of the Board of Managing Directors of the Issuer dated 14 November 2016. The Board of Managing Directors and the Supervisory Board of the Issuer have authorised the issue of Covered Bonds by resolutions dated 29 November 2016. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of the Netherlands have been given for the issue of Covered Bonds and for the Issuer to undertake and perform its obligations under the Programme Agreement, the Agency Agreement and the Covered Bonds. The update and amendment to the Programme was authorised by Rabobank by a resolution of the Board of Managing Directors of Rabobank passed on 27 November 2017 and by a resolution of the Supervisory Board passed on 28 November 2017.

The giving of the Guarantee and the entry into of the Transaction Documents (to which the CBC is a party) has been duly authorised by resolutions of the Board of Managing Directors of the CBC dated 4 May 2017. The update and amendments to the Programme were authorised by the CBC by a resolution of the Board of Managing Directors of the CBC dated 7 May 2018.

### **Listing of Covered Bonds**

Application has been made to (i) listing on Euronext Amsterdam and (ii) listing on the Luxembourg Stock Exchange Official List and admission to trading on the regulated market of the Luxembourg Stock Exchange, in each case, for the Covered Bonds to be issued under the Programme to be admitted to listing, during the period of 12 months from the 2018 Programme Date. For so long as the Covered Bonds are listed on Euronext Amsterdam there will be a paying agent in the Netherlands. Citibank, N.A., London Branch has been appointed as the principal paying agent in the Netherlands.

### **Documents Available**

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will be available, free of charge, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer at Croeselaan 18, 3521 CB Utrecht, The Netherlands and from the specified office of the Listing Agent and the Principal Paying Agent:

- (a) copies of the documents listed under Section D.1 Incorporation by Reference;
- (b) English translation of the most recent articles of association (statuten) of the Issuer, the Trustee and the CBC;
- (c) a copy of this Base Prospectus;
- (d) any future base prospectuses, information memoranda and supplements including Final Terms (including Final Terms relating to any unlisted Covered Bond) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (e) each of the following documents listed below:
  - Administration Agreement;
  - Agency Agreement;
  - AIC Account Agreement;
  - Asset Monitor Agreement;
  - Asset Monitor Appointment Agreement;
  - each Beneficiary Waiver Agreement;

- each Deed of Assignment and Pledge (as defined in the Incorporated Terms Memorandum);
- each Deed of Re-Assignment and Release (as defined in the Incorporated Terms Memorandum);
- Guarantee Support Agreement;
- Incorporated Terms Memorandum;
- Initial Servicing Agreement;
- each Management Agreement (as defined in the Incorporated Terms Memorandum);
- each Master Sub-Participation Agreement;
- Programme Agreement (including a form of subscription agreement (a "**Subscription Agreement**"));
- each Security Document;
- each Swap Agreement;
- Swap Undertaking Letter;
- Trust Deed (which contains the forms of the Temporary Global Covered Bonds and Permanent Global Covered Bonds, the Definitive Covered Bonds, the Receipts, the Coupons, the Talons and the Registered Covered Bonds); and
- Issuer-ICSD Agreement.

The documents set out above are, together with each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement), in this Base Prospectus collectively referred to as: the "**Transaction Documents**".

### **Clearing Systems**

The Bearer Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg, Euroclear Netherlands and/or any other agreed clearing system. The appropriate Common Code and ISIN Code for each Tranche of Bearer Covered Bonds allocated by Euroclear, Clearstream, Luxembourg and for Bearer Covered Bonds deposited with Euroclear Netherlands by Euronext Amsterdam or Clearnet S.A. Amsterdam Branch Stock Clearing or any other relevant security code will be specified in the applicable Final Terms. If the Bearer Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

### **Material Adverse or Significant Change**

There has been no significant change in the financial or trading position of the Issuer or of Rabobank Group, and there has been no material adverse change in the financial position or prospects of the Issuer or of Rabobank Group, since 31 December 2017.

There has been no (i) material adverse change in the prospects of or (ii) significant change in the financial or trading position of, in each case, the CBC since 31 December 2017.

### **Litigation**

Save as disclosed in the section entitled "*Legal and arbitration proceedings*" on page 93 and 94 of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering the 12 months



preceding the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the Issuer's and/or Rabobank Group's financial position or profitability.

The CBC is not and has not been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the CBC is aware), which may have, or have had since 31 December 2017, a significant effect on the financial position or profitability of the CBC.

### **Auditors**

Ernst & Young Accountants LLP, of which the "registeraccountants" are members of the Royal NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants* – The Royal Netherlands Institute of Chartered Accountants), has audited, and issued unqualified independent auditor's reports, on the unconsolidated financial statements of Coöperatieve Rabobank U.A. for the year ended 31 December 2015 and on the consolidated financial statements of Rabobank Group for the year ended 31 December 2015.

The consolidated financial statements of Coöperatieve Rabobank U.A. and its subsidiaries and the company financial statements of Coöperatieve Rabobank U.A. as of and for the years ended 31 December 2017 and 31 December 2016, incorporated by reference in this Prospectus, have been audited by PricewaterhouseCoopers Accountants N.V., an independent registered public accounting firm, as stated in their auditor's reports incorporated by reference herein. The auditor signing the auditor's report on behalf of PricewaterhouseCoopers is a member of the Royal Netherlands Institute of Chartered Accountants (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*).

The auditors of the CBC are PricewaterhouseCoopers Accountants N.V. The individual auditors which are "registeraccountants" of the CBC's current auditor, being PricewaterhouseCoopers Accountants N.V., are members of the Royal Netherlands Institute of Chartered Accountants (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*). PricewaterhouseCoopers Accountants N.V. has audited, and issued unqualified independent auditor's reports, on the financial statements of the CBC for the year ended 31 December 2017.

### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issue of Covered Bonds.

### **Legal Entity Identifier**

The Legal Entity Identifier (LEI) code of the Issuer is DG3RU1DBUFHT4ZF9WN62.

### **Reports**

The Trust Deed provides that the Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

### **US Taxes**

The Covered Bonds in bearer form for U.S. federal income tax purposes will bear a legend to the following effect: 'any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code.

The sections referred to in such legend provide that a United States person who holds a Covered Bond will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Covered Bond and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

**Non-Petition**

For so long as any Covered Bonds are outstanding, each Originator has agreed that it will not terminate or purport to terminate the CBC or institute any winding-up, administration, Insolvency Proceedings or other similar proceedings against the CBC. Furthermore, the Originators have agreed amongst other things not to demand or receive payment of any amounts payable by the CBC (or the Administrator on its behalf) or the Trustee unless all amounts then due and payable by the CBC to all other creditors ranking higher in the relevant Priority of Payments have been paid in full.

**Limited Recourse**

Each Transaction Party (as defined in the Incorporated Terms Memorandum) has agreed with the CBC that, notwithstanding any other provision of any Transaction Document, all obligations of the CBC to such Transaction Party are limited in recourse as set out in the limited recourse provisions of the Incorporated Terms Memorandum.

**Governing Law**

All Transaction Documents other than the Swap Agreements are governed by Dutch law. The Swap Agreements are governed by English law.

**Responsibility Statement**

The Issuer accepts responsibility for the information contained in this Base Prospectus and the CBC accepts responsibility for the information contained in this Base Prospectus relating to the CBC, and each declares that, having taken all reasonable care to ensure that such is the case, the information (in the case of the CBC, as such information relates to it) contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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## **ISSUER**

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*To Coöperatieve Rabobank U.A.*

*up until the financial year ended  
31 December 2015*

*from the financial year commencing  
1 January 2016*

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## LISTING AGENT

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