

## IMPORTANT NOTICE

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached Prospectus accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access.

**Confirmation of Your Representation:** You have been sent the attached Prospectus on the basis that you have confirmed to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc (the “**Joint Lead Managers**”) being the sender of the attached, (i) that the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any State of the United States and the District of Columbia; and which include Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands and (ii) that you consent to delivery by electronic transmission.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) (the “**Issuer**”) or the Joint Lead Managers and any person who controls any of them or any director, officer, employee or agent of the Issuer or any Joint Lead Manager or any person who controls either of them or any affiliate of any of the foregoing accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer or any Joint Lead Manager.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession the attached Prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not nor are you authorised to deliver the attached Prospectus to any other person.

**Restrictions on marketing and sales to retail investors:** The Capital Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Capital Securities to retail investors.

In particular, in August 2014, the U.K. Financial Conduct Authority published the TMR which took effect on 1 October 2014. Under the rules set out in the TMR (as amended or replaced from time to time, the “**TMR Rules**”), certain contingent write-down or convertible securities, such as the Capital Securities, must not be sold to retail clients in the European Economic Area (the “**EEA**”) and nothing may be done that would or might result in the buying of such securities or the holding of a beneficial interest in such securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than in accordance with the limited exemptions set out in the TMR Rules.

The Joint Lead Managers are required to comply with the TMR Rules. By purchasing, or making or accepting an offer to purchase, any Capital Securities from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with, and undertakes to, the Issuer and the Joint Lead Managers that:

- (i) it is not a retail client in the EEA (as defined in the TMR Rules);
- (ii) whether or not it is subject to the TMR Rules, it will not sell or offer the Capital Securities to retail clients in the EEA or do anything (including the distribution of the Prospectus) that would or might result in the buying of the Capital Securities or the holding of a beneficial interest in the Capital

Securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than (i) in relation to any sale or offer to sell Capital Securities to a retail client in or resident in the United Kingdom (the “UK”), in circumstances that do not and will not give rise to a contravention of the TMR Rules by any person and/or (ii) in relation to any sale or offer to sell Capital Securities to a retail client in any EEA member state other than the UK, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Capital Securities and is able to bear the potential losses involved in an investment in the Capital Securities and (b) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) (“MiFID”) to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

- (iii) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Capital Securities, including any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Capital Securities by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Capital Securities from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

**Restrictions:** Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction. Any securities to be issued will not be registered under the Securities Act of 1933 (the “Securities Act”) and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as such terms are defined in Regulation S under the Securities Act) unless registered under the Securities Act or pursuant to an exemption from such registration.

The attached Prospectus may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever, and in particular, may not be forwarded to any U.S. person or to any U.S. address. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Under no circumstances shall the attached Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The attached Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.



**Rabobank**

**Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank)  
EUR 1,500,000,000 Perpetual Additional Tier 1 Contingent Temporary Write Down  
Capital Securities**

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**Issue Price of the Capital Securities: 100 per cent.**

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The EUR 1,500,000,000 Perpetual Additional Tier 1 Contingent Temporary Write Down Capital Securities (the “**Capital Securities**”) will be issued by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) (“**Rabobank**”, the “**Issuer**” or the “**Bank**”). The Capital Securities will constitute direct, unsecured and subordinated obligations of the Issuer and shall rank at all times *pari passu* and without any preference among themselves.

Interest on the Capital Securities will accrue on their Prevailing Principal Amount (as defined in ‘*Terms and Conditions of the Capital Securities*’) from (and including) 22 January 2015 (the “**Issue Date**”) to (but excluding) 29 June 2020 (the “**First Reset Date**”) at an initial rate of 5.50 per cent. per annum, and will, subject as provided below, be payable semi-annually in arrear on 29 June and 29 December in each year, except that there will be a short first Interest Period of 158 days, beginning on (and including) the Issue Date and ending on (but excluding) the 29 June 2015. Interest on the Capital Securities shall accrue from (and including) the First Reset Date, at a rate, to be reset every five years thereafter, based on the Reset Reference Rate (as defined in ‘*Terms and Conditions of the Capital Securities*’) plus 5.25 per cent. Payments on the Capital Securities will be made without deduction for, or on account of, taxes of the Netherlands to the extent described under ‘*Terms and Conditions of the Capital Securities – Taxation*’. The Issuer may, in its sole discretion, elect to cancel the payment of interest on the Capital Securities (in whole or in part) on any Interest Payment Date, and payments of interest may be subject to mandatory cancellation, as more particularly described under ‘*Terms and Conditions of the Capital Securities – Cancellation of Interest*’.

**The Prevailing Principal Amount of the Capital Securities will be written down if the CET1 Ratio of the Rabobank Group has fallen below 7 per cent. and/or the CET1 Ratio of the Local Rabobank Group has fallen below 5.125 per cent. (a “Trigger Event”, as further defined in ‘*Terms and Conditions of the Capital Securities*’) occurs. The Trigger Event relates to the solvency levels on which Rabobank is supervised. The Local Rabobank Group comprises Rabobank and the consolidated total of local Rabobanks. Rabobank Group comprises Rabobank, its members (being the local Rabobanks in the Netherlands) and a number of specialised subsidiaries. Holders may lose some or all of their investment in the Capital Securities as a result of such a write-down. Following such reduction, the Prevailing Principal Amount may, at the Issuer’s discretion, be written up (but never above the Initial Principal Amount (as defined in ‘*Terms and Conditions of the Capital Securities*’)) if certain conditions are met. See ‘*Terms and Conditions of the Capital Securities – Write Down and Write Up*’.**

The Capital Securities will be perpetual securities, have no fixed or final redemption date and holders of the Capital Securities (the “**Holders**”) do not have the right to call for their redemption. Subject to satisfaction of certain conditions (as described herein) and applicable law, the Capital Securities may be redeemable (at the option of the Issuer) on 29 June 2020 (the “**First Call Date**”), or on each Interest Payment Date thereafter, in whole but not in part in an amount equal to the Prevailing Principal Amount together with any Outstanding Payments (each as defined in ‘*Terms and Conditions of the Capital Securities*’). In addition, upon the occurrence of a Capital Event or a Tax Law Change (each as defined in ‘*Terms and Conditions of the Capital Securities*’), the Capital Securities may be redeemed (at the option of the Issuer) in whole but not in part in an amount equal to their Prevailing Principal Amount together with any Outstanding Payments, as further described herein. Upon the occurrence of a Capital Event, the Issuer may substitute, or vary the terms of, the Capital Securities so that they remain or, as appropriate, become Compliant Securities (as defined in ‘*Terms and Conditions of the Capital Securities*’).

Application has been made to the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten* or “**AFM**”), in its capacity as competent authority under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and regulations thereunder (together “**Dutch securities laws**”), for the approval of this Prospectus for the purposes of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the “**Prospectus Directive**”). Application has also been made for the Capital Securities to be admitted to trading on NYSE Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. (“**Euronext Amsterdam**”). References in this Prospectus to the Capital Securities being

“**listed**” (and all related references) shall mean that the Capital Securities have been admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and the Council on Markets in Financial Instruments.

The denominations of the Capital Securities shall be EUR 200,000 and integral multiples of EUR 1,000 in excess thereof, up to and including EUR 399,000. The Capital Securities will initially be represented by a temporary global capital security without interest coupons in bearer form (the “**Temporary Global Capital Security**”), which will be deposited with a common depository on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) on the Issue Date. The Temporary Global Capital Security will be exchangeable for interests in a global capital security (the “**Global Capital Security**”), without interest coupons, on or after a date which is expected to be 4 March 2015, upon certification as to non-US beneficial ownership. Individual definitive Capital Securities in bearer form (“**Definitive Capital Securities**”) will only be available in certain limited circumstances as described herein. See “*Summary of the Provisions Relating to the Capital Securities while in Global Form*”.

The Capital Securities are expected upon issue to be rated Baa3 and BBB by Moody’s Investors Service Limited (“**Moody’s**”) and Fitch Ratings Limited (“**Fitch**”), respectively. 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.

The credit ratings included or referred to in this Prospectus have been issued by Moody’s and Fitch, each of which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

**The Capital Securities are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (as amended or replaced from time to time, the “TMR”) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed “Restrictions on marketing and sales to retail investors” on pages 3 to 4 of this Prospectus for further information.**

Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus.

#### *Joint Lead Managers*

**Credit Suisse**

**Morgan Stanley**

**J.P. Morgan**

**Rabobank**

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see “*Important Information - Documents Incorporated by Reference*” below).

The Capital Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”). Subject to certain exceptions, Capital Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act).

**EACH PURCHASER OF THE CAPITAL SECURITIES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE CAPITAL SECURITIES OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE CAPITAL SECURITIES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NEITHER THE ISSUER NOR THE JOINT LEAD MANAGERS SHALL HAVE ANY RESPONSIBILITY THEREFOR.**

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers (as defined in “*Subscription and Sale*” below) to subscribe or purchase, any of the Capital Securities. The distribution of this Prospectus and the offering of the Capital Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of further restrictions on offers and sales of Capital Securities and distribution of this Prospectus see “*Subscription and Sale*” below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Capital Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities plc or Morgan Stanley & Co. International plc have separately verified the information contained in this Prospectus. Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc make no representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statements are or should be considered as a recommendation by the Issuer or the Joint Lead Managers that any recipient of this Prospectus or any other financial statements should purchase the Capital Securities. Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Capital Securities. Each potential purchaser of Capital Securities should determine for itself the relevance of the information contained in this Prospectus and its purchase of Capital Securities should be based upon such investigation as it deems necessary.

## Restrictions on marketing and sales to retail investors

The Capital Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Capital Securities to retail investors.

In particular, in August 2014, the U.K. Financial Conduct Authority (the “FCA”) published the TMR which took effect on 1 October 2014. Under the rules set out in the TMR (as amended or replaced from time to time, the “TMR Rules”), certain contingent write-down or convertible securities, such as the Capital Securities, must not be sold to retail clients in the European Economic Area (the “EEA”) and nothing may be done that would or might result in the buying of such securities or the holding of a beneficial interest in such securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than in accordance with the limited exemptions set out in the TMR Rules.

The Joint Lead Managers are required to comply with the TMR Rules. By purchasing, or making or accepting an offer to purchase, any Capital Securities from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with, and undertakes to, the Issuer and the Joint Lead Managers that:

- (a) it is not a retail client in the EEA (as defined in the TMR Rules);
- (b) whether or not it is subject to the TMR Rules, it will not sell or offer the Capital Securities to retail clients in the EEA or do anything (including the distribution of this Information Memorandum) that would or might result in the buying of the Capital Securities or the holding of a beneficial interest in the Capital Securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than (i) in relation to any sale or offer to sell Capital Securities to a retail client in or resident in the United Kingdom (the “UK”), in circumstances that do not and will not give rise to a contravention of the TMR Rules by any person and/or (ii) in relation to any sale or offer to sell Capital Securities to a retail client in any EEA member state other than the UK, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Capital Securities and is able to bear the potential losses involved in an investment in the Capital Securities and (b) it has at all times acted in relation to such sale or offer in compliance with MiFID to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and
- (c) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Capital Securities, including any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Capital Securities by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Capital Securities from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Unless the context otherwise requires, references in this Prospectus to “**Rabobank Group**” or the “**Group**” are to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. together with its branches and consolidated subsidiaries and its local Rabobanks. References in this Prospectus to “**Local Rabobank Group**” are to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., where its subsidiaries are not consolidated, and its local Rabobanks.

Unless otherwise specified or the context requires, references to “**EUR**” and “**€**” are to euro, which means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community.

In connection with this issue of Capital Securities, Morgan Stanley & Co. International plc (the “**Stabilising Manager**”) (or persons acting on behalf of any Stabilising Manager) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Capital Securities and 60 days after the date of the allotment of the Capital Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

All figures in this Prospectus have not been audited, unless stated otherwise. Such figures are internal figures of Rabobank, the Local Rabobank Group or Rabobank Group.

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## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Capital Securities. All 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.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Capital Securities are also described below.*

*The Issuer believes that the factors described below represent risks inherent in investing in the Capital Securities, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Capital Securities may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Capital Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

*Capitalised terms used herein shall, unless otherwise defined, have the same meanings as in the terms and conditions of the Capital Securities (the “**Conditions**”).*

### **Factors that may affect the Issuer’s ability to fulfil its obligations under the Capital Securities**

#### ***Business and general economic conditions***

The profitability of Rabobank Group could be adversely affected by a worsening of general economic conditions in the Netherlands and/or globally. Banks are still facing persistent turmoil in financial markets following the European sovereign debt crisis that arose in the first half of 2010 and has continued. In 2013, the Dutch economy contracted more than foreseen and was characterised by low consumer spending, rising unemployment, a stagnated housing market and a lack of business investments. These factors have resulted in reduced borrowing and interest rates, and increases in impaired loans. Despite modest economic growth beginning in the fourth quarter of 2013, it is expected that, once reported, economic growth in 2014 will also be very limited, as structural reform in the Dutch economy and throughout Europe has led to higher unemployment, lower household purchasing power and low business investments. 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. Interest rates remained low in 2013 and 2014. Persistent low interest rates have negatively affected and continue to negatively affect the net interest income of Rabobank Group. Also, a prolonged 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 and worsening of the Dutch and global economy could reduce the value of Rabobank Group’s assets and could cause Rabobank Group to incur further 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 — Factors affecting results of operations — General market conditions*”. Continuing volatility in the financial markets or a protracted economic downturn in the Netherlands or Rabobank Group’s other major markets could have a material adverse effect on Rabobank Group’s results of operations.

### ***Credit risk***

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, 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. A further economic downturn or worsening of the European sovereign debt crisis may result in an increase in credit risk and, consequently, loan losses that are above Rabobank Group’s long-term average, which could have a material adverse effect on Rabobank Group’s results of operations.

### ***Country risk***

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 and/or collective debtor risk could have a material adverse effect on Rabobank Group’s results of operations.

### ***Interest rate and inflation risk***

Interest rate risk is the risk, outside the trading environment, of deviations in net interest income and/or the market value of capital 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, can be adjusted immediately. This does not apply to the majority of Rabobank Group’s assets, such as mortgages, which have longer interest rate fixation periods. Sudden and substantial changes in 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 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.

### ***Funding and liquidity risk***

Liquidity risk is the risk that not all (re)payment commitments can be met. This could happen if clients or other professional counterparties suddenly withdraw more funding than expected, which cannot be met by Rabobank Group’s cash resources or by selling or pledging assets or by borrowing funds from third parties. Important factors in preventing this are preserving the trust of customers for retail funding and maintaining access to financial markets for wholesale funding. If either of these was seriously threatened, this could have a material adverse effect on Rabobank Group’s results of operations.

### ***Market risk***

The value of Rabobank Group’s trading portfolio is affected by changes in market prices, such as interest rates, equities, currencies, certain commodities and derivatives. Any future worsening of the situation in the financial markets could have a material adverse effect on Rabobank Group’s results of operations.

### ***Currency risk***

Rabobank Group is an internationally active bank. As such, part of its capital is invested in foreign activities. This gives rise to currency risk, in the form of translation risk. In addition, the trading books are exposed to market risk, in that they can have positions that are affected by changes in the exchange rate of currencies. Sudden and substantial changes in the exchange rates of currencies could have a material adverse effect on Rabobank Group's results of operations.

### ***Operational risk***

As a risk type, operational risk has acquired its own distinct position in the banking world. It is defined within the Rabobank Group as "the risk of losses resulting from inadequate or failed internal processes, people or systems or by external events". Rabobank Group operates within the current regulatory framework as regards measuring and managing operational risk, including holding capital for this risk. Events of recent decades 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, claims relating to inadequate products, inadequate documentation, losses due to poor occupational health and safety conditions, errors in transaction processing and system failures. The occurrence of any such incidents or additional cost of being in compliance with new regulation could have a material adverse effect on Rabobank Group's reputation and results of operations.

### ***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 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 the Rabobank Group, are experiencing heightened 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 the Rabobank Group to restructure its operations and activities, any of which could have a negative impact on the Rabobank Group's reputation or impose additional operational costs, and could have a material adverse effect on the Rabobank Group's results of operations.

### ***Tax risk***

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 results of operations or lead to regulatory enforcement action or may have a negative impact on Rabobank's reputation.

### *Systemic risk*

Rabobank Group could be negatively affected by the weakness and/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 and/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 and its results of operations.

### *Effect of governmental policy and regulation*

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, the United States and elsewhere. Areas where changes could have an impact include, but are not limited to: 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.

As of 1 October 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 at 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. In 2013, Rabobank Group paid €197 million of the €600 million bank tax and in 2014, Rabobank Group paid €167 million bank tax.

On 1 February 2013, the Dutch state nationalised the Dutch banking and insurance group SNS Reaal. To finance this operation, a special, one-off resolution levy of €1 billion was imposed on banks based in the Netherlands. Rabobank Group’s share of the resolution levy (€320 million) was paid in 2014. If further financial institutions are bailed out, additional taxes or levies could be imposed, which may have a material adverse effect on Rabobank’s results of operations.

Moreover, in 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, will come into force. The target level of the scheme will be 1 per cent. of total guaranteed deposits in the Netherlands, or €4 billion. Each bank will be required to pay a base premium of 0.0167 per cent. per quarter of its total guaranteed deposits in the Netherlands. A risk add-on may be

charged depending on the risk-weighting of the bank. The Dutch Deposit Guarantee Scheme was originally planned to be introduced in 2012, however, the introduction of the new financing method was postponed to 1 July 2015. Furthermore the Single Resolution Mechanism (see the risk factor entitled “*Bank recovery and resolution regimes*”) and other new European rules on deposit guarantee schemes will both have an impact on the Rabobank Group in the years to come. All these factors may have material adverse effects on Rabobank Group’s results of operations.

In February 2013, the European Commission issued a proposal for a financial transactions tax. The financial transactions tax would be levied on transactions involving certain financial instruments by financial institutions with an established link to one of the 11 participating member states. These participating member states are Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. The financial transactions tax would be assessed on a transaction either if one of the parties is established in one of the 11 participating member states or if the transaction involves financial instruments issued in one of the 11 participating member states. 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 European Council, 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, may have a material adverse effect on Rabobank Group’s results of operations.

As of 1 July 2013, a personal mortgage loan may not be higher than €290,000 to be eligible for being secured by the Dutch Homeownership Guarantee Fund (*Stichting Waarborgfonds Eigen Woningen* or “**WEW**”), an institution that was founded by the Dutch government in 1993, through the National Mortgage Guarantee Scheme (*Nationale Hypotheek Garantie* or “**NHG**”). As of 1 July 2014, this maximum was reduced to €265,000. As of 1 January 2014, lenders are liable to pay 10 per cent. of the guaranteed loss of new mortgage loans provided under NHG for which an offer was made as of 1 January 2014.

In 2013, the tax deductibility of mortgage loan interest payments for Dutch homeowners has been restricted. As of 1 January 2013, 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 a residential mortgage has been reduced from 106 per cent. to 105 per cent. of the value of the property. This maximum will be further reduced (by 1 percentage point each year) 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 will be gradually reduced as of 1 January 2014. For taxpayers previously deducting mortgage interest at the highest income tax rate (52 per cent.), the interest deductibility will decrease annually at a rate of 0.5 percentage points, from 52 per cent. to 38 per cent. Changes in governmental policy or regulation with respect to the Dutch housing market could have a material adverse effect on Rabobank Group’s results of operations.

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 United States Commodity Futures Trading Commission (“**CFTC**”) and the Financial Stability Oversight Council (the “**FSOC**”). While many of the implementing rules have been finalised, significant uncertainty remains about the implementation, timing and impact of many of such rules.

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) OTC derivatives, (v) the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity (the so-called “**Volcker Rule**”) and (vi) consumer and investor protection. Implementation of the Dodd-Frank Act and related final regulations is expected to take several years and could result in significant costs and potential limitations on Rabobank Group’s businesses and may have material adverse effects on Rabobank Group’s results of operations.

On 10 December 2013, the five U.S. federal financial regulatory agencies adopted final regulations to implement the Volcker Rule. The regulations will impose significant limitations and costs across all of Rabobank Group’s subsidiaries and affiliates. While the regulations contain a number of exceptions that will permit Rabobank Group to maintain certain of its trading and fund businesses and operations, particularly those outside of the United States, aspects of those business may have to be modified to comply with the Volcker Rule. Further, Rabobank Group will be required to spend significant resources to develop a Volcker Rule compliance program mandated by the final regulations. Rabobank Group must conform its activities to the Volcker Rule and implement the compliance program by July 2015.

The Federal Reserve has also issued a final rule on 18 February 2014 imposing “enhanced prudential standards” with respect to foreign banking organizations (“**FBOs**”) such as Rabobank Group. The rule will impose, among other things, new liquidity, stress testing, risk management and reporting requirements on Rabobank Group’s U.S. operations, which could result in significant costs to the Group. The final rule becomes effective with respect to Rabobank Group on 1 July 2016.

The Federal Reserve did not finalise (but continues to consider) requirements relating to single counterparty credit limits and an “early remediation” framework under which the Federal Reserve would implement prescribed restrictions and penalties against an FBO and its U.S. operations and certain of its officers and directors, if the FBO and/or its U.S. operations do not meet certain requirements, and would authorise the termination of U.S. operations under certain circumstances.

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 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”. A similar recommendation was made at EU level in the final report (the “**Liikanen Report**”), published on 2 October 2012, of the High-level Expert Group on reforming the structure of the EU banking sector under the chair of Mr. Erkki Liikanen. In November 2012, the Dutch government established a committee, the *Commissie Structuur Nederlandse banken*, chaired by Mr. Herman Wijffels, to investigate the applicability of the Liikanen Report to the Dutch banking sector and the manner in which a defaulting bank might be split up and resolved. The committee delivered its final report on 28 June 2013. The Dutch Parliament still has to decide on how to implement the recommendations included in the Wijffels-report. Adopting the full recommendations in the Wijffels report could have a material adverse effect on Rabobank Group’s results of operations.

Pursuant to Regulation EU 1024/2013 conferring specific tasks on the European Central Bank (the “**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 the 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 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, in the future, with the Single Resolution Mechanism (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 the Basel III Reforms (as defined below), the Bank Recovery and Resolution Directive (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 being commonly referred to as “**FATCA**”), the framework recovery plan, the Volcker Rule, the Banking Reform Act and the Dodd-Frank Act will have far-reaching implications and require implementation of new business processes and models. Compliance with the rules and regulations places ever greater demands on the Rabobank Group’s management, employees and information technology.

#### ***Minimum regulatory capital and liquidity requirements***

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 and any buffer capital requirements (see the risk factor entitled “*CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments*” below). Capital requirements will 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 and/or any buffer capital requirements could result in administrative actions or sanctions, which, in turn, may 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 (“**Basel III**”), 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 (such reforms being commonly referred to as the “**Basel III Reforms**”), including new capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for financial institutions, including building societies.

The Basel III Reforms are being implemented in the European Economic Area (the “**EEA**”) through the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (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, “**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 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 during the period from 2014 to 2016 for many areas including, *inter alia*, liquidity requirements and certain aspects of capital requirements.

It is possible that the Dutch Central Bank, the ECB and/or the EBA 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.

Currently, only Rabobank, N.A. is subject to U.S. capital adequacy standards. However, under section 171 of the Dodd-Frank Act (the “**Collins Amendment**”) Utrecht-America Holdings, Inc., which holds Rabobank, N.A. and many of the Group’s U.S. non-bank subsidiaries, will become subject to U.S. capital adequacy standards from 21 July 2015. Those standards will require Rabobank Group to maintain capital at the level of Utrecht-America Holdings, Inc. rather than relying on capital maintained at Rabobank Group’s top-level parent company. This could prevent Rabobank Group from deploying that capital more efficiently in accordance with its subsidiaries’ business needs, which could increase the costs of the 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, any failure of Rabobank Group to maintain such increased capital and liquidity ratios could result in administrative actions or sanctions, which may have an adverse effect on Rabobank Group’s results of operations.

See also the risk factors entitled “*Statutory loss absorption*” and “*Bank recovery and resolution regimes*”.

### ***Credit ratings***

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 a rating 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.

### ***Competition***

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 results of operations.

### ***Geopolitical developments***

Concerns about geopolitical developments (such as tensions surrounding North Korea and Iran’s nuclear programme), social unrest (such as the continuing turmoil in Ukraine which resulted in EU sanctions against Russia, and continuing turmoil in Syria), oil prices 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 results of operations.

### ***Terrorist acts, other acts of war or hostility, civil unrest, geopolitical, pandemic or other such events***

Terrorist acts, other acts of war or hostility, civil unrest, geopolitical, pandemic or other such events and responses to those acts/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 results of operations.

### ***Key employees***

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 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 results of operations.

### **Factors which are material for the purpose of assessing the market risks associated with the Capital Securities**

#### ***The Capital Securities may not be a suitable investment for all investors***

Each potential investor in the Capital Securities 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 Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities 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 Capital Securities, including where the currency for principal or interest payments is different from the potential Investor's Currency (as defined in "*Risks related to the market generally — Exchange rate risks and exchange controls*");
- (iv) understand thoroughly the terms of the Capital Securities and be familiar with the behaviour of any relevant 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 Capital Securities are subordinated obligations***

Subject, *inter alia*, as discussed under "*Loss absorption following a Trigger Event*", Holders of the Capital Securities have rights to payment upon the bankruptcy of the Issuer, a Moratorium or dissolution (*ontbinding*).

Subject to exceptions provided by mandatory applicable law, the payment obligations under the Capital Securities and Coupons constitute unsecured obligations of the Issuer and Holders shall, in the case of (a) the bankruptcy of the Issuer, (b) a Moratorium or (c) dissolution (*ontbinding*), have a claim for an amount equal to the then Prevailing Principal Amount of the Capital Securities, together with any Outstanding Payments, which shall rank:

- (i) subordinated and junior to indebtedness of the Issuer, including but not limited to Tier 2 Capital of the Issuer, (other than the Issuer's obligations under any guarantee or contractual right that effectively ranks *pari passu* with, or junior to, the Issuer's obligations under the Capital Securities or the Coupons (including, without limitation, the Existing Capital Securities));

- (ii) *pari passu* (a) with the Issuer's obligations under the guarantees and contingent guarantees in relation to the Non-cumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trusts III and IV and the corresponding LLC Class B Preferred Securities issued by Rabobank Capital Funding LLCs III and IV, (b) with the Issuer's obligations under the Existing Capital Securities, and (c) effectively, with the most senior ranking preferred equity securities or preferred or preference shares (if any) of the Issuer and at least *pari passu* with the Issuer's most senior Tier 1 Capital; and
- (iii) senior only to the Issuer's obligations under the Participations and any other instruments ranking *pari passu* with the Participations (in accordance with, and by virtue of the subordination provisions of, the Participations) and any other instruments ranking *pari passu* therewith.

By virtue of this subordination, payments to the Holders will, in the case of the bankruptcy or dissolution of the Issuer or in the event of a Moratorium, only be made after all payment obligations of the Issuer ranking senior to Capital Securities and Coupons have been satisfied. In addition, any right of set-off by the Holder or Couponholder in respect of any amount owed to such Holder or Couponholder by the Issuer under or in connection with such Capital Security or Coupon shall be excluded and each Holder or Couponholder shall, by virtue of being the Holder of any Capital Security or a Couponholder, as the case may be, be deemed to have waived all such rights of set-off. See also the risk factor entitled "*Bank recovery and resolution regimes*".

#### ***Loss absorption following a Trigger Event***

The Capital Securities are being issued for regulatory capital adequacy purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Rabobank Group and the Issuer together with its local Rabobanks (the "**Local Rabobank Group**"). Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Terms and Conditions of the Capital Securities and which, in particular, require the Capital Securities and the proceeds of their issue to be available to absorb any losses of the Rabobank Group and the Local Rabobank Group.

Accordingly, if at any time the ratio (expressed as a percentage) of the aggregate amount of the Common Equity Tier 1 Capital of the Rabobank Group to the Risk Weighted Assets of the Rabobank Group, in each case calculated by the Issuer on a consolidated basis and expressed as a percentage (the "**CET1 Ratio of the Rabobank Group**") has fallen below 7 per cent. and/or the ratio (expressed as a percentage) of the aggregate amount of the Common Equity Tier 1 Capital of the Local Rabobank Group to the Risk Weighted Assets of the Local Rabobank Group, in each case calculated by the Issuer on a sub-consolidated basis and expressed as a percentage (the "**CET1 Ratio of the Local Rabobank Group**", and together with the CET1 Ratio of the Rabobank Group, each a "**CET1 Ratio**") has fallen below 5.125 per cent. (a "**Trigger Event**"), the Issuer shall, after first giving notice thereof to Holders in accordance with the Conditions and subject to certain conditions:

- (i) cancel any Interest which is accrued to the relevant Write Down Date and unpaid; and
- (ii) to the extent the cancellation of Interest in accordance with (i) above, together with the cancellation of interest on any other instrument issued directly or indirectly by the Issuer which contains provisions for the cancellation of interest analogous to any of those in the Capital Securities, in each case on or before the relevant Write Down Date, is in aggregate insufficient to result in the relevant Trigger Event no longer continuing, (without the need for the consent of the Holders) reduce the then Prevailing Principal Amount of each Capital Security by the relevant Write Down Amount.

A Trigger Event may occur on more than one occasion.

Holders may lose all or some of their investment as a result of such a Write Down to the Prevailing Principal Amount. In particular, the Issuer may elect to Write Down the Prevailing Principal Amount of the Capital

Securities following the occurrence of a Trigger Event such that the CET1 Ratios are restored to a level higher than 7 per cent. in the case of the CET1 Ratio of the Rabobank Group and higher than 5.125 per cent. in the case of the CET1 Ratio of the Local Rabobank Group. In such an event, the Write Down Amount will be greater than the amount by which the then Prevailing Principal Amount would have been Written Down if the Issuer had elected to Write Down the principal amount of the Capital Securities to the extent necessary thereby to restore the CET1 Ratios to 7 per cent. and/or 5.125 per cent. respectively. The Write Down of the Capital Securities with any write down or conversion to the extent possible of any Higher Trigger Instruments and Parity Trigger Instruments, may also result in the CET1 Ratios being restored to greater levels still, as all such instruments are intended to be written down or converted into CET1 instruments by at least the pro rata amount necessary to restore the CET1 Ratios as contemplated above, but the terms of certain instruments may require the further write down or write off or conversion of those instruments.

Although the Write Down Amount is determined by taking into account the write down or conversion of Higher Trigger Instruments and the pro rata write down or conversion of Parity Trigger Instruments, the Write Down of the Capital Securities is not conditional on the write down or conversion of such instruments and to the extent that the write down or conversion of any such instruments is not in fact possible for any reason, this shall not prevent the Write Down of the Capital Securities and the Write Down Amount of the Capital Securities shall be correspondingly increased, as more fully described in Condition 6(c).

Following the giving of a Trigger Event Notice, the Issuer shall procure that (i) a similar notice is given in respect of other Loss Absorbing Instruments in accordance with their terms and (ii) the then prevailing principal amount of each series of Loss Absorbing Instruments (if any) is written down or converted in accordance with their terms following the giving of such Trigger Event Notice. However, the failure by the Issuer to give such notice and/or write down such Loss Absorbing Instruments will not in any way impact the effectiveness of, or otherwise invalidate, any Write Down of the Capital Securities.

Any reduction of the Prevailing Principal Amount of a Capital Security shall not constitute a default by the Issuer for any purpose, and the Holders shall have no right to claim for amounts Written Down whether in a bankruptcy, Moratorium or dissolution (*ontbinding*) of the Issuer or otherwise, save to the extent (if any) such amounts are Written Up in accordance with Condition 6(d).

None of the Issuer's Existing Capital Securities constitute Higher Trigger Instruments or Parity Trigger Instruments. Accordingly, there are currently no Higher Trigger Instruments or Parity Trigger Instruments outstanding.

In addition, any accrued and unpaid interest to the Write Down Date in connection with any Write Down as described above will be cancelled, and interest will only continue to accrue on the Prevailing Principal Amount of the Capital Securities following such Write Down, which interest will accrue on the Prevailing Principal Amount that is lower than the Initial Principal Amount of the Capital Securities or, as the case may be, the Prevailing Principal Amount of the Capital Securities immediately prior to such Write down.

The principal amount of any other Additional Tier 1 Instruments of the Issuer which principal amount is to be written down or converted as a result of the CET1 Ratios falling below the levels that are applicable to the Trigger Event may not be reduced in conjunction with any Write Down of the Capital Securities.

Following any such Write Down, the Issuer will not in any circumstances be obliged to Write Up the Prevailing Principal Amount of the Capital Securities. A Write Down of the Capital Securities may occur at any time and on more than one occasion. Any redemption of the Capital Securities on the First Call Date or on each Interest Payment Date thereafter, and upon the occurrence of a Tax Law Change of the type described in Condition 7(d) or a Capital Event following any such Write Down will further be at the then Prevailing Principal Amount of the Capital Securities, which may be lower than their Initial Principal Amount. To the extent the Issuer does exercise its discretion to Write Up the Capital Securities, such Write Up can only be

undertaken as provided in Condition 6(d) and is subject to compliance with applicable regulatory restrictions (including the Issuer recording a net profit and subject to the Maximum Distributable Amount).

Investors should note that the risk of a Write Down is an appreciable risk and is not limited to the liquidation or bankruptcy of the Issuer. It may result in the Holders losing some or all of their investment and due to the limited circumstances in which a Write Up may be undertaken, any reinstatement of the Prevailing Principal Amount of the Capital Securities and recovery of such investment may take place over an extended period of time or not at all (including as a result of any prior redemption of the Capital Securities at their then Prevailing Principal Amount on the First Call Date or on each Interest Payment Date thereafter and upon the occurrence of a Tax Law Change of the type described in Condition 7(d) or a Capital Event). Any Write Down of the Capital Securities or any suggestion of a Write Down could, therefore, materially adversely affect the price or value of the Capital Securities issued and/or the amounts payable by the Issuer in respect of the Capital Securities.

It is the Issuer's current intention that, if exercising its discretion to reinstate the principal amount of the Capital Securities and any Loss Absorbing Instruments which have terms providing for their reinstatement, it would take into account the Trigger Event in the Capital Securities and the respective corresponding provisions in the other Loss Absorbing Instruments. However, this policy is not a legally binding term of the Capital Securities and the Board should be fully entitled at any time to depart from the policy at its sole discretion.

The market price of the Capital Securities is expected to be affected by fluctuations in the CET1 Ratio of the Rabobank Group and/or the CET1 Ratio of the Local Rabobank Group. Any indication that the CET1 Ratio of the Rabobank Group is approaching 7 per cent. and/or that the CET1 Ratio of the Local Rabobank Group is approaching 5.125 per cent. may have an adverse effect on the market price of the Capital Securities. The level of the CET1 Ratio of the Rabobank Group and/or the Local Rabobank Group may significantly affect the trading price of the Capital Securities.

In addition, the Capital Securities may become subject to statutory loss absorption measures — see the risk factors entitled “*Statutory Loss Absorption*”, “*Bank recovery and resolution regimes*” and “*Change of law*” below for further information.

***No limitation on issuing pari passu securities; subordination***

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Capital Securities and no restriction on the Issuer or any other member of the Rabobank Group issuing securities with similar, different or no Trigger Event provisions.

The issue of any such securities may reduce the amount recoverable by Holders on a winding-up of the Issuer. Accordingly, in the winding-up or resolution of the Issuer and after payment of the claims of senior creditors and of depositors, there may not be a sufficient amount to satisfy the amounts owing to the Holders.

***The ability to transfer the Capital Securities may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the Capital Securities***

The Capital Securities are a new issue of securities for which there is no established public market.

The Joint Lead Managers have advised Rabobank that they may make a market in the Capital Securities, as permitted by applicable laws and regulations; however, the Joint Lead Managers are not obligated to make a market in the Capital Securities, and they may discontinue their market-making activities at any time without notice. Therefore, Rabobank cannot assure investors that an active market for the Capital Securities will develop or, if developed, that it will continue. In addition, subsequent to their initial issuance, the Capital

Securities may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar Capital Securities, Rabobank's performance and other factors.

***The calculation of the CET1 Ratios will be affected by a number of factors, many of which may be outside the Issuer's control***

The occurrence of a Trigger Event and, therefore a Write Down of the Prevailing Principal Amount, is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. Because the CET1 Ratios may be calculated as at any date, a Trigger Event could occur at any time. The calculation of the CET1 Ratio of the Rabobank Group or the CET1 Ratio of the Local Rabobank Group could be affected by a wide range of factors, including, among other things, factors affecting the level of the Rabobank Group's earnings, the mix of businesses, the ability to manage effectively the risk-weighted assets in both the ongoing businesses and those the Rabobank Group may seek to exit or changes in the Rabobank Group's structure or organisation. See the section entitled "*Factors that may affect the Issuer's ability to fulfil its obligations under the Capital Securities*" for further information regarding factors that could have a material adverse effect on the Rabobank Group's results of operations. The calculation of the CET1 Ratios also may be affected by changes in applicable accounting rules and the manner in which accounting policies are applied, including the manner in which any permitted discretion under the applicable accounting rules is exercised as well as changes to or to the interpretation of regulatory requirements, including the expiry of the transitional arrangement for the calculation of the CET1 Ratios permitted by the Relevant Regulator.

The usual reporting cycle of the Issuer is for the CET1 Ratio of the Rabobank Group and the CET1 Ratio of the Local Rabobank Group to be reported on a semi-annual basis in conjunction with the Issuer's interim financial reporting, which may mean investors are given limited warning of any deterioration in the CET1 Ratios. Notwithstanding the above, and for the avoidance of doubt, a Trigger Event may occur on any date or by reference to any Relevant Accounts.

The factors that influence the CET1 Ratio of the Rabobank Group may not be the same as the factors that influence the CET1 Ratio of the Local Rabobank Group. For example, an event that has a negative impact on any of the Issuer's subsidiaries may have a greater relative impact on the CET1 Ratio of the Rabobank Group than on the CET1 Ratio of the Local Rabobank Group. Conversely, an event that has a negative impact on the Issuer or the Local Rabobank Group may have a greater relative impact on the CET1 Ratio of the Local Rabobank Group than on the CET1 Ratio of the Rabobank Group. As at 30 June 2014, the CET1 Ratio of the Rabobank Group was 12.6 per cent. and the unaudited CET1 Ratio of the Local Rabobank Group was 15.0 per cent. (in the case of the Local Rabobank Group, based upon Common Equity Tier 1 Capital of the Local Rabobank Group of €27.0 billion and Risk Weighted Assets of the Local Rabobank Group of €180.5 billion). The capital instruments eligible as Common Equity Tier 1 capital of the Local Rabobank Group are the same as the capital instruments eligible as Common Equity Tier 1 capital of the Rabobank Group, but the risk-weighted assets and deductions of the own funds of the Local Rabobank Group are lower than the risk-weighted assets and deductions of the own funds of the Rabobank Group, because a number of legal entities, which are not part of the Local Rabobank Group, are included for the purposes of calculating risk weighted assets and own funds at the Rabobank Group level, but not at the Local Rabobank Group level.

Since a Trigger Event will occur if either CET1 Ratio threshold is breached regardless of whether or not the other CET1 Ratio threshold is breached, the additional uncertainties resulting from differences in the factors affecting the two CET1 Ratios may have an adverse impact on the market price or the liquidity of the Capital Securities.

As discussed above, either CET1 Ratio could be affected by a number of factors. Each CET1 Ratio will also depend on the Rabobank Group's decisions relating to its businesses and operations, as well as the management of its capital position. The Rabobank Group will have no obligation to consider the interests of

the Holders in connection with its strategic decisions, including in respect of its capital management. Holders will not have any claim against the Issuer or an other member of the Rabobank Group relating to decisions that affect the business and operations of the Rabobank Group, including the Rabobank Group's capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause Holders to lose all or part of the value of their investment in the Capital Securities.

Due to the uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, the Prevailing Principal Amount may be Written Down. Accordingly, the trading behaviour of the Capital Securities may not necessarily follow the trading behaviour of other types of subordinated securities. Any indication that the CET1 Ratio of the Rabobank Group and/or the CET1 Ratio of the Local Rabobank Group is approaching the level that would cause a Trigger Event may have an adverse effect on the market price and liquidity of the Capital Securities. Under such circumstances, investors may not be able to sell their Capital Securities easily or at prices that will provide them with a yield comparable to more conventional investments.

***Interest payments may be cancelled on a discretionary or mandatory basis***

Payment of Interest on any Interest Payment Date is at the sole discretion of the Issuer. The Issuer may elect not to pay Interest, in whole or in part, on any Interest Payment Date. The Issuer may make such election for any reason.

Any Interest not paid will be cancelled, and Holders will have no right to receive such cancelled Interest (or any amount in respect thereof) in any circumstances.

Further, the Relevant Regulator has wide-ranging powers given to it pursuant to Article 104 of the CRD IV Directive for the purpose of the supervisory review and evaluation process under that directive (see the risk factor entitled "*CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payment*"). These powers include, *inter alia*, a general power to restrict or prohibit interest payments to holders of Additional Tier 1 securities, such as the Capital Securities. There are no ex-ante limitations on the discretion to exercise this power.

In addition, payment of Interest will be prohibited if and to the extent that (i) Distributable Items are insufficient and/or (ii) payment would result in a breach of any Maximum Distributable Amount then applicable to the Issuer.

The capacity of the Issuer to make interest payments may also be affected by its compliance with all capital requirements applicable from time to time. For a discussion of current capital requirements applicable to the Rabobank Group, see the risk factor entitled "*CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payment*". As a result of the diminishing effect of the transitional provisions under CRD IV over time, the Rabobank Group will be required to meet more onerous capital requirements. There can be no assurance that additional new and more onerous requirements will not apply in the future and such requirements may also affect the Issuer's capacity to make payments of interest. Further, even if the Rabobank Group were to meet any such enhanced capital requirements, the Relevant Regulator may exercise its powers pursuant to Article 104 of the CRD IV Directive to restrict or prohibit interest payments to holders of the Capital Securities.

Payment of interest may also be affected by any application of the legislation in the Netherlands implementing the BRRD. See the risk factors entitled “*Statutory Loss Absorption*” and “*Bank recovery and resolution regimes*”.

#### *Insufficient Distributable Items*

Payments of Interest due on any Interest Payment Date will be prohibited and will not be paid if and to the extent that the amount of such Interest payment otherwise due, together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current Financial Year on other own funds items (which, for the avoidance of doubt, excludes any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in the calculation of Distributable Items) shall, in aggregate, exceed the amount of Distributable Items of the Issuer as at such Interest Payment Date. Accordingly, the amount of Distributable Items available for this purpose may be affected, *inter alia*, by other discretionary interest payments or CET1 distributions. See further “*The level of the Issuer’s Distributable Items is affected by a number of factors and insufficient Distributable Items may restrict the Issuer’s ability to make interest payments on the Capital Securities*” below. Since 2010, approximately 6 million shares of €1,000 have been issued by Rabobank to the local Rabobanks, creating own funds of Rabobank of approximately €6 billion. In September 2014, the nominal amount of the shares was amended to €100, while €900 per share was added to the reserves of Rabobank. As at 30 September 2014, the Issuer’s Distributable Items were approximately €5.7 billion.

#### *Maximum Distributable Amount*

The Issuer shall not be permitted to pay any Interest otherwise due on an Interest Payment Date if and to the extent that the payment of such Interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or any provision of applicable law, including the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) transposing or implementing Article 141(2) of the CRD IV Directive, as amended or replaced), the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded. See further “*CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments*” below.

#### *Consequences of cancellation*

Any Interest payment (or part thereof) cancelled and not paid on any relevant Interest Payment Date or repayment date by reason of Condition 5 shall be cancelled and shall not accumulate or be payable at any time thereafter, and Holders will have no claim for any amount in respect of Interest not paid in such circumstances and no right to receive any additional interest or compensation as a result of such non-payment. Non-payment of any Interest (or part thereof) will not constitute a default by the Issuer for any purpose, and the Holders shall have no right thereto whether in a bankruptcy, Moratorium or dissolution (*ontbinding*) of the Issuer or otherwise. Thus, any Interest payment not paid as a result of the Issuer’s election to cancel Interest or as a result of the mandatory restrictions described above will be lost and the Issuer will have no obligation to make payment of such Interest or to pay Interest thereon.

If the Issuer elects to cancel, or is prohibited from paying, Interest on the Capital Securities at any time, this imposes no restrictions on the Issuer. For the avoidance of doubt, there is no restriction (other than any restriction imposed by any applicable law or regulation) on the Issuer from otherwise making distributions or any other payments to the holders of the Participations or any other securities of the Issuer, including securities ranking *pari passu* with, or junior to, the Capital Securities.

Any actual or anticipated cancellation or reduction of Interest payments can be expected to have a significant adverse effect on the market price of the Capital Securities and any trading market for the Capital Securities could be severely restricted. In addition, as a result of the interest cancellation and reduction provisions of the Capital Securities, the market price of the Capital Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation or reduction and may be more sensitive generally to adverse changes in the Issuer's financial condition.

*The level of the Issuer's Distributable Items is affected by a number of factors and insufficient Distributable Items may restrict the Issuer's ability to make interest payments on the Capital Securities*

The level of the Issuer's Distributable Items is affected by a number of factors. The Issuer's future Distributable Items, and therefore its ability to make interest payments under the Capital Securities, are a function of its existing Distributable Items and its future profitability. In addition, the Issuer's Distributable Items may also be adversely affected by the servicing of more senior and parity ranking instruments.

The level of the Issuer's Distributable Items may be affected by changes to regulation, changes to Dutch and European accounting standards or the requirements and expectations of applicable regulatory authorities. Any such potential changes could adversely affect the Issuer's Distributable Items in the future.

Further, the Issuer's Distributable Items, and therefore its ability to make Interest Payments on the Capital Securities, may be adversely affected by a wide range of factors, including, among other things, factors affecting the level of the Rabobank Group's earnings, the mix of businesses, the ability to manage effectively the risk-weighted assets in both the ongoing businesses and those the Rabobank Group may seek to exit or changes in the Rabobank Group's structure or organisation. In addition, adjustments to earnings, as determined by the Issuer, may fluctuate significantly and may materially adversely affect Distributable Items.

The Issuer shall not make an Interest payment on the Capital Securities on any Interest Payment Date or repayment date (and such Interest payment shall therefore be cancelled) if the level of Distributable Items is insufficient to fund that payment, as discussed in the risk factor "*Interest payments may be cancelled on a discretionary or mandatory basis*" above and as provided in Condition 5(b).

***CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments***

Under CRD IV, institutions are required to hold a minimum amount of regulatory capital equal to 8 per cent. of 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 "own funds" requirements, CRD IV 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 introduces five new capital buffers: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Subject to transitional provisions, the capital conservation buffer (currently, 2.5 per cent.) and systemic risk buffer (currently, 3.0 per cent.) apply to the Rabobank Group and the Local Rabobank Group and some or all of the other buffers may be applicable to the Rabobank Group and/or the Local Rabobank Group from time to time, as determined by the Relevant Regulator.

In addition to the "Pillar 1" capital requirements described above, CRD IV 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 is to be implemented by 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; and, accordingly, the combined buffer requirement (as discussed below) is in addition to the minimum own funds requirement and to the additional own funds requirement. There can be no assurance as to the relationship between the “Pillar 2” additional own funds requirements and the restrictions on discretionary payments referred to below and as to how and when effect will be given to the EBA’s minimum guidelines 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. There can also be no assurance as to the manner in which additional own funds requirements may be disclosed publicly in the future. Currently, in accordance with restrictions imposed by the Relevant Regulator, the Issuer does not disclose the additional own funds requirements applicable to the Rabobank Group or the Local Rabobank Group. Should those restrictions no longer apply, the Issuer intends to publish details of such additional own funds requirements. There can be no assurance, however, that such restrictions will not cease to apply or, if they do, as to the consequences of any such publication.

Under Article 141 of the CRD IV Directive, EU Member States must require that institutions that fail to meet the “combined buffer requirement” (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution), the systemic risk buffer, the global systemically important institutions buffer and the other systemically important institution buffer, in each case as applicable to the institution) will be subject to restricted “discretionary payments” (which are defined broadly by CRD IV as distributions in connection with Common Equity Tier 1 capital, payments on Additional Tier 1 instruments (including Interest Amounts on the Capital Securities) and payments of variable remuneration). The restrictions will be scaled according to the extent of the breach of the “combined buffer requirement” and calculated as a percentage of the profits of the institution since the most recent decision on the distribution of profits or “discretionary payment”. Such calculation will result in a “maximum distributable amount” in each relevant period. As an example, the scaling is such that in the bottom quartile of the “combined buffer requirement”, no “discretionary distributions” will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce discretionary payments, including potentially exercising the discretion to cancel (in whole or in part) Interest payments in respect of the Capital Securities.

The Issuer 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 the Rabobank Group and the Local Rabobank Group. The Rabobank Group has set itself the formal target of having a CET 1 Ratio of the Rabobank Group of 14 per cent. by the end of 2016, but there can be no assurance that this target ratio will be achieved. As at 30 June 2014, the CET1 Ratio of the Rabobank Group was 12.6 per cent. There can be no assurance, however, that the Issuer 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 the Capital Securities. See further “*Interest payments may be cancelled on a discretionary or mandatory basis – Maximum Distributable Amount*” above.

The Rabobank Group’s and the Local Rabobank Group’s capital requirements are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. Holders of the Capital Securities may not be able to predict accurately

the proximity of the risk of discretionary payments (of Interest and principal) on the Capital Securities being prohibited from time to time as a result of the operation of Article 141 of the CRD IV Directive.

The implementation of Article 141 of the CRD IV Directive in the Netherlands, including its inter-relationship with the minimum and additional capital requirements, buffers and macro-prudential tools referred to above (including the calculation of the maximum distributable amount), remains uncertain in many respects. Such uncertainty can be expected to subsist while the relevant authorities in the EU and the Netherlands continue to develop their approach to the application of the relevant rules.

In addition, CRD IV includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their tier 1 capital as a percentage of their total exposure measure. During the observation period for the introduction of the leverage ratio, the leverage ratio – using the Basel III standard – is required to be maintained at a level of at least 3 per cent. This requirement will be harmonised at EU level from 1 January 2018, until which date regulators may apply such measures as they consider appropriate. The Dutch government has indicated that Dutch systematically important banks, including Rabobank, should have a leverage ratio of at least 4 per cent. by 2018.

There can be no assurance, however, that the leverage ratio specified above, or any of the minimum own funds requirements, additional own funds requirements or buffer capital requirements applicable to the Rabobank Group and/or the Local Rabobank Group will not be amended in the future to include new and more onerous capital requirements, which in turn may affect the Issuer's capacity to make payments of interest on the Capital Securities. See further the risk factors entitled "*Minimum regulatory capital and liquidity requirements*" and "*Interest payments may be cancelled on a discretionary or mandatory basis*".

### ***Perpetual Securities***

The Capital Securities are perpetual securities which have no scheduled repayment date. Holders of Capital Securities have no ability to require the Issuer to redeem their Capital Securities. In addition, Holders have limited enforcement remedies in the case of non-payment as there are no events of default under the Capital Securities or the Coupons – see "*Limited remedies in the case of non-payment under the Capital Securities*".

This means that Holders of Capital Securities have no ability to cash in their investment, except:

- (a) if the Issuer exercises its rights to redeem or purchase the Capital Securities;
- (b) by selling their Capital Securities; or
- (c) by claiming for any principal amounts due and not paid in any bankruptcy, Moratorium or dissolution (*ontbinding*) of the Issuer.

All, and not some only, of the Capital Securities may be redeemed at the option of the Issuer, subject to the prior approval of the Relevant Regulator and Capital Regulations then in force, on or on any Interest Payment Date after the First Call Date, at their then Prevailing Principal Amount (which may be lower than their Initial Principal Amount) and as further provided in the Conditions. Under the CRD IV Regulation, the Relevant Regulator will give its consent to a redemption of the Capital Securities in such circumstances provided that either of the following conditions is met:

- (i) on or before such redemption of the Capital Securities, the Issuer replaces the Capital Securities with instruments qualifying as Tier 1 Capital of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer: or
- (ii) the Issuer has demonstrated to the satisfaction of the Relevant Regulator that its Tier 1 Capital and Tier 2 Capital would, following such redemption, exceed the capital ratios required under CRD IV

Directive by a margin that the Relevant Regulator may considered necessary on the basis set out in CRD IV Directive.

The Capital Securities are also redeemable on or after the Issuer Date at the option of the Issuer in whole but not in part, at any time, at their then Prevailing Principal Amount, subject to the prior approval of the Relevant Regulator and Capital Regulations then in force, if there is a Capital Event or a Tax Law Change of the type described in Condition 7(d). The CRD IV Regulation further provides that the Relevant Regulator may only approve any such redemption of the Capital Securities, Capital Event or a Tax Law Change of the type described in Condition 7(d) before the First Call Date if, in addition to meeting the conditions referred to in one of either paragraphs (i) or (ii) above, the following conditions are also met:

- (A) in the case of any such redemption upon the occurrence of a Capital Event, the Relevant Regulator considers the relevant change to be sufficiently certain and the Issuer demonstrates to the satisfaction of the Relevant Regulator that such change was not reasonably foreseeable at the Issue Date; or
- (B) in the case of any subject redemption upon the occurrence a Tax Law Change of the type described in Condition 7(d), the Issuer demonstrates to the satisfaction of the Relevant Regulator that such Tax Law Change is material and was not reasonably foreseeable at the Issue Date.

The above conditions to any redemption of the Capital Securities upon the occurrence of a Capital Event or a Tax Law Change of the type described in Condition 7(d) only apply to any such redemption of the Capital Securities before the First Call Date and the Issuer may exercise its option to redeem the Capital Securities in such circumstances on or on each Interest Payment Date after the First Call Date (including as a result of a Capital Event or a Tax Law Change of the type described in Condition 7(d) that occurred before the First Call Date) without complying with these conditions. However, it will still need to comply with the conditions referred to in one of either paragraphs (i) or (ii) above.

There can be no assurance that Holders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities.

#### ***Substitution and Variation upon the occurrence of a Capital Event***

Upon the occurrence and continuation of a Capital Event, the Issuer may, subject as provided in Condition 7 and without the need for any consent of the Holders, substitute all (but not some only) of the Capital Securities, or vary the terms of the Capital Securities so that they remain or, as appropriate, become, Compliant Securities (as defined in Condition 1). The tax and stamp duty consequences of holding preferred equity securities following a substitution could be different for some categories of holder from the tax and stamp duty consequences for them of holding Capital Securities.

The Relevant Regulator has discretion as to whether or not it will approve any substitution or variation of the Capital Securities. Any such substitution or variation which is considered by the Relevant Regulator to be material shall be treated by it as the issuance of a new instrument. Therefore, the Capital Securities, as so substituted or varied, must be eligible as Additional Tier 1 Capital in accordance with then prevailing Capital Regulations, which may include a requirement that (save in certain prescribed circumstances) the Capital Securities may not be redeemed or repurchased prior to five years after the effective date of such substitution or variation.

#### ***Limited remedies in the case of non-payment under the Capital Securities***

The Conditions of the Capital Securities do not provide for events of default allowing acceleration of the Capital Securities if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Capital Securities, including the payment of any Interest, investors will not have the right of acceleration of principal. Upon a payment default, the sole remedy available to a Holder or Couponholder for recovery of

amounts owing in respect of any payment of principal or Interest on the Capital Securities will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The right of Holders or Couponholders to institute proceedings to enforce any payment obligations under or arising from the Capital Securities or the Coupons is limited to circumstances where payment has become due and has not been made for 14 days or more as set out above. The Capital Securities are perpetual securities and the Issuer may only redeem them, and make Interest payments in respect of them, if certain conditions are met. Even if such conditions are met, the Issuer is under no obligation to make any payment, whether of principal or Interest, on the Capital Securities or the Coupons. The Issuer is under no obligation to redeem the Capital Securities. In the case of any Interest payment, even if not required to cancel such payment, the Issuer may elect to cancel that payment at its discretion. In these circumstances no payment, whether of principal or Interest, will be due. The sole remedy available to Holders or Couponholders will be to institute proceedings to demand specific performance (*nakoming eisen*) where an Interest payment has become due and has not been made for 14 days or more as set out above and Holders or Couponholders have no right to demand payment of Interest in any other circumstances and no right to demand payment of principal in any circumstances or pursue any other remedy.

### ***Statutory loss absorption***

Directive 2014/59/EU for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the “**Bank Recovery and Resolution Directive**” or 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 be applied by no later than 1 January 2016) to give regulators resolution powers, *inter alia*, to write down the debt of a failing bank (or to convert such debt into capital) to strengthen its financial position and allow it to continue as a going concern, subject to appropriate restructuring measures being taken. In addition to this general bail-in tool, the BRRD provides for resolution authorities to have the further powers permanently to write-down, or convert into equity, Additional Tier 1 capital instruments (such as the Capital Securities) and Tier 2 capital instruments at the point of non-viability of the bank and before any resolution is commenced or concurrently with other resolution measures. These powers are expected to become effective in the Netherlands on or prior to 1 January 2016.

Accordingly, it is possible that, pursuant to the Bank Recovery and Resolution Directive or other resolution or recovery rules which may in the future be applicable to the Issuer, new powers may be given to the Dutch Central Bank or another relevant authority/ies (each, a “**Relevant Authority**”) which could be used in such a way as to result in the Capital Securities absorbing losses (“**Statutory Loss Absorption**”).

Pursuant to the exercise of any Statutory Loss Absorption measures, the Capital Securities could become subject to a determination by the Relevant Authority or the Issuer (following instructions from the Relevant Authority) that all or part of the principal amount of the Capital Securities, 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. Such determination shall not constitute a default under the Capital Securities and Holders will have no further claims in respect of any amount so written off or otherwise as a result of such Statutory Loss Absorption. Any such Statutory Loss Absorption may be applied by the Relevant Authority either at the point of non-viability (and independently of resolution action) or together with a resolution action.

Any determination that all or part of the principal amount of the Capital Securities will be subject to Statutory Loss Absorption may be inherently unpredictable and may depend on a number of factors which may be outside the Issuer’s control. Accordingly, trading behaviour in respect of Capital Securities which are subject

to Statutory Loss Absorption is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that Capital Securities will become subject to Statutory Loss Absorption could have an adverse effect on the market price of the relevant Capital Securities. Potential investors should consider the risk that a Holder may lose all of its investment in such Capital Securities, including the principal amount plus any accrued but unpaid Interest, if those Statutory Loss Absorption measures were to be taken.

Potential investors should also refer to the risk factors entitled “*Bank recovery and resolution regimes*” and “*Change of law*”.

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

In 2012, the Dutch legislator adopted banking legislation dealing with ailing banks (Special Measures Financial Institutions Act, *Wet bijzondere maatregelen financiële ondernemingen*, the “**SMFI**”). The SMFI, enacted before the adoption of the BRRD, contains similar legislation to the rules outlined in the BRRD – see the risk factor entitled “*Statutory loss absorption*” above. Pursuant to the SMFI, substantial powers are granted to the Dutch Central Bank and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks prior to insolvency. The SMFI aims to empower the Dutch Central Bank 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 its outstanding debt securities (which may include the Capital Securities). Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by the Dutch Central Bank 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.

Within the context of the resolution tools provided in the SMFI, holders of debt securities of a bank (including the Holders) subject to resolution could be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings.

On 14 July 2014, Regulation (EU) No 806/2014 (the “**SRM Regulation**”) was adopted by the European Council after the European Parliament approved the text in the plenary session of 15 April 2014. The SRM Regulation came into force in part on 19 August 2014. The SRM Regulation 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 “**Single Resolution Board**”) 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 herein). The provisions of the SRM Regulation relating to the cooperation between the Single Resolution Board and the national resolution authorities for the preparation of the banks’ resolution plans became applicable from 1 January 2015. Under the SRM Regulation, the Single Resolution Board 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 Single Resolution Board is also granted the same resolution tools as those set out in the BRRD, including a bail-in tool. The SRM will start to apply from 1 January 2016.

The SMFI will be amended following the adoption of the BRRD and the SRM Regulation.

Further, on 10 July 2013, the European Commission announced that it has adapted its temporary state aid rules for assessing public support to financial institutions during the crisis (the “**Revised State Aid Guidelines**”). The Revised State Aid Guidelines provide for strengthened burden-sharing requirements, which require banks with capital needs to obtain shareholders’ and subordinated debt holders’ contribution before resorting to public recapitalisations or asset protection measures. The European Commission has applied the

principles set out in the new rules from 1 August 2013. In these guidelines, the European Commission has made it clear that any burden sharing imposed on subordinated debt holders will be made in line with principles and rules set out in the Bank Recovery and Resolution Directive.

It is possible that under the SMFI, the BRRD, the Single Resolution Mechanism or any other future similar proposals, any new resolution powers given to the Dutch Central Bank or another relevant authority could be used in such a way as to result in capital instruments of the Issuer, such as the Capital Securities, absorbing losses or otherwise affecting the rights of Holders either in the course of any resolution of the Issuer or, prior thereto, at the point of non-viability.

The SMFI and BRRD could negatively affect the position of Holders and the credit rating attached to the Capital Securities, in particular if and when any of the above proceedings would be commenced against the Issuer, since the application of any such legislation may affect the rights and effective remedies of the Holders as well as the market value of the Capital Securities.

In addition, potential investors should refer to the risk factors entitled “*Statutory loss absorption*” and “*Change of law*”.

#### ***Modification and waiver***

The Terms and Conditions of the Capital Securities contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and/or vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Agency Agreement may be amended by the Issuer (i) for the purposes of curing any ambiguity, or for curing, correcting or supplementing any defective provision contained therein or (ii) in any manner which the Issuer and the Fiscal Agent may mutually deem necessary or desirable and which does not adversely affect the interests of the Holders or the Couponholders, to all of which each Holder and Couponholder shall, by acceptance thereof, consent.

#### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

##### ***The secondary market generally***

Capital Securities may have no established trading market when issued and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Capital Securities easily or at all 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 Capital Securities that 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 Capital Securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Capital Securities.

##### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and Interest on the Capital Securities in euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro 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 euro would decrease (i) the Investor's Currency-equivalent yield on the Capital Securities, (ii) the Investor's Currency-equivalent value of the principal payable on the Capital Securities and (iii) the Investor's Currency-equivalent market value of the Capital Securities. If the Capital Securities are denominated in a currency other than the currency of the country in which the Holder is resident, the Holder is exposed to the risk of fluctuations in the exchange rate between the two aforementioned currencies. The Holder may also be exposed to a foreign exchange risk if the reference obligation is denominated, or based on prices, in a currency other than U.S. Dollar. 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 may receive less interest or principal than expected, or no interest or principal at all.

***Credit ratings may not reflect all risks***

The Capital Securities are expected to be assigned on issue a rating of Baa3 by Moody's Investors Service Limited and BBB by Fitch Ratings Ltd. There can be no assurance that the methodology of the ratings agencies will not evolve or that any ratings once given will not be suspended, reduced or withdrawn at any time by the assigning rating agency.

The credit rating(s) of the Capital Securities from time to time may not be reliable and changes to the credit ratings could affect the value of the Capital Securities. The ratings 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 Capital Securities. In addition, any reduction in the credit ratings of the Capital Securities or deterioration in the capital market's perception of Rabobank's financial resilience following any such downgrade, could adversely affect the trading price of the Capital Securities.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

***Legality of purchase***

Neither the Issuer nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Capital Securities by a prospective investor in the Capital Securities, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it. The Joint Lead Managers are also required to comply with the TMR Rules and as a result of this compliance, prospective investors will be required to give the representations, warranties, agreements and undertakings as set out on pages 3 to 4 of this Prospectus.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal 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 (i) Capital Securities are legal investments for it, (ii) Capital Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Capital Securities under any applicable risk-based capital or similar rules.

***EU Savings Directive***

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and

Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. Luxembourg elected out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

A number of third countries and territories have adopted similar measures to the Savings Directive.

The Council of the European Union has adopted a Directive (the “**Amending Directive**”), which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, neither the Issuer nor any Paying Agent (as defined in the “Terms and Conditions of the Capital Securities”) nor any other person would be obliged to pay additional amounts with respect to any Capital Security as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above. The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Capital Securities may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their professional advisers.

#### ***Integral multiples of less than EUR 200,000***

The Capital Securities are denominated in amounts of EUR 200,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 399,000. In the event that definitive Capital Securities are required to be issued, a Holder who holds a principal amount which is less than EUR 200,000 in his account with the relevant clearing system at the relevant time would need to purchase a principal amount of Capital Securities such that his holding amounts to at least EUR 200,000 before he may receive a definitive Capital Security in respect of such holding. Except in circumstances set out in the relevant Global Capital Security, investors will not be entitled to receive definitive Capital Securities.

#### ***Change of law***

The conditions of the Capital Securities are based on Dutch law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Dutch, European or any other applicable laws, regulations or administrative practices after the date of this Prospectus. Such changes in



law may include, but are not limited to, the introduction of a variety of statutory resolution and loss-absorption tools which may affect the rights of holders of securities issued by the Issuer, including the Capital Securities. Such tools may include the ability to write off sums otherwise payable on such securities at a time when the Issuer is no longer considered viable by its regulator or upon the occurrence of another trigger (see the risk factors entitled “*Statutory loss absorption*” and “*Bank recovery and resolution regimes*” above for further details).

### ***U.S. Foreign Account Tax Compliance Withholding***

Whilst the Capital Securities are in global form and held within Euroclear and Clearstream, Luxembourg (together, the “**ICSDs**”), in all but the most remote circumstances, it is not expected that FATCA (as defined in “*Taxation –FATCA withholding*”) will affect the amount of any payment received by the ICSDs (see “*Taxation –FATCA withholding*”). However, FATCA may affect payments made to custodians or intermediaries (including any clearing system other than Euroclear or Clearstream, Luxembourg) 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. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, 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 the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any legislation implementing intergovernmental agreements relating to FATCA, if applicable), 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. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

## IMPORTANT INFORMATION

### Responsibility Statement

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and the Dutch securities laws. Rabobank, having taken all reasonable care to ensure that such is the case, confirms that, to the best of its knowledge, the information contained in this Prospectus with respect to the Group and the Capital Securities or otherwise is in accordance with the facts and does not omit anything likely to affect the import of such information. Rabobank accepts responsibility accordingly.

### Documents incorporated by reference

This Prospectus is to be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with this Prospectus and that have been approved by the AFM or filed with it:

- (a) the articles of association of Rabobank, last amended on 26 September 2014;
- (b) the audited consolidated financial statements of Rabobank Group for the years ended 31 December 2011, 2012 and 2013 (in each case, together with the independent auditor's reports thereon and explanatory notes thereto);
- (c) the audited unconsolidated financial statements of Rabobank for the years ended 31 December 2011, 2012 and 2013 (in each case, together with the independent auditor's reports thereon and explanatory notes thereto); and
- (d) the unaudited condensed consolidated interim financial information of Rabobank Group for the six months ended 30 June 2014 (together with the independent auditor's review report thereon and the explanatory notes thereto).

Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in this Prospectus or in any of the documents incorporated by reference in, and forming part of, this Prospectus shall be modified or superseded for the purpose of this 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 will provide, without charge, to each person to whom a copy of this Prospectus is delivered, a copy of the documents 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. Such documents may be obtained (i) from the Issuer at its registered office set out at the end of this Prospectus, (ii) by telephoning the Issuer on +31 (0)30 2160000 or (iii) from the Issuer's website at <https://www.rabobank.com/en/investors/funding/capital/index.html>. In addition, such documents will be available, without charge, from the principal office in the Netherlands of Rabobank (as Euronext Amsterdam Listing Agent).

The contents of websites referenced in this Prospectus do not form any part of this Prospectus.

## FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Issuer's products), are forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Rabobank Group or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Rabobank Group will operate in the future.

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

These forward-looking statements speak only as of the date of this Prospectus. Other than as required by law or the rules and regulations of the relevant stock exchange, the Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The foregoing paragraph applies to those forward-looking statements which are both set out in this Prospectus and which are incorporated by reference herein — see "*Important Information — Documents incorporated by reference*".

## OVERVIEW

The Overview below describes the principal terms of the Capital Securities. The section of this Prospectus entitled “Terms and Conditions of the Capital Securities” contains a more detailed description of the Capital Securities. Capitalised terms used but not defined in this Overview shall bear the respective meanings ascribed to them in “Terms and Conditions of the Capital Securities”.

<b>Issuer of the Capital Securities</b> .....	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank).
<b>Joint Lead Managers</b> .....	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) Credit Suisse Securities (Europe) Limited J.P. Morgan Securities plc Morgan Stanley & Co. International plc
<b>Fiscal Agent</b> .....	Deutsche Bank AG, London Branch.
<b>Paying Agents</b> .....	The Fiscal Agent and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank).
<b>Issue Size</b> .....	EUR 1,500,000,000
<b>Maturity Date</b> .....	The Capital Securities are perpetual securities and have no scheduled maturity date.
<b>Issue Date</b> .....	22 January 2015
<b>Ranking</b> .....	The payment obligations under the Capital Securities and the Coupons will constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. Subject to exceptions provided by mandatory applicable law, in the case of (a) the bankruptcy of the Issuer; (b) a Moratorium; or (c) dissolution ( <i>ontbinding</i> ), the Holders shall have a claim for an amount equal to the then Prevailing Principal Amount of the Capital Securities, together with any Outstanding Payments, which shall rank: <ul style="list-style-type: none"><li>(i) subordinated and junior to indebtedness of the Issuer, including but not limited to Tier 2 Capital of the Issuer, (other than the Issuer’s obligations under any guarantee or contractual right that effectively ranks <i>pari passu</i> with, or junior to, the Issuer’s obligations under the Capital Securities or the Coupons (including, without limitation, the Existing Capital Securities));</li><li>(ii) <i>pari passu</i> (a) with the Issuer’s obligations under the guarantees and contingent guarantees in relation to the Non-cumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trusts III and IV and the corresponding LLC Class B Preferred Securities issued by Rabobank Capital Funding LLCs III and IV, (b) with the Issuer’s obligations under the Existing Capital Securities, and (c) effectively, with the most senior ranking preferred equity securities or preferred or preference shares (if any) of the Issuer and at least <i>pari passu</i></li></ul>

with the Issuer's most senior Tier 1 Capital; and

- (iii) senior only to the Issuer's obligations under the Participations and any other instruments ranking *pari passu* with the Participations (in accordance with, and by virtue of the subordination provisions of, the Participations) and any other instruments ranking *pari passu* therewith.

By virtue of such subordination, payments to Holders and Coupon-holders will, in the case of the bankruptcy or dissolution of the Issuer or in the event of a Moratorium, only be made after all payment obligations of the Issuer ranking senior to the Capital Securities and Coupons have been satisfied.

**Interest**..... The Capital Securities will bear Interest at an initial interest rate of 5.50 per cent. per annum on their Prevailing Principal Amount, from (and including) the Issue Date to (but excluding) 29 June 2020 (the "**First Reset Date**"), payable, subject as provided below, semi-annually in arrear on each Interest Payment Date, as more fully described under Condition 4. Interest on the Capital Securities shall accrue from (and including) the First Reset Date at a rate, to be reset every five years thereafter, based on the Reset Reference Rate plus 5.25 per cent. Interest is not cumulative.

**Interest Payment Dates** ..... Except as described below, Interest will be payable on 29 June and 29 December in each year (each, an "**Interest Payment Date**"), commencing on 22 January 2015. There will be a short first Interest Period of 158 days, beginning on (and including) the Issue Date and ending on (but excluding) 29 June 2015.

**Discretionary Cancellation of**

**Interest**..... Interest on the Capital Securities will be due and payable only at the sole and absolute discretion of the Issuer, subject at all times to the requirements for mandatory cancellation of Interest payments in Conditions 5(b) and 6(a)(i). Accordingly, the Issuer may at any time elect to cancel any Interest payment (or part thereof) which would otherwise be payable on any Interest Payment Date.

**Mandatory Cancellation of Interest**... The Issuer shall be prohibited from making any Interest payment on any Interest Payment Date if and to the extent that:

- (a) the amount of such Interest payment, together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current Financial Year on other own funds items (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in the calculation of Distributable Items) in aggregate exceed the amount of Distributable Items of the Issuer as at such Interest Payment Date; or
- (b) the payment of such Interest would cause, when aggregated together with other distributions of the kind referred to in

Article 141(2) of the CRD IV Directive (or any provision of applicable law, including the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*), transposing or implementing Article 141(2) of the CRD IV Directive, as amended or replaced), the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded.

**Interest non-cumulative; no default...** Any Interest (or part thereof) not paid on any relevant Interest Payment Date by reason of Condition 5(a), 5(b) or 6 shall be cancelled and shall not accumulate or be payable at any time thereafter, and shall not constitute a default by the Issuer for any purpose. Holders shall have no right thereto whether in a bankruptcy, Moratorium or dissolution (*ontbinding*) of the Issuer or otherwise.

**Write Down upon a Trigger Event....** Upon the determination by the Issuer in accordance with the requirements set out in Article 54 of the CRD IV Regulation, by reference to its Relevant Accounts, that either:

- (a) the CET1 Ratio of the Rabobank Group has fallen below 7 per cent.; and/or
- (b) (for so long as required under applicable Capital Regulations) the CET1 Ratio of the Local Rabobank Group has fallen below 5.125 per cent.,

(each a “**Trigger Event**”), the Issuer shall, subject to certain conditions:

- (i) cancel any Interest which is accrued to the relevant Write Down Date and unpaid; and
- (ii) to the extent the cancellation of Interest in accordance with (i) above, together with the cancellation of interest on any other instrument issued directly or indirectly by the Issuer which contains provisions for the cancellation of interest analogous to any of those in the Capital Securities, in each case on or before the relevant Write Down Date, is in aggregate insufficient to result in the relevant Trigger Event no longer continuing, (without the need for the consent of the Holders) reduce the then Prevailing Principal Amount of each Capital Security by the relevant Write Down Amount (such reduction, a “**Write Down**”).

A Trigger Event may occur on more than one occasion (and each Capital Security may be Written Down on more than one occasion).

**Write Up .....** The Issuer shall have full discretion, subject to compliance with the Capital Regulations, to reinstate, to the extent permitted in compliance with the Capital Regulations, any portion of the relevant Write Down Amount (such reinstatement, a “**Write Up**”), subject to certain conditions, as more particularly set out in Condition 7(d).

**Optional Redemption .....** Subject to certain conditions, as more particularly set out in Condition 7(b) of the Capital Securities, the Issuer may elect, in its sole discretion, to redeem all, but not some only, of the Capital Securities on the First Call Date or on each Interest Payment Date

thereafter at their Redemption Price.

**Redemption for Taxation Reasons** ..... If as a result of a Tax Law Change that causes a change in the tax treatment of the Capital Securities:

- (i) there is more than an insubstantial risk that the Issuer will be required to pay Additional Amounts with respect to payments on the Capital Securities; or
- (ii) Interest payable on the Capital Securities when paid would not be deductible by the Issuer for Netherlands corporate income tax liability purposes,

then the Issuer may, at any time redeem all, but not some only, of the Capital Securities at their Redemption Price on the relevant date fixed for redemption as more particularly set out in Condition 7(d).

**Redemption for Regulatory**

**Reasons** ..... If a Capital Event occurs and is continuing, then the Issuer may, at any time redeem all, but not some only, of the Capital Securities at their Redemption Price, on the relevant date fixed for redemption, as more particularly set out in Condition 7(e).

A “**Capital Event**” will be deemed to have occurred if the Issuer demonstrates to the satisfaction of the Relevant Regulator that as a result of a change on or after the Issue Date, in the regulatory classification of the Capital Securities under the Capital Regulations, the Capital Securities have been or will be excluded from own funds or reclassified as a lower quality form of own funds (that is, no longer Additional Tier 1 Capital), in each case in whole and not in part.

**Substitution or variation for a**

**Capital Event** ..... If a Capital Event has occurred and is continuing, then the Issuer may either substitute, or vary the terms of, the Capital Securities so that they remain, or as appropriate become Compliant Securities, as more particularly set out in Condition 7(f).

**Withholding Tax and Additional**

**Amounts** ..... The Issuer will pay such Additional Amounts as may be necessary in order that the net payment received by each Holder in respect of the Capital Securities, after withholding for any taxes imposed by tax authorities in the Netherlands upon payments made by or on behalf of the Issuer in respect of the Capital Securities, will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions, as more particularly set out in Condition 10.

**Listing** ..... Application has been made to list the Capital Securities on NYSE Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. It is expected that admission to listing will become effective and dealings are expected to commence on 22 January 2015.

**Governing Law** ..... The Capital Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, the laws of the

Netherlands.

<b>Form</b> .....	Bearer. The Capital Securities will initially be represented by a Temporary Global Capital Security, without interest coupons, which will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. The Temporary Global Capital Security will be exchangeable for interests in a global capital security, without interest coupons, on or after 4 March 2015, upon certification as to non-US beneficial ownership.
<b>Denomination</b> .....	EUR 200,000 and integral multiples of EUR 1,000 in excess thereof, up to and including EUR 399,000.
<b>Clearing and Settlement</b> .....	The Capital Securities have been accepted for clearance through the facilities of each of Euroclear and Clearstream, Luxembourg.
<b>Rating</b> .....	The Capital Securities are expected to be assigned on issue a rating of 'Baa3' by Moody's and 'BBB' by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.
<b>Security Codes</b> .....	ISIN: XS1171914515 Common Code: 117191451
<b>Selling Restrictions</b> .....	<p>The United States of America, United Kingdom (including, but not limited to the TMR), Canada, Japan, Singapore, Hong Kong, the Republic of China, Korea, Brazil, Switzerland, France, the Republic of Italy and Israel.</p> <p>The Capital Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). The Capital Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of the Capital Securities and distribution of this Prospectus, see '<i>Subscription and Sale</i>'.</p>



## TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

*The following (save for paragraphs in italics, which do not form part of the conditions of issue) are the conditions of issue of the Capital Securities as they apply to holders of the Capital Securities and are in the form in which they will appear on the reverse of each Certificate.*

The issue of the €1,500,000,000 Perpetual Additional Tier 1 Contingent Temporary Write Down Capital Securities (the “**Capital Securities**”) was approved by the Issuer on 16 January 2015 which approval is in accordance with the funding mandate authorised by a resolution of the Executive Board passed on 18 November 2014 and 2 December 2014 and a resolution of the Supervisory Board passed on 1 December 2014, as confirmed by a Secretary’s Certificate dated 20 January 2015. The Agency Agreement has been entered into in respect of the Capital Securities and is available for inspection during usual business hours at the specified offices of each of the Paying Agents. The Agency Agreement includes the form of the Capital Securities, the Coupons and the Talons. The Holders and the Couponholders (whether or not the Coupons held are attached to the relevant Capital Securities) are deemed to have notice of, and are bound by, all the provisions of the Agency Agreement applicable to them.

As at the Issue Date, pursuant to Article 10(2) of the CRD IV Regulation, the Relevant Regulator has waived the application of Parts Two to Eight of the CRD IV Regulation to the Issuer on an individual basis and, pursuant to article 3:111 of the Wft jo. article 32 Exemption Regulation Wft and in accordance with Article 10(1) of the CRD IV Regulation, the Local Rabobanks are exempt from, among other things, complying with Parts Two to Eight of the CRD IV Regulation on an individual basis. Such waivers and/or exemptions may be revoked or cancelled and the Issuer does not represent, warrant or guarantee that such waivers and/or exemptions will continue in force at any time after the Issue Date.

### 1 Definitions

In these Conditions:

“**Additional Amounts**” means such additional amounts as may be necessary so that the net amount received by the Holders or the Couponholders, after the relevant withholding or deduction of any Relevant Tax, will equal the amount which would have been received in respect of the Capital Securities or the Coupons in the absence of such withholding or deduction;

“**Additional Tier 1 Capital**”, at any time, has the meaning ascribed thereto (or to any equivalent term) in the Capital Regulations from time to time;

“**Administrative Action**” means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) affecting taxation;

“**Agency Agreement**” means the fiscal agency agreement dated 22 January 2015 entered into between the Issuer, the Fiscal Agent and the Paying Agents in relation to the Capital Securities;

“**Authorised Denominations**” has the meaning ascribed thereto in Condition 2(a);

“**Authorised Signatories**” means any two of the members of the Executive Board;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and, if on that day a payment is to be made, a day which is a TARGET Business Day also;

“**Calculation Amount**” means, initially, €1,000 in principal amount, provided that if the Prevailing Principal Amount of each Capital Security is amended (either by Write Down or Write Up in accordance with Condition 6 or as otherwise required by then current legislation and/or regulations applicable to the Issuer), the Calculation Amount shall mean the amount determined by the Fiscal Agent in accordance with Condition 6 on a pro rata basis to account for such Write Down, Write Up and/or other such amendment otherwise required, as the case may be, and which is notified to Holders in accordance with Condition 14 with the details of such adjustment;

A “**Capital Event**” is deemed to have occurred if the Issuer demonstrates to the satisfaction of the Relevant Regulator that as a result of a change on or after the Issue Date, in the regulatory classification of the Capital Securities under the Capital Regulations, the Capital Securities have been or will be excluded from own funds or reclassified as a lower quality form of own funds (that is, no longer Additional Tier 1 Capital), in each case in whole and not in part;

“**Capital Regulations**” means any requirements of Dutch law or contained in the regulations, requirements, guidelines and policies of the Relevant Regulator, or of the European Parliament and the European Council, then in effect in The Netherlands relating to capital adequacy and applicable to the Issuer and the Rabobank Group, including but not limited to the CRD IV Directive and the CRD IV Regulation;

“**Capital Securities**” means the €1,500,000,000 Perpetual Additional Tier 1 Contingent Temporary Write Down Capital Securities, which expression shall, unless the context otherwise requires, include any further instruments issued pursuant to Condition 15 and forming a single series with the Capital Securities;

“**CET1 Ratio**” means, as applicable, either:

- (a) the ratio (expressed as a percentage) of the aggregate amount of the Common Equity Tier 1 Capital of the Rabobank Group to the Risk Weighted Assets of the Rabobank Group, in each case calculated by the Issuer on a consolidated basis and expressed as a percentage (the “**CET1 Ratio of the Rabobank Group**”); or
- (b) the ratio (expressed as a percentage) of the aggregate amount of the Common Equity Tier 1 Capital of the Local Rabobank Group to the Risk Weighted Assets of the Local Rabobank Group, in each case calculated by the Issuer on a sub-consolidated basis and expressed as a percentage (the “**CET1 Ratio of the Local Rabobank Group**”);

“**Common Equity Tier 1 Capital**”, at any time, means the common equity tier 1 capital (or an equivalent or successor term) at such time of the Rabobank Group, as calculated by the Issuer on a consolidated basis or, as the context requires, the common equity tier 1 capital (or an equivalent or successor term) at such time of the Local Rabobank Group, as calculated by the Issuer on a sub-consolidated basis, in each case in accordance with the Capital Regulations and taking into account any transitional arrangements under the Capital Regulations which are applicable at such time;

“**Compliant Securities**” means securities issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to a Holder than the terms of the Capital Securities (as reasonably determined by the Issuer, and provided that a certification to such effect of the Authorised Signatories shall have been delivered to the Fiscal Agent prior to the issue of the relevant securities), and, subject thereto, (1) contain terms such that they comply with the then current requirements of the Capital Regulations in relation to Additional Tier 1 Capital (which, for the avoidance of doubt, may result in such securities not including, or restricting for a period of time the application of, one or both of the redemption events set out in Condition 7(d) or 7(e)) and provide at least the same amount of regulatory capital recognition as the Capital Securities prior to the relevant substitution or variation and have the same Initial Principal Amounts and Prevailing Principal Amounts as the Capital

Securities prior to the relevant substitution or variation; (2) include terms which provide for the same Interest Rate from time to time applying to the Capital Securities; (3) rank pari passu with the Capital Securities; and (4) preserve any existing rights under these Conditions to any interest which has not been either cancelled or satisfied; and

- (b) where the Capital Securities which have been substituted or varied were listed immediately prior to their substitution or variation, the relevant securities are listed on (i) Euronext Amsterdam or (ii) such other internationally recognised stock exchange as selected by the Issuer; and
- (c) where the Capital Securities which have been substituted or varied had a published rating from a Rating Agency immediately prior to their substitution or variation, each such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the relevant Compliant Securities;

“**Conditions**” means these terms and conditions of the Capital Securities, as they may be amended from time to time in accordance with the provisions hereof;

“**Coupon**” means an interest coupon in respect of a Capital Security (which expression includes, where the context so permits, Talons);

“**Couponholders**” means the holder of a Coupon;

“**CRD IV Directive**” means the Directive (2013/36/EU) of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time and, as the context permits, any provision of Dutch law, including the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) transposing or implementing such Directive;

“**CRD IV Regulation**” means the Regulation (EU No. 575/2013) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time;

“**Day-count Fraction**” means (i) in respect of an Interest Amount payable on a scheduled Interest Payment Date (other than the first Interest Payment Date), one-half, (ii) in respect of an Interest Amount payable (A) on the first Interest Payment Date or (B) other than on a scheduled Interest Payment Date, the number of days in the relevant period from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by two times the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last);

“**Determination Agent**” means an independent investment bank or financial institution selected by the Issuer for the purposes of performing the functions required to be performed by it under these Conditions;

“**Distributable Items**” means the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments (which, for the avoidance doubt, excludes any such distributions paid or made on Tier 2 Capital instruments or which have already been provided for, by way of deduction, in calculating the amount of Distributable Items) less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the Issuer’s bye-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the Issuer, those losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of the consolidated accounts;

“**Euro or €**” means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome establishing the European Communities as amended;

“**Euronext Amsterdam**” means Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V.;

“**Executive Board**” means the executive board (raad van bestuur) of the Issuer;

“**Existing Capital Securities**” means the NZ\$ Perpetual Non-Cumulative Capital Securities issued on 8 October 2007, the £ Perpetual Non-Cumulative Capital Securities issued on 10 June 2008, the CHF Perpetual Non-Cumulative Capital Securities issued on 27 June 2008, the ILS Perpetual Non-Cumulative Capital Securities issued on 14 July 2008, the EUR Fixed to Floating Rate Perpetual Non-Cumulative Capital Securities issued on 27 February 2009, the NZD Floating Rate Non-cumulative Non-voting Perpetual Preference Shares issued on 27 May 2009, the U.S.\$ Fixed to Floating Rate Perpetual Non-Cumulative Capital Securities issued on 4 June 2009, the U.S.\$ Fixed to Floating Rate Perpetual Non-Cumulative Capital Securities issued on 18 June 2009, the CHF Fixed to Floating Rate Perpetual Non-Cumulative Capital Securities issued on 12 August 2009, the U.S.\$ Fixed Rate Perpetual Non-Cumulative Capital Securities issued on 26 January 2011 and the U.S.\$ Non-Cumulative Capital Securities issued on 9 November 2011;

“**Extraordinary Resolution**” means a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority of at least 75 per cent. of the votes cast;

“**Financial Year**” means the financial year of the Issuer (being the one-year period in respect of which it prepares annual audited financial statements) from time to time, which as at the Issue Date runs from (and including) 1 January in one calendar year to (but excluding) the same date in the immediately following calendar year;

“**First Call Date**” means 29 June 2020;

“**First Fixed Period**” has the meaning ascribed to it in Condition 4(b);

“**First Reset Date**” means 29 June 2020;

“**Fiscal Agent**” means Deutsche Bank AG, London Branch in its capacity as fiscal agent, which expression shall include any successor thereto;

“**Higher Trigger Instrument**” means capital instruments or other obligations which constitute Additional Tier 1 Capital which include a principal loss absorption mechanism that is capable of generating Common Equity Tier 1 Capital and that is activated by an event similar to the Trigger Event in all material respects except that the threshold for the trigger (or, if more than one trigger, the relevant trigger) which gives rise to activation of such principal loss absorption mechanism is set at a CET1 Ratio of the Rabobank Group of higher than 7 per cent. and/or a CET1 Ratio of the Local Rabobank Group of higher than 5.125 per cent. For the avoidance of doubt, the Existing Capital Securities are not Higher Trigger Instruments;

“**Holder**” means the holder of a Capital Security, from time to time;

“**Initial Interest Rate**” means 5.50 per cent. per annum;

“**Initial Principal Amount**” means, in relation to each Capital Security, the Authorised Denomination of that Capital Security on the Issue Date;

“**Interest**” means interest in respect of the Capital Securities including, as the case may be, any applicable Additional Amounts thereon;

“**Interest Amount**” means, subject to Conditions 6 and 8, the amount of Interest payable per Calculation Amount in respect of the relevant Interest Period or Interest Periods, as calculated by the Determination Agent;

“**Interest Determination Date**” means, in respect of a Reset Period, the second TARGET Business Day prior to the Reset Date in respect of such Reset Period;

“**Interest Payment Date**” means 29 June and 29 December of each year commencing 29 June 2015;

“**Interest Period**” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“**Interest Rate**” means, in respect of the First Fixed Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 4(b);

“**Issue Date**” means 22 January 2015, being the date of the initial issue of the Capital Securities;

“**Issuer**” means Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank);

“**Local Rabobank**” means any of the Issuer’s local member banks;

“**Local Rabobank Group**” means the Issuer together with the Local Rabobanks;

“**Loss Absorbing Instrument**” means a Higher Trigger Instrument and/or, as appropriate, Parity Trigger Instrument;

“**Margin**” means 5.25 per cent.;

“**Maximum Distributable Amount**” means any applicable maximum distributable amount relating to the Issuer required to be calculated in accordance with Article 141 of the CRD IV Directive (or any provision of applicable law, including the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*), transposing or implementing Article 141 of the CRD IV Directive, as amended or replaced);

“**Moratorium**” means a situation in which an “emergency regulation” (*noodregeling*) as contemplated in Chapter 3.5.5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as modified or reenacted from time to time, is applicable to the Issuer;

“**Outstanding Payments**” means, in relation to any amounts payable on redemption or repayment of the Capital Securities, an amount representing any unpaid Interest which is due and has not been cancelled for the Interest Period during which redemption or repayment occurs to the date of redemption or repayment plus Additional Amounts thereon, if any;

“**Parity Trigger Instrument**” means capital instruments or other obligations which constitute Additional Tier 1 Capital which absorb losses on a pro rata basis with the Capital Securities and, in each case, which include a principal loss absorption mechanism that is capable of generating Common Equity Tier 1 Capital and that is activated by an event similar to the Trigger Event in all material respects, and such that the threshold for the trigger (or if more than one trigger, the relevant trigger) which gives rise to activation of such principal loss absorption mechanism is set at a CET1 Ratio of the Rabobank Group of 7 per cent. and/or a CET1 Ratio of the Local Rabobank Group of 5.125 per cent. For the avoidance of doubt, the Existing Capital Securities are not Parity Trigger Instruments;

“**Participations**” means the Rabobank certificates representing participations issued by the Issuer (with scheduled quarterly payment dates) and acquired by Stichting AK Rabobank Certificaten on 24 January 2014 (and any other similar Rabobank certificates representing participations issued thereafter by the Issuer);

“**Paying Agents**” means Deutsche Bank AG, London Branch and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) in their capacity as paying agents, which expression includes any successor and additional paying agents appointed from time to time in connection with the Capital Securities;

“**Prevailing Principal Amount**” means, in relation to each Capital Security at any time, the principal amount of such Capital Security at that time, being its Initial Principal Amount, as adjusted from time to time for any Write Down and/or Write Up, in accordance with Condition 6 and/or as otherwise required by then current legislation and/or regulations applicable to the Issuer;

“**Proceedings**” means legal action or proceedings arising out of or in connection with any Capital Securities;

“**Rabobank Group**” means the Issuer together with its branches and consolidated subsidiaries and the Local Rabobanks;

“**Rating Agency**” means Moody’s Investors Service Ltd or Fitch Ratings Ltd, or their respective successors;

“**Redemption Price**” means, in respect of each Capital Security at any time, the then Prevailing Principal Amount thereof together with any Outstanding Payments;

“**Relevant Accounts**” means, in relation to a Trigger Event and the Write Up of Capital Securities, the then most recent annual, interim or ad hoc financial statements or other audited or unaudited financial information available to management of the Issuer, on a consolidated, or as the case may be, sub-consolidated, basis, including information internally reported within the Issuer pursuant to its procedures for monitoring the CET1 Ratios;

“**Relevant Date**” means, in respect of any payment, the date on which such payment first becomes due and payable but, if such payment is improperly withheld or refused, the date on which payment is made;

“**Relevant Regulator**” means the European Central Bank, or such other body or authority having primary supervisory authority with respect to the Rabobank Group;

“**Relevant Tax**” means, collectively, any present or future taxes, duties, assessments or governmental charges of whatever nature, which are imposed or levied by or on behalf of the Netherlands or any authority therein or thereof having power to tax;

“**Reset Date**” has the meaning ascribed to it in Condition 4(b);

“**Reset Period**” means the period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

“**Reset Reference Banks**” means four major banks in the interbank market in the euro-zone as selected by the Determination Agent, after consultation with the Issuer;

“**Reset Reference Rate**” means in respect of the Reset Period, (i) the applicable annual mid-swap rate for swap transactions in euro (with a maturity equal to 5 years) as displayed on the Screen Page at 11.00 a.m. (Central European time) on the relevant Interest Determination Date (which rate, if the relevant Interest Payment Dates are other than semi-annual or annual Interest Payment Dates shall be adjusted by, and in the manner determined by, the Determination Agent) or (ii) if such rate is not displayed on the Screen Page at such time and date, the Reset Reference Bank Rate;

where:

“**Mid-Swap Quotations**” means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (a) has a term commencing on the Reset Date which is equal to 5 years; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis);

“**Reset Reference Bank Rate**” means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Determination Agent at or around 11:00 a.m. (Central European time) on the relevant Interest Determination Date and, rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be determined by the Determination Agent in its sole discretion following consultation with the Issuer;

“**Reset Reference Banks**” means five leading swap dealers in the principal interbank market relating to euro selected by the Determination Agent in its discretion after consultation with the Issuer; and

“**Screen Page**” means Reuters screen page “ISDAFIX2”, or such other screen page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Thomson Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates;

“**Risk Weighted Assets**” means, at any time, the aggregate Total Risk Exposure Amount of the Rabobank Group, or as the case may be, the Local Rabobank Group, at such time;

“**sub-consolidated**” means, in respect of any amount or ratio or set of accounts which are described as being calculated or presented on a sub-consolidated basis, that such amount or ratio or accounts have been calculated or, as the case may be, prepared by the Issuer on a sub-consolidated basis (within the meaning of Article 4.1(49) of the CRD IV Regulation) with respect to the Local Rabobank Group;

“**Talon**” means a talon for further Coupons;

“**TARGET**” means the Trans European Real-Time Gross Settlement Express Transfer (known as TARGET 2) System, which was launched on 19 November 2007, or any successor thereto;

“**TARGET Business Day**” means a day on which TARGET is operating;

“**Tax Law Change**” means (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of the Netherlands or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the Issue Date and which in any such case the Issuer demonstrates to the satisfaction of the Relevant Regulator was material and not reasonably foreseeable as at the Issue Date, and provided that, for the avoidance of doubt, should article 29a Dutch corporate income tax act 1969 (*artikel 29a Wet op de vennootschapsbelasting 1969*) be amended, clarified, or changed (including any announced prospective change) as a result of the exchange of views (*gedachtewisseling*) as referred to in the final report of the permanent commission for finance of the First Chamber of Parliament (*eindverslag van de vaste commissie van financiën van de Eerste Kamer der Staten-Generaal*) relating to Article IV of the Tax compilation act 2014 (*Fiscale verzamelwet 2014*), this shall not constitute a Tax Law Change;

“**Tier 1 Capital**” has the meaning ascribed thereto (or to any equivalent terms) in the Capital Regulations from time to time;

“**Tier 2 Capital**” has the meaning ascribed thereto (or to any equivalent terms) in the Capital Regulations from time to time;

“**Total Risk Exposure Amount**” means, at any time, the total risk exposure amount of the Rabobank Group at such time, as calculated by the Issuer on a consolidated basis or, as the context requires, the total risk exposure amount of the Local Rabobank Group, as calculated by the Issuer on a sub-consolidated basis, in each case in accordance with the Capital Regulations and taking into account any transitional arrangements under the Capital Regulations which are applicable at such time;

“**Trigger Event**” means a determination by the Issuer in accordance with the requirements set out in Article 54 of the CRD IV Regulation, by reference to its Relevant Accounts, that either (a) the CET1 Ratio of the Rabobank Group has fallen below 7 per cent. and/or (b) (for so long as required under applicable Capital Regulations) the CET1 Ratio of the Local Rabobank Group has fallen below 5.125 per cent.;

“**Trigger Event Notice**” means the notice referred to as such in Condition 6 which shall be given by the Issuer to the Holders, the Fiscal Agent, the Paying Agents and the Relevant Regulator, in accordance with Condition 6 and Condition 14 and which shall state with reasonable detail the nature of the relevant Trigger Event, the relevant Write Down being implemented, any Write Down Amount (if then known) and the basis of its calculation and the relevant Write Down Date;

“**Write Down**” and “**Written Down**” shall be construed as provided in Condition 6(a);

“**Write Down Amount**” means the amount by which the Prevailing Principal Amount of a Capital Security is to be Written Down in accordance with Condition 6(a);

“**Write Down Date**” has the meaning ascribed to it in Condition 6(a);

“**Write Up**” and “**Written Up**” shall be construed as provided in Condition 6(d);

“**Write Up Amount**” has the meaning ascribed to it in Condition 6(d); and

“**Write Up Notice**” has the meaning ascribed to it in Condition 6(d).

## 2 Form, Denomination and Title

### (a) *Form and Denomination*

The Capital Securities are serially numbered and in bearer form in initial principal amounts of €200,000, and integral multiples of €1,000 in excess thereof, up to and including 399,000 (each “**Authorised Denominations**”), each with Coupons and one Talon attached on issue. No definitive Capital Securities will be issued with a denomination above €399,000. Capital Securities of one denomination may not be exchanged for Capital Securities of any other denomination.

### (b) *Title*

Title to the Capital Securities, the Coupons and the Talons passes by delivery. The holder of any Capital Security, Coupon or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the Holder or Couponholder, as the case may be.



### 3 Status and Subordination

(a) *Status*

The Capital Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Holders and Couponholders are subordinated as described in Condition 3(b).

(b) *Subordination*

Subject to exceptions provided by mandatory applicable law, the payment obligations under the Capital Securities and Coupons constitute unsecured obligations of the Issuer and Holders shall, in the case of (a) the bankruptcy of the Issuer, (b) a Moratorium or (c) dissolution (*ontbinding*), have a claim for an amount equal to the then Prevailing Principal Amount of the Capital Securities, together with any Outstanding Payments, which shall rank:

- (i) subordinated and junior to indebtedness of the Issuer, including but not limited to Tier 2 Capital of the Issuer, (other than the Issuer's obligations under any guarantee or contractual right that effectively ranks *pari passu* with, or junior to, the Issuer's obligations under the Capital Securities or the Coupons (including, without limitation, the Existing Capital Securities));
- (ii) *pari passu* (a) with the Issuer's obligations under the guarantees and contingent guarantees in relation to the Non-cumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trusts III and IV and the corresponding LLC Class B Preferred Securities issued by Rabobank Capital Funding LLCs III and IV, (b) with the Issuer's obligations under the Existing Capital Securities, and (c) effectively, with the most senior ranking preferred equity securities or preferred or preference shares (if any) of the Issuer and at least *pari passu* with the Issuer's most senior Tier 1 Capital; and
- (iii) senior only to the Issuer's obligations under the Participations and any other instruments ranking *pari passu* with the Participations (in accordance with, and by virtue of the subordination provisions of, the Participations) and any other instruments ranking *pari passu* therewith.

By virtue of such subordination, payments to the Holders and Couponholders will, in the case of the bankruptcy or dissolution of the Issuer or in the event of a Moratorium, only be made after all payment obligations of the Issuer ranking senior to the Capital Securities and Coupons have been satisfied.

In addition, any right of set-off by the Holder or Couponholder in respect of any amount owed to such Holder or Couponholder by the Issuer under or in connection with such Capital Security or Coupon shall be excluded and each Holder or Couponholder shall, by virtue of being the Holder of any Capital Security or a Couponholder, as the case may be, be deemed to have waived all such rights of set-off.

*In respect of this Condition 3, reference is also made to statutory loss absorption as more fully described in the risk factors entitled "Change of law" and "Statutory loss absorption" in the prospectus relating to the Capital Securities.*

### 4 Interest

(a) *General*

Subject to Conditions 5 and 6, the Capital Securities bear Interest on their Prevailing Principal Amount from (and including) the Issue Date in accordance with the provisions of this Condition 4. Subject to Condition 5, Interest shall be payable on the Capital Securities semi-annually in arrear in equal

instalments of €27.50 per Calculation Amount on each Interest Payment Date (as provided in this Condition 4), commencing with the Interest Payment Date falling on 29 June 2015, except that the first payment of interest will be made on 29 June 2015 in respect of the period from (and including) the Issue Date to (but excluding) 29 June 2015, and will amount to €23.87 per Calculation Amount.

Interest will not be cumulative and Interest which is not paid will not accumulate or compound and Holders of the Capital Securities will have no right to receive such Interest at any time, even if Interest is paid in the future.

(b) *Interest Rate*

From (and including) the Issue Date to (but excluding) the First Reset Date (the “**First Fixed Period**”), the Capital Securities bear interest on their Prevailing Principal Amount at the Initial Interest Rate. The Interest Rate will be reset on the First Reset Date and every fifth anniversary thereafter (each a “**Reset Date**”) on the basis of the aggregate of the Margin and the Reset Reference Rate on the relevant Interest Determination Date, as determined by the Determination Agent. The Determination Agent will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Amount to be notified to the Fiscal Agent, each of the Paying Agents and Euronext Amsterdam or any other stock exchange on which the Capital Securities are for the time being listed and to be notified to Holders as soon as possible after their determination but in no event later than the second Business Day thereafter.

The determination of the applicable Interest Rate by the Determination Agent shall (in the absence of manifest error) be final and binding upon all parties.

(c) *Interest Accrual, Calculation and Rounding*

The Capital Securities will cease to bear Interest from (and including) the date of redemption thereof pursuant to Condition 7 unless payment of all amounts due in respect of the Capital Securities is not properly and duly made, in which event Interest shall continue to accrue, both before and after judgment, at the Interest Rate and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Capital Security shall be calculated per Calculation Amount and shall be equal to the product of the Calculation Amount, the Interest Rate and the relevant Day-count Fraction for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

If pursuant to Condition 6 or as otherwise required by then current legislation and/or regulations applicable to the Issuer, the Prevailing Principal Amount of the Capital Securities is Written Down or Written Up or so adjusted as otherwise required during an Interest Period, the Calculation Amount will be adjusted by the Fiscal Agent to reflect such Prevailing Principal Amount from time to time so that the relevant amount of Interest is determined by reference to such Calculation Amount as adjusted from time to time, all as determined by the Fiscal Agent. The Issuer shall promptly following such change give notice of any change to the Calculation Amount to Holders in accordance with Condition 14.

(d) *Determination Agent*

The Issuer will procure that, so long as any Capital Security is outstanding, there shall at all times be a Determination Agent when one is required for the purposes of these Conditions. If the Determination Agent fails duly to establish the Interest Rate or to calculate the corresponding Interest Amount, the Issuer shall appoint another Determination Agent to act as such in its place. The Determination Agent may not resign its duties without a successor having been so appointed.

## 5 Cancellation of Interest

### (a) *Optional cancellation of Interest*

The Issuer may, at its discretion but subject at all times to the requirements for mandatory cancellation of Interest payments in Conditions 5(b) and 6(a)(i), at any time elect to cancel any Interest payment, in whole or in part, which is scheduled to be paid on an Interest Payment Date. Upon the Issuer electing to cancel (in whole or in part) any Interest payment under this Condition 5(a), the Issuer shall give notice of such election to the Holders in accordance with Condition 14 as soon as reasonably practicable on or prior to the relevant Interest Payment Date (provided that any failure to give such notice shall not affect the validity of the cancellation of any Interest payment in whole or in part by the Issuer and shall not constitute a default under the Capital Securities for any purpose). Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant Interest payment that will be paid on the relevant Interest Payment Date.

### (b) *Mandatory cancellation of Interest*

Interest otherwise due on an Interest Payment Date will not be due (in whole or, as the case may be, in part), and the relevant payment will not be made, if and to the extent that the amount of such Interest payment otherwise due, together with any interest payments or distributions which have been paid or made or which are required to be paid or made during the then current Financial Year on other own funds items (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in the calculation of Distributable Items) in aggregate exceed the amount of Distributable Items of the Issuer as at such Interest Payment Date.

In addition, the Issuer shall not pay any Interest otherwise due on an Interest Payment Date if and to the extent that the payment of such Interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or any provision of applicable law, including the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*), transposing or implementing Article 141(2) of the CRD IV Directive, as amended or replaced), the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded.

Upon the Issuer being prohibited from making any Interest payment under this Condition 5(b), the Issuer shall as soon as reasonably practicable on or prior to the relevant Interest Payment Date give notice of such non-payment and the reason therefor to the Holders in accordance with Condition 14 (provided that any failure to give such notice shall not affect the cancellation of any Interest payment in whole or in part by the Issuer and shall not constitute a default under the Capital Securities for any purpose). Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant Interest payment that will be paid on the relevant Interest Payment Date.

### (c) *Interest non-cumulative; no default*

Any Interest payment (or part thereof) not paid on any relevant Interest Payment Date by reason of Condition 5(a), 5(b) or 6, shall be cancelled and shall not accumulate or be payable at any time thereafter. Non-payment of any Interest (or part thereof) in accordance with any of Condition 5(a), 5(b) or 6, will not constitute a default by the Issuer for any purpose, and the Holders shall have no right thereto whether in a bankruptcy, Moratorium or dissolution (*ontbinding*) of the Issuer or otherwise.

In the absence of any notice of cancellation referred to above being given, the fact of non-payment (in whole or in part) of the relevant Interest Payment on the relevant Interest Payment Date shall be

evidence of the Issuer having elected or being required to cancel such Interest Payment in whole or in part, as applicable.

## 6 Write Down and Write Up

### (a) Write Down

If a Trigger Event has occurred, the Issuer shall, after first giving a Trigger Event Notice, subject as provided below:

- (x) cancel any Interest which is accrued to the relevant Write Down Date and unpaid; and
- (y) to the extent the cancellation of Interest in accordance with (x) above, together with the cancellation of interest on any other instrument issued directly or indirectly by the Issuer which contains provisions for the cancellation of interest analogous to any of those in the Capital Securities, in each case on or before the relevant Write Down Date, is in aggregate insufficient to result in the relevant Trigger Event no longer continuing, (without the need for the consent of the Holders) reduce the then Prevailing Principal Amount of each Capital Security by the relevant Write Down Amount (such reduction being referred to herein as a “**Write Down**”, and “**Written Down**”, shall be construed accordingly) as provided below.

Such cancellation and reduction shall take place without delay on such date as is selected by the Issuer (the “**Write Down Date**”) but which shall be no later than one month following the occurrence of the relevant Trigger Event and in accordance with the requirements set out in Article 54 of the CRD IV Regulation as at the Issue Date. The Relevant Regulator may require that the period of one month referred to above is reduced in cases where the Relevant Regulator assesses that sufficient certainty on the required Write Down Amount is established or in cases where it assesses that an immediate Write Down is needed.

The aggregate reduction of the Prevailing Principal Amounts of the Capital Securities outstanding on the Write Down Date will be equal to the lower of:

- (i) the amount that would restore the CET1 Ratio of the Rabobank Group to at least 7 per cent. and (where applicable in the circumstances described in the definition of Trigger Event) the CET1 Ratio of the Local Rabobank Group to at least 5.125 per cent. at the point of such reduction, after taking into account (subject as provided in Condition 6(c)):
  - (A) first, the amount of Common Equity Tier 1 Capital (if any) generated on or prior to the Write Down Date by all Higher Trigger Instruments (if any) outstanding at such time; and
  - (B) second, the pro rata reduction to, or, as the case may be, conversion into Common Equity Tier 1 Capital instruments of, the then Prevailing Principal Amount of all Parity Trigger Instruments (if any) outstanding at such time with such proration based on the amount of Common Equity Tier 1 Capital (if any) generated on or prior to the Write Down Date by all Parity Trigger Instruments (if any) outstanding at such time (but without taking into account for these purposes any further write down or conversion of any Parity Trigger Instruments in accordance with their terms by any amount greater than the pro rata amount necessary to so restore such CET1 Ratios as contemplated above),

in each case, in accordance with the terms of the relevant instruments and the Capital Regulations; and

- (ii) the amount that would result in the Prevailing Principal Amount of a Capital Security with an Initial Principal Amount of EUR 200,000 being reduced to one cent.

The aggregate reduction determined in accordance with the immediately preceding paragraph shall be applied to all of the Capital Securities pro rata on the basis of their Prevailing Principal Amount immediately prior to the Write Down and references herein to “**Write Down Amount**” shall mean, in respect of each Capital Security, the amount by which the principal amount of such Capital Security is to be Written Down accordingly.

Following a reduction of the Prevailing Principal Amount of the Capital Securities as described above, Interest will continue to accrue on the Prevailing Principal Amount of each Capital Security following such reduction, and will be subject to Conditions 5 and 6(d) as described herein.

For the purposes of determining whether a Trigger Event has occurred, the Issuer will (i) calculate the CET1 ratios based on information (whether or not published) available to management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for monitoring the CET1 Ratios and (ii) calculate and publish the CET1 Ratios on at least a semi-annual basis.

*(b) Notice of a Write Down*

Following a Trigger Event, the Issuer shall:

- (i) immediately inform the Relevant Regulator of the relevant Trigger Event and, if at the relevant time consent of the Relevant Regulator is required to be given for the relevant Write Down, obtain such consent;
- (ii) give the relevant Trigger Event Notice which notice shall be irrevocable; and
- (iii) prior to the giving of the Trigger Event Notice, deliver to the Fiscal Agent a certificate signed by the Authorised Signatories stating that, and in reasonable detail how, the relevant requirement or circumstance giving rise to the right to effect the relevant Write Down is satisfied.

Any failure by the Issuer to give any such notice will not in any way impact on the effectiveness of, or otherwise invalidate, any Write Down, or give Holders any rights as a result of such failure.

*(c) Consequences of a Write Down*

A Trigger Event may occur on more than one occasion (and each Capital Security may be Written Down on more than one occasion).

Following any Write Down of the Capital Security, references herein to “**Prevailing Principal Amount**” shall be construed accordingly. Once the Prevailing Principal Amount of a Capital Security has been Written Down, the relevant Write Down Amount(s) may only be restored, at the discretion of the Issuer, in accordance with Condition 6(d) and provided that the relevant Trigger Event(s) cease(s) to continue.

Following the giving of a Trigger Event Notice which specifies a Write Down of the Capital Securities, the Issuer shall procure that (i) a similar notice is given in respect of other Loss Absorbing Instruments in accordance with their terms and (ii) the then prevailing principal amount of each series of Loss Absorbing Instruments outstanding (if any) is written down or converted in accordance with their terms following the giving of such Trigger Event Notice.

To the extent the prior write down or conversion of any Higher Trigger Instruments or write down or conversion of any Parity Trigger Instruments for the purposes of Conditions 6(a)(i)(A) and (B) above

is not possible for any reason, this shall not in any way impact on any Write Down of the Capital Securities. However in such circumstances, the Capital Securities will be Written Down and the Write Down Amount determined as provided in Condition 6(a) above without including for the purposes of Conditions 6(a)(i)(A) or (B) any Common Equity Tier 1 Capital in respect of such Higher Trigger Instruments or Parity Trigger Instruments, as the case may be, to the extent they are not written down or converted.

The Issuer shall determine the relevant Write Down Amount in the manner set out in Condition 6(a) and shall set out its determination thereof in the relevant Trigger Event Notice together with the then Prevailing Principal Amount of each Capital Security following the relevant Write Down. However, if the Write Down Amount has not been determined when the Trigger Event Notice is given, the Issuer shall, as soon as reasonable practicable following such determination, notify Holders of the Write Down Amount in accordance with Condition 14 and the Fiscal Agent. The Issuer's determination of the relevant Write Down Amount shall be irrevocable and be binding on all parties. In addition, prior to the giving of the Trigger Event Notice, the Issuer shall deliver a certificate to the Fiscal Agent signed by the Authorised Signatories setting out in reasonable detail its calculation of the relevant Write Down Amount.

Any reduction of the Prevailing Principal Amount of a Capital Security pursuant to Condition 6(a) shall not constitute a default by the Issuer for any purpose, and the Holders shall have no right to claim for amounts Written Down whether in a bankruptcy, Moratorium or dissolution (*ontbinding*) or otherwise, save to the extent (if any) such amounts are Written Up in accordance with Condition 6(d).

(d) *Write Up*

The Issuer shall have full discretion to reinstate, to the extent permitted in compliance with the Capital Regulations, any portion of the relevant Write Down Amount (the "**Write Up Amount**") out of the net profits of the Issuer as reported by the Issuer on a non-consolidated basis and after the Issuer has taken a formal decision confirming such final net profits. The reinstatement of the Prevailing Principal Amount (such reinstatement being referred to herein as a "**Write Up**", and "**Written Up**" shall be construed accordingly) may occur on more than one occasion (and each Capital Security may be Written Up on more than one occasion) provided that the principal amount of each Capital Security shall never be Written Up to an amount greater than its Initial Principal Amount.

Such Write Up of the Capital Securities shall be made on a pro rata basis with the write up of all other Parity Trigger Instruments (if any).

To the extent that the Prevailing Principal Amount of the Capital Securities has been Written Up as described above, Interest shall begin to accrue from the date of the relevant Write Up on the increased Prevailing Principal Amount of the Capital Securities.

Any reinstatement of the Prevailing Principal Amount of the Capital Securities and of any other Additional Tier 1 instruments of the Rabobank Group may not exceed any reinstatement limit applicable under prevailing Capital Regulations, and which at the Issue Date is calculated as the lower of:

- (i) the Maximum Distributable Amount (after taking account of any other relevant distributions of the kind referred to in Article 141(2) of the CRD IV Directive); and
- (ii) the amount equal to the profits of the Issuer available for such purpose in accordance with the Capital Regulations (on a non-consolidated basis) after the Issuer has taken a formal decision confirming the relevant final net profits less relevant coupons paid on all Additional Tier 1 instruments of the Issuer where the principal amount of such Additional Tier 1 instruments has

been reduced multiplied by the ratio of the original principal amount of all outstanding Additional Tier 1 instruments of the Issuer where the principal amount of such Additional Tier 1 instruments has been reduced, divided by the total Tier 1 Capital of the Issuer (on a non-consolidated basis) at the date of the relevant reinstatement.

Any Write Up will be subject to (a) it not causing a Trigger Event and (b) the Issuer obtaining the prior written consent of the Relevant Regulator therefor (provided at the relevant time such consent is required to be given).

As at the Issue Date, Capital Regulations do not require that the prior written consent of the Relevant Regulator is obtained in order for the Issuer to give effect to any Write Up.

A Write Up may be made on more than one occasion in accordance with this Condition 6(d) until the Prevailing Principal Amount of the Capital Securities has been reinstated to the Initial Principal Amount.

Any decision by the Issuer to effect or not to effect any Write Up pursuant to this Condition 6(d) on any occasion shall not preclude it from effecting or not effecting any Write Up on any other occasion pursuant to this Condition 6(d).

If the Issuer decides to Write Up the Capital Securities pursuant to this Condition 6(d), notice (a “Write Up Notice”) of such Write Up shall be given to Holders in accordance with Condition 14 specifying the amount of any Write Up and the date on which such Write Up shall take effect and to the Fiscal Agent. Such Write Up shall be given at least ten Business Days prior to the date on which the relevant Write Up is to become effective.

## **7 Redemption, Substitution, Variation and Purchase**

### *(a) Perpetual Capital Securities*

The Capital Securities are perpetual securities and the Issuer shall, without prejudice to its ability to effect a Write Down in accordance with Condition 6(a), only have the right to redeem them or purchase them in accordance with the following provisions of this Condition 7.

### *(b) Conditions to Redemption, Substitution, Variation and Purchase*

Any redemption, substitution, variation or purchase of the Capital Securities in accordance with Condition 7(c), (d), (e), (f) or (g) is subject to:

- (i) the Issuer obtaining the prior written consent of the Relevant Regulator therefor, provided that at the relevant time such consent is required to be given;
- (ii) both at the time of, and immediately following, the redemption or purchase, the Issuer being in compliance with its capital requirements as provided in the Capital Regulations applicable to it from time to time (and a certificate from the Authorised Signatories confirming such compliance shall be conclusive evidence of such compliance);
- (iii) except in the case of any purchase of the Capital Securities in accordance with Condition 7(g), the Issuer giving not less than 30 nor more than 60 calendar days’ notice to the Holders, the Fiscal Agent and the Paying Agents in accordance with Condition 14, which notice shall be irrevocable;
- (iv) if and to the extent then required under prevailing Capital Regulations, either: (A) the Issuer having replaced the Capital Securities with own funds instruments of equal or higher quality at

terms that are sustainable for the income capacity of the Rabobank Group; or (B) the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin (calculated, as at the Issue Date, in accordance with Article 104(3) of the CRD IV Directive) that the Relevant Regulator considers necessary at such time;

- (v) in respect of a redemption prior to the fifth anniversary of the Issue Date, if and to the extent then required under prevailing Capital Regulations (A) in the case of redemption upon the occurrence of a Tax Law Change, the Issuer has demonstrated to the satisfaction of the Relevant Regulator that the change in tax treatment is material, or (B) in the case of redemption upon the occurrence of a Capital Event, the Issuer has demonstrated to the satisfaction of the Relevant Regulator that the change in the regulatory classification of the Capital Securities was not reasonably foreseeable as at the Issue Date; and
- (vi) if, at the time of such redemption, substitution, variation or purchase, the prevailing Capital Regulations permit the repayment or purchase only after compliance with one or more alternative or additional pre-conditions to those set out in this Condition 7(b), the Issuer having complied with such other pre-condition(s).

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 7 (other than redemption pursuant to Condition 7(c)), the Issuer shall deliver to the Fiscal Agent a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied.

(c) *Issuer's Call Option*

Subject to Condition 7(b), the Issuer may elect, in its sole discretion, to redeem all, but not some only, of the Capital Securities on the First Call Date or on each Interest Payment Date thereafter at their Redemption Price.

(d) *Redemption Due to Taxation*

If, as a result of a Tax Law Change that causes a change in the tax treatment of the Capital Securities:

- (i) there is more than an insubstantial risk that the Issuer will be required to pay Additional Amounts with respect to payments on the Capital Securities; or
- (ii) Interest payable on the Capital Securities when paid would not be deductible by the Issuer for Netherlands corporate income tax liability purposes,

then the Issuer may, subject to Condition 7(b), having delivered to the Fiscal Agent a copy of an opinion of an independent nationally recognised law firm or other tax adviser in the Netherlands experienced in such matters to the effect set out in (i) or, as applicable, (ii) above, and having given the notice required by Condition 7(b) specifying the date fixed for redemption, at any time redeem all, but not some only, of the Capital Securities at their Redemption Price on the relevant date fixed for redemption.

(e) *Redemption for Regulatory Purposes*

If a Capital Event has occurred and is continuing, then the Issuer may, subject to Condition 7(b) and having given the notice required by Condition 7(b) specifying the date fixed for redemption, at any time redeem all, but not some only, of the Capital Securities at their Redemption Price on the relevant date fixed for redemption.



(f) *Substitution or Variation for a Capital Event*

If a Capital Event has occurred and is continuing, then the Issuer may, subject to Condition 7(b) (without any requirement for the consent or approval of the Holders) either substitute all (but not some only) of the Capital Securities for, or vary the terms of the Capital Securities so that they remain or, as appropriate, become, Compliant Securities. Upon the expiry of the notice required by Condition 7(b), the Issuer shall either vary the terms of, or substitute, the Capital Securities in accordance with this Condition 7(f), as the case may be. In connection with any substitution or variation in accordance with this Condition 7(f), the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading. For the avoidance of doubt, the Relevant Regulator has discretion as to whether or not it will approve any such substitution or variation of the Capital Securities.

(g) *Purchases*

The Issuer or any other member of the Rabobank Group may, subject to Condition 7(b) and to applicable law and regulation, at any time purchase Capital Securities in any manner and at any price (provided that, if they should be cancelled under Condition 7(h) below, they are purchased together with all unmatured Coupons relating to them).

(h) *Cancellation*

All Capital Securities redeemed by the Issuer pursuant to this Condition 7, and any unmatured Coupons or Talons attached to or surrendered with them, will forthwith be cancelled. All Capital Securities and Coupons purchased by or on behalf of the Issuer or any other member of the Rabobank Group may be held, reissued, resold or, at the option of the Issuer, surrendered to the Fiscal Agent for cancellation. Capital Securities, Coupons and Talons so surrendered shall be cancelled forthwith and may not be reissued or resold and the obligations of the Issuer in respect of any such Capital Securities, Coupons or Talons shall be discharged.

## **8 Payments**

(a) *Method of Payment*

Payments of principal and Interest shall be made against presentation and surrender (or, in the case of a partial payment, endorsement) of the Capital Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent (subject to Condition 8(a)(ii)) by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in a city in which banks have access to TARGET. Payments of Interest due in respect of any Capital Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Capital Security.

(b) *Payments Subject to Fiscal Laws*

Without prejudice to the terms of Condition 10, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment or other laws to which the Issuer or its Agents agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulating directives or agreement. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) *Unmatured Coupons*

Upon the due date for redemption of any Capital Security, any unexchanged Talon relating to such Capital Security (whether or not attached) shall become void and no Coupons shall be delivered in respect of such Talon and unmatured Coupons relating to such Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Capital Security is presented for redemption without all unmatured Coupons and any unexchanged Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(d) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of the Coupon sheet issued in respect of any Capital Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (but excluding any Coupons that may have become void pursuant to Condition 11).

(e) *Payments on Business Days*

A Capital Security or Coupon may only be presented for payment on a business day in the place of presentation (and, in the case of payment by transfer to a Euro account, a day which is a TARGET Business Day). Unless otherwise specified herein, if the day on which the relevant Capital Security or Coupon may be presented for payment falls after the due date for any payment in respect of the Capital Securities or Coupons, the Holder or Couponholder, as the case may be, shall not be entitled to any interest or other sum in respect of such postponed payment. In this Condition, “business day” means a day on which commercial banks and foreign exchange markets are open in the place of the location of the specified office of the relevant Paying Agent.

## **9 Limited Remedies in case of non-payment**

In the case of (a) the bankruptcy of the Issuer, (b) a Moratorium or (c) dissolution (*ontbinding*), Holders shall have a claim as provided in Condition 3(b). However, Holders may not themselves petition for the bankruptcy of the Issuer or for its Moratorium or dissolution.

*Under the Dutch Bankruptcy Code, creditors may not apply for the bankruptcy of a bank. Only De Nederlandsche Bank N.V. (or, in limited circumstances, an administrator if emergency measures have been applied to the bank) can request the relevant Dutch court to declare a bank bankrupt in the circumstances where De Nederlandsche Bank N.V. considers there are “signs of a dangerous development with regard to own funds, solvency or liquidity” of the relevant bank. If the relevant Dutch court has already applied emergency measures to the bank, it can at the request of the administrators (either on the proposal of the supervising judge or at its own initiative), declare a bank bankrupt if it has negative equity.*

Subject to Condition 3(b), in which case holders shall have a claim as set out therein, the sole remedy available to Holders to enforce any term or condition binding on the Issuer under the Capital Securities or the Coupons shall be to institute proceedings against the Issuer to demand specific performance (*nakoming eisen*) of any such obligation of the Issuer under or arising from the Capital Securities or the Coupons, including, without limitation, payment of any principal or premium or satisfaction of any Interest payments in respect of the Capital Securities or the Coupons, in each case when not satisfied for a period of 14 or more days after the date on which such payment is due, but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

No remedy against the Issuer, other than as referred to in Condition 3 and this Condition 9, shall be available to the Holders, whether for the recovery of amounts owing in respect of the Capital Securities or the Coupons

or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities or the Coupons.

*The right of Holders to institute proceedings to enforce any payment obligations under or arising from the Capital Securities or the Coupons is limited to circumstances where payment has become due and has not been made for 14 days or more as set out above. The Capital Securities are perpetual securities and the Issuer may only redeem them, and make Interest payments in respect of them, if certain conditions are met. Even if such conditions are met, the Issuer is under no obligation to make any payment, whether of principal or Interest, on the Capital Securities or the Coupons. The Issuer is under no obligation to redeem the Capital Securities. In the case of any Interest payment, even if not required to cancel such payment, the Issuer may elect to cancel that payment at its discretion. In these circumstances no payment, whether of principal or Interest, will be due. The sole remedy available to Holders will be to institute proceedings to demand specific performance (nakoming eisen) where an Interest payment has become due and has not been made for 14 days or more as set out above and Holders have no right to demand payment of Interest in any other circumstances and no right to demand payment of principal in any circumstances or pursue any other remedy.*

## **10 Taxation**

All payments made by or on behalf of the Issuer in respect of the Capital Securities and the Coupons will be made without withholding or deduction for or on account of Relevant Tax paid by or on behalf of the Issuer, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Issuer will pay, as further Interest, Additional Amounts, except that no such Additional Amounts will be payable to a Holder or Couponholder (or to a third party on the Holder's or Couponholder's behalf) with respect to any Capital Securities:

- (i) if such Holder or Couponholder is liable to such taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Netherlands in respect of the Capital Securities or Coupons by reason of such Holder or Couponholder having some connection with the Netherlands other than by reason only of holding Capital Securities or Coupons or the receipt of the relevant payment in respect thereof;
- (ii) if such Holder or Couponholder could lawfully avoid (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complied, with any statutory requirements or by making or procuring that a third party makes a declaration of non-residence or other similar claim for exemption to any tax authority;
- (iii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) if such Holder or Couponholder could lawfully avoid (but has not so avoided) such deduction or withholding by presenting and surrendering the relevant Capital Security or Coupon to another Paying Agent in a Member State of the European Union.

## **11 Prescription**

Claims for principal and Interest shall become void unless the relevant Capital Security or Coupon (which for this purpose shall not include Talons) is presented for payment as required by Condition 8 within a period of five years of the appropriate due date. There shall be no prescription period for Talons but there shall not be

included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 11 or Condition 8(c).

## **12 Replacement of Capital Securities, Coupons and Talons**

If any Capital Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Capital Securities, Coupons or Talons must be surrendered before replacements will be issued.

## **13 Meetings of Holders, Modification and Waiver**

### *(a) Meetings of Holders*

The Agency Agreement contains provisions for convening meetings of Holders to consider any matter affecting their interests, including sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer or Holders holding not less than 10 per cent. in principal amount of the Capital Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting two or more persons holding or representing whatever the principal amount of the Capital Securities held or represented, unless the business of such meeting includes consideration or proposals, inter alia, (i) to modify the provisions for redemption of the Capital Securities or the dates on which Interest is payable in respect of the Capital Securities, (ii) to reduce or cancel the principal amount of, or amounts payable on redemption of, the Capital Securities (in each case other than as a result of the operation of Condition 6), (iii) to reduce the rate of Interest in respect of the Capital Securities or to vary the method of calculating the rate of Interest, or method of calculating the Interest Amount, on the Capital Securities, (iv) to change the currency of payment of the Capital Securities or the Coupons, (v) to modify the provisions concerning the quorum required at any meeting of Holders, (vi) to modify the provisions regarding the status or recapitalisation features of the Capital Securities referred to in Condition 3(a) or Condition 6 or (vii) to modify the provisions regarding the cancellation of Interest referred to in Condition 5 or 6(a) in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. in principal amount of the Capital Securities for the time being outstanding or at any adjourned meeting two or more persons holding or representing not less than 25 per cent. in principal amount of the Capital Securities for the time being outstanding.

### *(b) Modification and Waiver*

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of, or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Holders or Couponholders. The Agency Agreement and the Conditions may be amended by the Issuer and the Fiscal Agent, without the consent of any Paying Agent, Holder or Couponholder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the Issuer and the Fiscal Agent may mutually deem necessary or desirable and which does not adversely affect the interests of the Holders or Couponholders. The Conditions may also be amended as provided herein without the agreement or approval of the Holders or Couponholders in the case of any Write Down of the principal amount of the Capital Securities in accordance with Condition 6(a) or

in the circumstances described in Condition 7(f) in connection with the variation of the terms of the Capital Securities so that they become or remain alternative Compliant Securities.

Any amendment to these Conditions is subject to the Issuer obtaining the prior written consent of the Relevant Regulator therefor (provided at the relevant time such consent is required to be given).

#### **14 Notices**

Notices to Holders shall be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) and, for so long as the Capital Securities are listed on Euronext Amsterdam and the rules of such exchange so require, in the Euronext Amsterdam N.V.'s Daily Official List and a daily newspaper with general circulation in the Netherlands. 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 and regulations of any stock exchange on which the Capital Securities are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

#### **15 Further Issues**

The Issuer may from time to time, without the consent of the Holders or Couponholders, create and issue further instruments ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first interest payment on such further instruments) and so that such further issue shall be consolidated and form a single series with the outstanding Capital Securities.

#### **16 Agents**

The Fiscal Agent and Paying Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent and Paying Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and any Paying Agent and to appoint additional or other agents, provided that it will at all times maintain (i) a Fiscal Agent, (ii) a Paying Agent, (iii) paying agents having specified offices in at least two major European cities (including Amsterdam) and (iv) a Paying Agent having specified office in a major city in a Member State of the European Union other than the United Kingdom that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to such Directive.

Notice of any such termination or appointment and of any change in the specified office of the Fiscal Agent or any Paying Agent will be given to the Holders in accordance with Condition 14. If the Fiscal Agent or any Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint an independent investment bank or financial institution registrar to act as such in its place. The Fiscal Agent and the Paying Agents may not resign their duties or be removed without a successor having been appointed as aforesaid.

## **17 Governing Law**

The Capital Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of the Netherlands.

## **18 Jurisdiction**

The competent courts of Amsterdam, the Netherlands are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Capital Securities, the Coupons or the Talons and, accordingly, any Proceedings may be brought in such courts. This submission is made for the benefit of each of the Holders and Couponholders and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction.

## **SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES WHILE IN GLOBAL FORM**

The Temporary Global Capital Security and the Global Capital Security contain provisions which apply to the Capital Securities while they are in global form, some of which modify the effect of the terms and conditions of the Capital Securities set out in this document. The following is a summary of certain of those provisions.

### **1. Form of Capital Securities**

The Capital Securities will initially be represented by a Temporary Global Capital Security without interest coupons in bearer form, which will be deposited on or about the Issue Date with Deutsche Bank AG, London Branch as common depositary on behalf of interests held through Euroclear and Clearstream, Luxembourg.

### **2. Exchange**

The Temporary Global Capital Security will be exchangeable in whole or in part for interests in the Global Capital Security on or after a date which is expected to be 4 March 2015, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Capital Security.

The Global Capital Security is exchangeable in whole but not, except as provided in the paragraph below, in part (free of charge to the holder) for Definitive Capital Securities:

- (i) if such Capital Securities are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) any of the circumstances described in Condition 9; or
- (iii) with the consent of the Issuer.

### **3. Payments**

Payments of principal and interest in respect of Capital Securities represented by the Global Capital Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Capital Securities, surrender of the Global Capital Security to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Holders for such purpose.

A record of each payment made in respect of Capital Securities represented by the Global Capital Security will be endorsed in the appropriate schedule to such Global Capital Security, which endorsement will be prima facie evidence that such payment has been made in respect of such Capital Securities. Conditions 10(iv) and 16(iv) will apply to the Definitive Capital Securities only.

### **4. Accountholders**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Capital Security represented by the Global Capital Security must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be) for his share of each payment made by the Issuer to the holder of the underlying Global Capital Security, and in relation to all other rights arising under the Global Capital Security, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Capital Securities for so long as the Capital Securities are represented by such Global Capital Security and such obligations of the

Issuer will be discharged by payment to the holder of the Global Capital Security, as the case may be, in respect of each amount so paid.

#### **5. Default**

If principal or Interest in respect of any Capital Security is not paid for a period of 14 or more days after the date on which such payment became due and payable, the holder of the Global Capital Security may from time to time elect that direct enforcement rights under the provisions of the Global Capital Security shall come into effect as against the Issuer, in favour of the relevant person(s) shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder(s) of such Capital Securities represented by the Global Capital Security. Such election shall be made by notice to the Fiscal Agent and presentation of the Global Capital Security to or to the order of the Fiscal Agent for reduction of the principal amount of Capital Securities represented by the Global Capital Security to EUR zero (or to such other figure as shall be specified in the notice) by endorsement thereon and the corresponding endorsement thereon of such principal amount of Capital Securities in respect of which such direct enforcement rights have arisen. Upon such notice being given the appropriate direct enforcement rights shall take effect.

#### **6. Notices**

So long as the Capital Securities are represented by the Global Capital Security and the Global Capital Security is held on behalf of a clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Terms and Conditions of the Capital Securities, except that so long as the Capital Securities are listed on Euronext Amsterdam and rules of such exchange so require, notices to Holders will also be published on the Euronext Daily Official List.

#### **7. Prescription**

Claims against the Issuer in respect of principal and interest on redemption while the Capital Securities are represented by the Global Capital Security will become void unless the Global Capital Security is presented for payment within a period of five years of the appropriate due date in the case of principal and interest.

#### **8. Meetings**

The holder of the Global Capital Security will be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, as having one vote in respect of each EUR 0.01 principal amount of Capital Securities for which the Global Capital Security may be exchanged.

#### **9. Purchase, Cancellation and Write Down**

Cancellation of any Capital Security required by the Conditions to be cancelled, and the Write Down of the Prevailing Principal Amount of any Capital Security to EUR 0.01 in accordance with the Conditions, will be effected by reduction in the Prevailing Principal Amount of the Global Capital Security. Write Up of any Capital Security will be effected by way of reinstatement of the relevant Write Up Amount.



## DESCRIPTION OF BUSINESS OF RABOBANK GROUP

### General

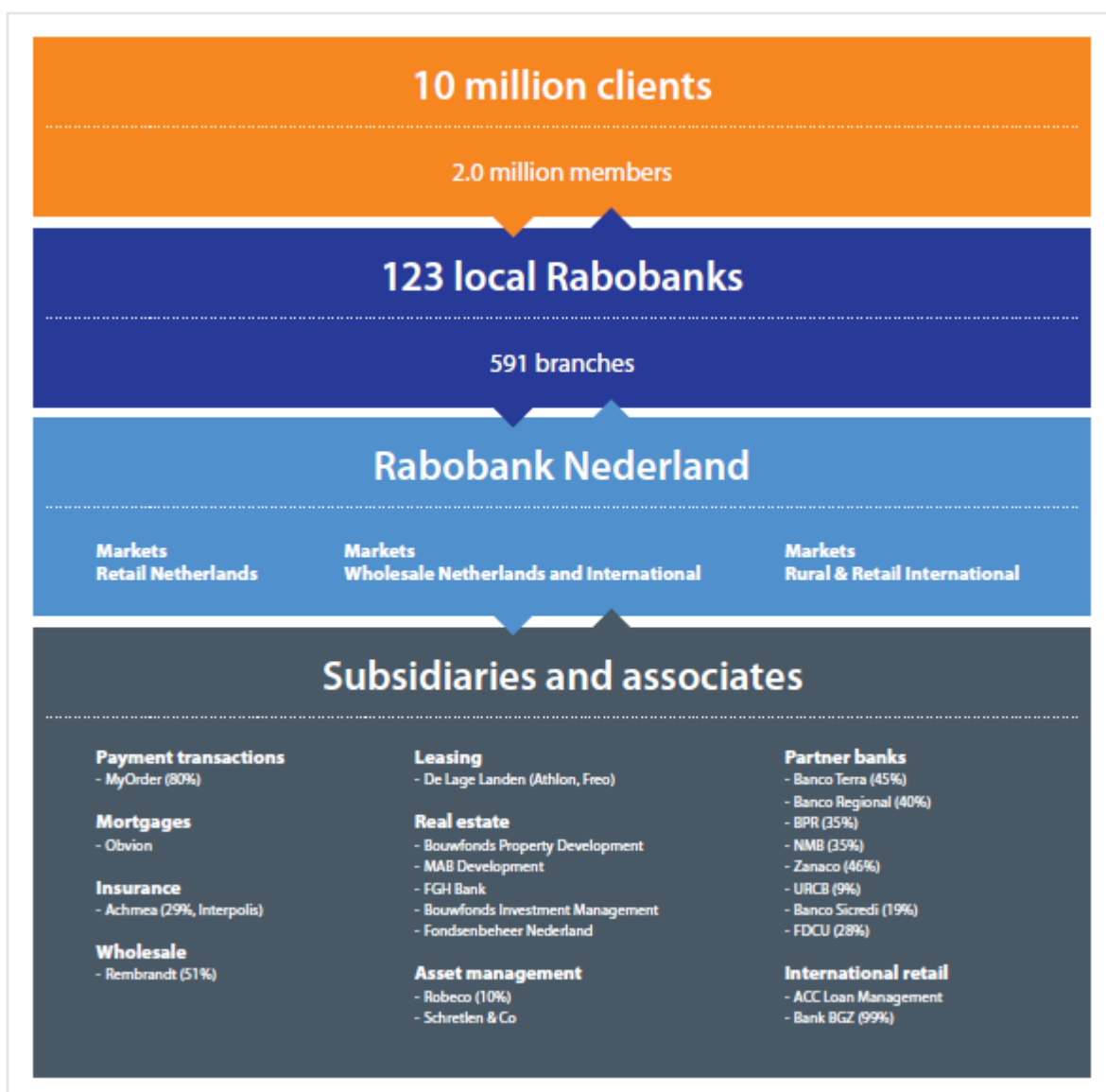
Rabobank Group is an international financial services provider operating on the basis of cooperative principles. At 30 June 2014, it comprised 123 independent local Rabobanks and their central organisation Rabobank and its subsidiaries. Rabobank Group operates in 40 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, leasing and real estate. It serves approximately 10 million clients around the world. In the Netherlands, its focus is on maintaining the Group's position in the Dutch market and, internationally, on food and agri. Rabobank Group entities have strong inter-relationships due to Rabobank's cooperative structure.

Rabobank Group's cooperative core business comprises independent local Rabobanks. Clients can become members of their local Rabobank. In turn, the local Rabobanks are members of Rabobank, the supralocal cooperative organisation that advises and supports the banks in their local services. Rabobank also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 591 branches and 2,352 cash-dispensing machines at 30 June 2014, the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.7 million retail customers, and approximately 800,000 corporate clients, offering a comprehensive package of financial services.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) is the holding company of a number of specialised subsidiaries in the Netherlands and abroad. Wholesale, Rural & Retail (formerly Rabobank International) is Rabobank Group's wholesale bank and international retail bank.

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 ongoing 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. The Group provides an integrated range of financial services comprising primarily domestic retail banking, wholesale banking and international retail banking, leasing, real estate and distribution of insurance products to a wide range of both individual and corporate customers.

At 30 June 2014, Rabobank Group had total assets of €679.5 billion, a private sector loan portfolio of €433.2 billion, amounts due to customers of €323.0 billion (of which savings deposits total €148.4 billion) and equity of €39.9 billion. Of the private sector loan portfolio, €213.8 billion, virtually all of which were mortgages, consisted of loans to private individuals, €130.9 billion of loans to the trade, industry and services sector and €88.5 billion of loans to the food and agri sector. At 30 June 2014, its common equity Tier 1 ratio, which is the ratio between common equity Tier 1 capital and total risk-weighted assets, was 12.6 per cent. and its BIS ratio, which is the ratio between qualifying capital and total risk-weighted assets, was 19.7 per cent. For the six month period ended 30 June 2014, Rabobank Group's efficiency ratio, which is the ratio between total operating expenses and total income, was 61.7 per cent., and the return on equity, or net profit expressed as a percentage of Tier 1 capital, was 6.2 per cent. For six month period ended 30 June 2014, Rabobank Group realised a net profit of €1,080 million and a risk-adjusted return on capital ("RAROC"), which is the ratio between net profit and average economic capital, of 9.2 per cent. after tax. At 30 June 2014, Rabobank Group had 55,055 full-time employees.



### Business activities of Rabobank Group

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

#### *Domestic retail banking*

The domestic retail banking business comprises the local Rabobanks, Obvion N.V. (“**Obvion**”), Friesland Bank N.V. (“**Friesland Bank**”), Roparco and Rabohypotheekbank N.V. (“**Rabohypotheekbank**”). In the Netherlands, Rabobank is a large mortgage bank, savings bank and insurance agent. Based on internal estimates, the Group 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.

At 30 June 2014, Rabobank Group’s domestic retail banking operations had total assets of €363.4 billion, a private sector loan portfolio of €298.8 billion, amounts due to customers of €214.0 billion (of which savings

deposits total €124.5 billion). For the six month period ended 30 June 2014, Rabobank Group's domestic retail banking operations accounted for 55 per cent., or €3,502 million, of Rabobank Group's total income and 32 per cent., or €341 million, of Rabobank Group's net profit. At 30 June 2014, Rabobank Group's domestic retail banking operations employed approximately 25,000 full-time employees.

#### *Local Rabobanks*

The 123 (at 30 June 2014) local Rabobanks are independent cooperative entities, each with their own operating areas. With 591 branches and 2,352 cash-dispensing machines at 30 June 2014, they together comprise one of the leading local banks in the Netherlands with a dense branch network. 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. Together, the local Rabobanks serve approximately 6.7 million retail customers and approximately 800,000 corporate clients in the Netherlands with a comprehensive package of financial services. Many private individuals have current, savings and/or investment accounts and/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 2013 (*AM Jaarboek 2013*)).

#### *Obvion N.V.*

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.

#### *Friesland Bank N.V.*

Friesland Bank is 100 per cent. owned by Rabobank. Its client base consists of personal, institutional and corporate customers.

#### *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 30 June 2014.

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. At 31 December 2013, Rabohypotheekbank had assets of €6.9 billion.

#### ***Wholesale banking and international retail banking***

Wholesale banking and international retail banking focuses its activities on the food and agri sector. Wholesale, Rural & Retail has a presence in 29 countries. Its activities are subdivided into the following regions: the Netherlands, Europe outside the Netherlands, North and South America, Australia and New Zealand and Asia. Across these regions, Wholesale, Rural & Retail has created a number of units with global operations: Global Financial Markets, Global Client Solutions, Acquisition Finance, Project Finance, Direct Banking and Trade & Commodity Finance. For optimum service to their clients and markets, the various regions and the units with global operations work closely together. In addition to customer-focused activities, Global Financial Markets manages the trade in money market products for the day-to-day management of the

liquidity position, the credit risk and the market risk of Rabobank Group and its clients. Acquisition Finance is involved in financing acquisitions by private equity companies and has a significant market share in the agricultural market. Global Client Solutions offers client-tailored products aimed at both the asset and liability sides of the balance sheet. The Project Finance department operates in the sustainable sectors wind, solar, bio fuels and biomass. The Trade & Commodity Finance department serves clients that operate in the market for agricultural products and, on a limited scale, other commodities as well. This department also offers a large number of export finance products. Direct Banking services clients with saving products in Australia, Belgium, Germany, Ireland, New Zealand and Poland.

Rabobank's retail activities are performed under the Rabobank label, with the exception of an Irish bank, ACCBank plc ("**ACCBank**"), which is a wholly owned subsidiary, and a Polish bank, Bank Gospodarki Zywnosciowej SA ("**Bank BGZ**"), in which Wholesale, Rural & Retail had a 98.5 per cent. stake at 30 June 2014. It was decided to proceed to further reorganise the activities of ACCBank in 2013, prioritising reducing costs associated with recovering loans. In 2014 ACCBank will discontinue its regular financial services to customers.

In December 2013, Rabobank reached an agreement on the sale of its equity interest in Bank BGZ to the BNP Paribas Group for an amount of 4.2 billion Polish Zloty (approximately €1 billion). The sale includes the activities of the internet savings bank BGZ Optima. Completion of the transaction took place on 23 September 2014 and has a positive effect of around 40 basis points on Rabobank Group's common equity Tier 1 ratio.

Over the last few years, Wholesale, Rural & Retail has strengthened its position in retail banking.

In addition, Wholesale, Rural & Retail has interests in private equity. Under the Rabo Capital label, Rabobank Group's investment unit, Rabo Private Equity, focuses on medium-sized Dutch enterprises. Its Rabo Ventures label focuses on new enterprises in the clean technology sector. Rabobank also participates in independent private equity enterprises such as Langholm and a number of Gilde funds.

At 30 June 2014, Rabobank Group's wholesale banking and international retail banking operations had total assets of €489.7 billion and a private sector loan portfolio of €89.9 billion. For the six month period ended 30 June 2014, Rabobank Group's wholesale banking and international retail banking operations accounted for 30 per cent., or €1,935 million, of Rabobank Group's total income and 36 per cent., or €389 million, of Rabobank Group's net profit. At 30 June 2014, Rabobank Group's wholesale banking and international retail banking operations had approximately 16,000 full-time employees.

## ***Leasing***

### *De Lage Landen International B.V.*

De Lage Landen International B.V. ("**De Lage Landen**") is the subsidiary responsible for Rabobank Group's leasing business. It uses vendor finance to assist producers and distributors in their sales in 36 countries. With its innovative finance programmes, De Lage Landen stands out in a competitive market. In the Netherlands, it offers a broad range of lease and trade finance products, which it markets both directly and through the local Rabobanks. Through international car lease company Athlon Car Lease, De Lage Landen operates in ten countries in Europe. In the Netherlands, De Lage Landen strengthens Rabobank Group's position in the Dutch consumer credit market, in part through the Freo online brand.

Rabobank owned a 100 per cent. equity interest in De Lage Landen at 31 December 2013. De Lage Landen has its statutory seat in Eindhoven, the Netherlands. Its issued share capital amounts to €98,470,307 all of which is owned by Rabobank. At 31 December 2013, Rabobank's liabilities to De Lage Landen amounted to €1,127 million. At 31 December 2013, Rabobank's claims on De Lage Landen amounted to €24,722 million

(loans, current accounts, financial assets and derivatives). All liabilities of De Lage Landen are guaranteed (through the cross guarantee system) by Rabobank and the other participants of this system.

At 30 June 2014, De Lage Landen had a lease portfolio of €31.3 billion. For the six month period ended 30 June 2014, De Lage Landen accounted for 12 per cent., or €777 million, of Rabobank Group's total income and 21 per cent., or €223 million, of Rabobank Group's net profit. At 30 June 2014, Rabobank Group's leasing operations employed approximately 5,200 full-time employees.

### ***Real estate***

#### ***Rabo Vastgoedgroep Holding N.V.***

Rabo Real Estate Group (Rabo Vastgoedgroep Holding N.V. ("**Rabo Vastgoedgroep**")) is a prominent real estate enterprise. It operates in the private and corporate markets and has three core activities: residential and commercial real estate development, real estate finance and serving real estate investors. Bouwfonds Property Development B.V. ("**Bouwfonds Property Development**") is responsible for residential development and MAB Development for the development of commercial real estate. Financing commercial real estate is done by FGH Bank N.V. ("**FGH Bank**"). Bouwfonds REIM is responsible for real estate-related investments. In addition to these three core activities, Rabo Real Estate Group contributes to social real estate development and financing through Fondsenbeheer Nederland. Rabo Real Estate Group operates mainly in the Netherlands, France and Germany.

For the six month period ended 30 June 2014, the Rabo Real Estate Group sold 2,562 houses. At 30 June 2014, Rabo Real Estate Group managed €6.0 billion of real estate assets and its loan portfolio amounted to €19.6 billion. For the six month period ended 30 June 2014, the real estate operations accounted for 6 per cent., or €401 million, of Rabobank Group's total income and (8) per cent., or €(90) million, of Rabobank Group's net profit. At 30 June 2014, Rabobank Group's real estate operations had approximately 1,500 full-time employees.

### **Participations**

#### ***Achmea B.V.***

At 30 June 2014, Rabobank had 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 financial statements. Achmea is accounted for as an associate in Rabobank's financial statements in accordance with the equity method. At 31 December 2013, Achmea had a workforce of approximately 18,400 full-time equivalents. 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 seven other European countries. Rabobank and Achmea work closely together in the area of insurance. Achmea operates in the Dutch domestic market with brands including Centraal Beheer Achmea, FBTO, InShared, Interpolis, Avéro Achmea, Zilveren Kruis Achmea, Agis Zorgverzekeringen, OZF Achmea, Pro Life Zorgverzekeringen, Staalbankiers, Syntrus and Woonfonds Hypotheken. Interpolis is the prime supplier of insurance products to clients of the local Rabobanks, offering a broad range of non-life, health and life insurance policies for both private individuals and enterprises. Serving over a million private individuals and several hundreds of thousands of enterprises, Interpolis is one of the major players in the Dutch insurance market and in the agricultural sector.

## **Recent developments**

### ***FGH Bank to be integrated into Rabobank***

On 20 January 2015, Rabobank announced that FGH Bank, which is part of Rabo Real Estate Group (Rabo Vastgoedgroep), is to be integrated into Rabobank as the centre of expertise for commercial real estate. The integration was announced as part of strategic and cultural moves by the Rabobank designed to shape 'One Rabobank'.

### ***Issuance of tier 2 capital***

On 19 December 2014, Rabobank issued JPY 50,800,000,000 subordinated (tier 2) notes with a maturity of 10 years.

### ***Redemption of capital instruments***

On 12 November 2014, the Group redeemed its CHF 750,000,000 6.875 per cent. Fixed/Floating Rate Perpetual Non-Cumulative Capital Securities. On 31 December 2014, the Group redeemed its A\$250,000,000 Rabobank Capital Funding Trust V Noncumulative Guaranteed Trust Preferred Securities as well as its A\$250,000,000 Rabobank Capital Funding Trust VI Noncumulative Guaranteed Trust Preferred Securities on 31 December 2014.

### ***Changes to the Executive Board***

On 23 March 2014, it was announced that Mr. Wiebe Draijer was nominated as Chairman of the Executive Board. Wiebe Draijer joined Rabobank on 1 July 2014. On 1 October 2014, he took over the role of Chairman from Rinus Minderhoud.

### ***Ratings***

The credit ratings assigned to securities issued by Rabobank are a reflection of Rabobank's credit status and, in no way, are a reflection of the potential impact of other factors discussed in this Prospectus, or any other factors, on the market value of the Capital Securities. A rating reflects only the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Capital Securities. Accordingly, prospective investors should consult their own financial and legal advisers as to the risks entailed by an investment in such Capital Securities and the suitability of such Capital Securities in light of their particular circumstances.

On 4 November 2014, Standard & Poor's Credit Market Services Limited downgraded its long-term counterparty credit rating on Rabobank from "AA-" to "A+". The outlook remains 'negative'.

On 18 November 2014, DBRS published a rating report, reiterating the long-term deposits and senior debt rating of Rabobank of AA (high) with a 'negative' outlook.

On 28 November 2014, Moody's published their credit opinion, reiterating the debt and deposit ratings of Rabobank of "Aa2" with a 'negative' outlook.

On 31 December 2014, Fitch published a full rating report, reiterating its long-term issuer default rating of Rabobank Group of "AA-" with a 'negative' outlook.

A rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. Thus, a negative outlook indicates that Rabobank's credit rating may be downgraded in the medium term. Actual or anticipated declines in Rabobank's credit ratings may affect the market value of the Capital Securities. There is no assurance that a rating will remain unchanged during the term of the Capital Securities.

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 Capital Securities. Any

rating assigned to the long-term unsecured debt of Rabobank does not affect or address the likely performance of the Capital Securities.

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**

### ***Strategic Framework 2013-2016: cooperative, robust and sustainable***

Rabobank wants to be close to its customers, be at the heart of society and focus on sustainable development. Rabobank believes its banking products and services should be as simple as possible and meet actual client needs. Rabobank engages in universal relationship banking, both in the Netherlands and abroad. It wishes to continue to do so, based on its cooperative identity and principles. Rabobank's employees have a key part to play in achieving this. Among other things, a robust bank must have adequate capital and liquidity buffers. In order to achieve this, the reserves must continue to grow and the amounts due to customers must grow faster than the bank's lending. Measures have been taken in order to effect the desired changes. The ambitions for the local Rabobanks and Rabobank have been further elaborated in the Vision 2016 programme that calls for procedural changes at the local Rabobanks and Rabobank that help to improve customer services and the efficiency of business processes. An important element in this is that the costs of the domestic retail banking division have to fall from €4.5 billion in 2011 to €4 billion in 2016. A new sustainability strategy has also now been formulated. Although Rabobank will look different in 2016, it intends to remain a cooperative, robust and sustainable bank.

### ***Strengthening our cooperative nature***

Based on its cooperative origins and structure, Rabobank puts the customer's interests at the heart of its service provision, with a focus on the long term. In line with its cooperative principles, Rabobank strives to help its clients in a responsible way, especially in times of economic difficulty. The cooperative identity needs to be strengthened in order to maintain Rabobank's distinctive profile. Rabobank is thus developing initiatives designed to increase the influence and involvement of its members. In December 2013, the Central Delegates Assembly decided that Rabobank should more explicitly link its cooperative mission to its banking services. This starts with the financial services provided to customers on a daily basis, but increased participation in local and virtual networks is also required.

### ***Catering to the Dutch market***

In the Netherlands, Rabobank's ambition is to offer its customers suitable products from a position of strength. Sufficient scale is needed for successful product development and innovation, and to be able to operate efficiently. Its market leading position in the Netherlands enables Rabobank to achieve the required scale. Rabobank holds leading positions in savings, in small- and medium-sized enterprises, in the wholesale segment and in the food and agri market. Rabobank intends to maintain these leading positions and strengthen its position selectively in areas where its ambitions have not yet been realised. Although Rabobank's share of the mortgages market declined in 2013 and 2014, with the local Rabobanks and Obvion, it still has a strong position in this market.

Changing customer needs are forcing Rabobank to critically evaluate its entire service chain, from the local Rabobanks to Rabobank. Customers want to do their banking through mobile telephone and internet as much

as possible. Customers and members can go online for advice as well as for transactions and services such as internet banking or applying for a bank card. Customers can decide which channel they prefer to use. Personal advice continues to be available if the customer requests it, for instance regarding complex products or in relation to legislation and regulations.

Ultimately, Rabobank strives to achieve a model in the Netherlands that combines treating customers fairly with a competitive cost structure. On the basis of its cooperative principle of restraint in business conduct, Rabobank is striving to structurally reduce costs at the local Rabobanks and Rabobank. Without additional measures, Rabobank anticipates the costs of the domestic retail banking division would rise from €4.5 billion in 2011 to €5 billion in 2016. The target is to reverse this direction and restrict costs to at most €4 billion by 2016. The reduction of the staff at the local Rabobanks by 8,000 full-time equivalent (“FTE”) is part of this process. Costs at Rabobank will have to be at least €220 million lower in 2016 than they were in 2013; this is expected to involve the loss of between 1,000 and 2,000 jobs.

In this context, Rabobank invested in the virtual provision of services in 2013 while closing a large number of branches and merging local Rabobanks. The number of local Rabobanks has been reduced to 129. Standardisation and virtualisation should ultimately lead to improved customer service at lower cost. The local Rabobanks will also aim to use the cooperative dividend more effectively. The involvement and presence of local Rabobanks in their local communities and the environment in which customers and members live will not be threatened by this change.

#### ***Wholesale banking and international retail banking division and subsidiaries***

The wholesale banking division in the Netherlands and Rabobank’s subsidiaries contribute to the retention of Rabobank’s leading position in the Dutch market. Outside the Netherlands, Rabobank wants to strengthen its position as an innovative and leading food and agri bank. In the corporate market in the Netherlands, Rabobank intends to defend and strengthen its position where possible, with less of an explicit focus on lending where this is possible. The growth potential for the international wholesale banking division and De Lage Landen will be limited. There is some growth potential reserved for the rural and retail banking division for strengthening operations in a small number of key countries so that scale benefits can be realised. The activities of the international wholesale banking and international rural and retail banking divisions and the subsidiaries will have to focus mainly on food and agri, serve the real economy and be manageable and responsible from a risk perspective. The contribution of the various activities to the achievement of group targets will moreover come under greater scrutiny. Synergies between the various group entities will also be strengthened further. With regard to investment products, the local Rabobanks have been offering their customers the option of choosing between various providers for many years. As a consequence, the role of Robeco within Rabobank Group changed. Furthermore, the introduction of the ban on inducements on 1 January 2013 has permanently changed the distribution model for investment funds. Partly in the light of these developments, the strategic options for Robeco were reviewed in 2012, and this ultimately led to completion of the sale of Robeco to Orix Corporation on 1 July 2013. At 30 June 2014, Rabobank Group has a 29 per cent. shareholding in Achmea. Achmea is Rabobank’s strategic partner in the area of insurance products.

#### ***Employees***

Rabobank introduced a culture programme in 2013 in order to increase employee involvement and to understand how employees can contribute to our common goals and an optimal customer service. The programme focuses on employees’ attitude and behaviour in our daily business. As a cooperative bank, Rabobank is convinced that the values of respect, integrity, sustainability and professionalism must be endorsed by and embedded in all our employees.



In accordance with its strategy, Rabobank introduced a new collective labour agreement in 2013 (the “**New Collective Labour Agreement**”) which is more modest and restrained terms of employment package that is more in line with other sectors. The New Collective Labour Agreement applies from 1 July 2013 to the end of 2015. The main agreements are: abolition of the variable remuneration, no general wage increase, replacement of the social statute with a severance plan (Sociaal Plan) and a change to the pension scheme. Abolition of the variable remuneration was partly compensated for by a wage increase of 1.5 per cent. in 2014.

### ***Sustainably stronger together***

The new sustainability strategy, whereby Rabobank aims to focus on accelerating efforts to increase the sustainability of agriculture and food supplies around the world, was formulated in 2013. Strengthening vital communities and sustainable economic success for our customers are also important objectives. This policy has been formally ratified in 2014.

Rabobank strives to achieve a top 3 position in the global sustainability rating of the largest financial services providers in 2020. Based on the evaluation of RobecoSAM, an investment specialist that focuses exclusively on sustainability investing, and compared to the banks listed in the global Dow Jones Sustainability Index, Rabobank’s provisional score has fallen from 83 to 81 points. Rabobank thus stands in 17th place in 2013, compared to 10th place in 2012. With the implementation of its new sustainability strategy, Rabobank expects to be able to achieve a higher score in the future. The Transparency Benchmark of the Dutch Ministry of Economic Affairs is an important indicator in the Netherlands. The Benchmark is an annual review of the content and quality of public reporting by Dutch companies. Rabobank declined from 11th to 23<sup>rd</sup> place in the general ranking during 2014.

### ***Financial frameworks***

Adequate capital and liquidity buffers determine financial robustness. These buffers are thus prerequisites and are vital for retaining a high credit rating and good access to wholesale funding. The requirements for the capital and liquidity buffers of Rabobank are also increasing due to tighter legislation and regulations. At the same time, it is clear that the pace of growth of Rabobank over the last 25 years is no longer sustainable. Lending grew much faster than amounts due to customers and the increase in retained earnings in this period. As a result, Rabobank increasingly had to turn to professional sources of funding and capital instruments. Recent years have shown that the limits of this old growth model have been reached. In the future, the maximum growth of lending will be determined by growth in amounts due to customers and annual additions to the reserves.

The potential for increased lending will remain limited until the end of 2016. Demand for loans in the Netherlands will be restricted by the economic conditions and the situation in the housing market. The potential areas of growth outside the Netherlands will be exploited selectively. For instance, there will be some growth in the international rural and retail banking division in order to strengthen our business in certain key countries. Choices will be made where this is needed. For example, Bank BGZ in Poland has been sold in 2014 and ACCBank in Ireland will be reorganised, while the activities in Turkey will be expanded. There is little potential for growth of the assets of the wholesale banking division and De Lage Landen. Otherwise, the emphasis will be on increasing the volume of amounts due to customers and further diversification of professional funding.

Although Rabobank does not seek to maximise profit, healthy profit growth is important for ensuring its continuity, security and selective growth. Since reorganisation is currently in progress at various divisions, the branch network in the Netherlands is being slimmed down and various activities are being phased out. However, costs are still at a high level for the time being. Rabobank is also facing substantial value adjustments and large impairments on real estate as a consequence of the weak economy. The performance in

2014 has furthermore been negatively affected by the one-off resolution levy in relation to the nationalisation of SNS Reaal, and in subsequent years further costs are expected in connection with the Dutch Deposit Guarantee Scheme and the Single Resolution Mechanism. Nevertheless, Rabobank is maintaining its ambition to improve its liquidity and capital ratios and profitability by 2016. By pursuing selective growth in lending and ensuring that amounts due to customers grow faster than lending, the dependence on professional sources of funding will be diminished.

Events during 2013 have led to sales by holders of Rabobank Member Certificates (*Rabobank Ledencertificaten*) (the depository receipts of participation rights directly issued by Rabobank (“**Rabobank Member Certificates**”)). A total of €1 billion of Rabobank Member Certificates were definitively withdrawn in 2013. This also reflects Rabobank’s capital strategy, which aims to reduce the relative proportion of capital comprised of Rabobank Member Certificates as a percentage of risk-weighted assets and increase the relative proportion of retained earnings and Tier 2 capital. In early 2014, Rabobank increased the tradability of Rabobank Member Certificates by listing them on the stock exchange and thereby making them available for trading to non-members. As a result of the listing on Euronext Amsterdam, supply and demand is determined by a public market with greater liquidity, and no longer by a relatively small internal market. The planned minimum distribution was raised from 5.2 per cent. to 6.5 per cent. on an annual basis. The market listing was approved with a majority of 99.79 per cent. of the votes present by the holders of Rabobank Member Certificates at the certificate holder meeting on 14 January 2014. Rabobank Member Certificates were listed on Euronext Amsterdam under the name of Rabobank Certificates with effect from 27 January 2014.

The capital strategy is moreover designed to reduce the relative proportion of hybrid capital and to increase the relative proportion of Tier 2 capital, which will reduce costs. Ultimately retained earnings will have to rise in the future, whereby the group-wide focus will be on restraint and cost control.

In practical terms, Rabobank Group’s financial targets for year-end 2016 in the areas of profitability, solvency and liquidity are as follows:

- return on Tier 1 capital of 8 per cent.;
- common equity Tier 1 ratio of 14 per cent. and BIS ratio of more than 20 per cent.;
- loan-to-deposit ratio of 1.3.

There can be no assurance that these target ratios will be achieved.

### ***Strategy for domestic retail banking***

The core task is to protect the interests of the members and customers of the bank. Customers must be able to access all normal financial products and services at Rabobank. It is moreover Rabobank’s ambition to be the market leader in the Netherlands. Market leadership enables Rabobank to offer customers good products from a position of strength. On 11 December 2013, the Central Delegates Assembly approved the three pillars of the local Rabobank of the future: participation, advice and virtualisation. The local Rabobanks participate in initiatives that contribute to local socio-economic development. Many of the employees at the local Rabobanks act as advisers, and more and more often their contact with customers is through both physical and virtual networks. Rabobank is fully committed to the virtualisation of its services, because customers are increasingly doing their banking through online and mobile channels, and because this means they can be served better, faster and at a lower cost at a time of their choosing.

The implementation of Vision 2016 will lead to a sharp fall in the workforce; a total of approximately 8,000 jobs at the local Rabobanks are expected to be eliminated in the period from 2013 to year-end 2016. A certain scale is necessary to be able to offer products and services at competitive prices and low costs. A number of smaller local Rabobanks do not have this necessary scale. Around 100 of the 123 local Rabobanks (on 30

June 2014) are expected to remain in 2016. Branches will also be closed. Many smaller sub-branches only receive a few customers per day. Although customers hardly use these branches, closure is frequently resisted because the disappearance of the branch is perceived to be a contraction of the service. The possibilities for using virtual channels and placing cashier functions in other retail outlets will mean that a good standard of service can be maintained. The measures outlined above will substantially reduce costs and structurally improve the result of the domestic retail banking division. This change at the local Rabobanks and Rabobank was put in motion in 2013, under the name of Vision 2016.

Many Rabobank employees lost their jobs in 2013 and 2014, or were notified that their job would soon disappear. The staff at the domestic retail banking division fell by 1,669 FTE in 2013, and a further decline in the workforce was observed in 2014. The departure of so many employees has a serious impact and requires great care. Many of the departing employees are using the regional mobility centres that are guiding them towards a new position.

Rabobank is also changing its structure in order to be able to continue to offer optimal and efficient support to the local Rabobanks in the future. The activities of Rabobank and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) (“**Rabobank International**”) will thus be grouped into three commercial domains focusing on (respectively) the retail business in the Netherlands including mid-sized corporates, the wholesale business in the Netherlands and the rural and retail business outside the Netherlands. In addition, all operational and IT activities will be combined and incorporated into one domain. The same applies to all the supporting activities in the field of control and risk management. In this structure, Rabobank International will no longer be a separately managed division, but it will be an integral unit of Rabobank. As usual, the entrepreneurship of the local Rabobanks will take the lead in the new structure. Further elaboration of the new, integrated organisation has taken place in the first half of 2014 and the effects on the staff of Rabobank have become clear. A broad-based culture and leadership programme will be introduced in parallel with the new organisational structure.

### ***Strategy for wholesale banking and international retail banking***

A decision was made to integrate the management of Rabobank and Rabobank International at the end of 2013. Rabobank wishes to operate as one bank, both in the Netherlands and abroad. Accordingly, Rabobank International no longer continues to operate as a separately managed division; it has become an integral part of Rabobank. As a result of this measure, there is a new management structure for Rabobank Group. The staff services and departments of Rabobank International and Rabobank have been combined in this new structure.

The strategy of Rabobank International is unchanged. For the international wholesale banking division, the strengthening of market leadership in the Netherlands and fulfilling a leading role in the international food and agri sector will remain the main priorities. There will also be a focus on synergy between business lines. The rural and retail banking division has a strict focus on food and agri; the principle for the rural banks is that at least 95 per cent. of the portfolio should consist of food and agri, and for the retail banks, 40-50 per cent. of the portfolio should consist of food and agri.

A certain degree of scale is needed to ensure an optimal cost and quality standard for the products concerned. Specialist knowledge will therefore be deployed for a wider customer group.

### ***Strategy for leasing***

The activities of De Lage Landen support the group strategy of offering a broad range of financial services in the Netherlands. De Lage Landen will also strive to increase the share of food and agri in its lease portfolio. Partly for reasons of diversification, De Lage Landen will also focus on other sectors, such as Healthcare & CleanTech, Construction, Transportation & Industry and Office Technology. For De Lage Landen, 2013 was a year of heavy investment in the foundation of the organisation: the staff. De Lage Landen has undergone a

rapid growth in a short time; its workforce has doubled to more than 5,100 in seven years. De Lage Landen added India and Turkey to the countries in which it operates, which rose to 36 in 2013. This global growth was partly the reason for the introduction of the OneDLL programme. The intention of OneDLL is to encourage global teamwork between employees, so that employees of De Lage Landen anywhere in the world can respond quickly and effectively to local conditions affecting demand for lease products via knowledge transfer. Several HR programmes have been launched with the aim of developing individual strengths. These programmes will strengthen the organisation and the partnerships with its customers.

In order to meet local customer demand more effectively as an international organisation, De Lage Landen has adopted a matrix structure. This distinguishes the regions of the Americas from Europe-Asia Pacific and separates its sales organisation into the following business units: Construction, Transportation & Industry, Food & Agriculture, Healthcare & CleanTech, Office Technology and Mobility Solutions. De Lage Landen offers services in the areas of Vendor Finance, (Car) Leasing, Factoring and Consumer Finance.

### ***Strategy for real estate***

Rabo Real Estate Group is Rabobank Group's centre of expertise in real estate, and operates in property and area development, property finance, investment management and community fund management. Rabo Real Estate Group is one of the largest real estate companies in Europe and strives to achieve a healthy balance between the social, economic and ecological effects of its operations. Its ambition is to rank amongst the most sustainable companies in the real estate sector. Rabo Real Estate Group's mission is to help clients achieve their ambitions for living, working, shopping and leisure. Its activities are carried out by:

- Bouwfonds Property Development - realises comprehensive residential areas;
- MAB Development - commercial property developer;
- FGH Bank - specialist in property finance;
- Bouwfonds Investment Management - real estate fund manager; and
- Fondsenbeheer Nederland - independent manager of community funds with the aim of increasing the quality of the living environment.

### **Competition**

Rabobank Group competes in the Netherlands with several other large commercial banks and financial institutions, such as ABN AMRO, ING Group and SNS Reaal, and also with smaller financial institutions in specific markets. Over the last few years, banks have increased their emphasis on the credit quality of borrowers. This emphasis, combined with the deregulation of capital markets, has increased competition among banks in the Netherlands significantly. In addition, life insurance companies and pension funds in the Netherlands have become major competitors in the markets for residential mortgage loans and savings deposits. In 2008, several large commercial banks and financial institutions in the Netherlands, including ABN AMRO, ING Group and SNS Reaal, received financial support from the Dutch government. In February 2013, SNS Reaal was nationalised by the Dutch government. These developments may affect the competitive environment in which Rabobank Group operates in the Netherlands. Rabobank expects competition in the Dutch savings market to continue in 2015.

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. At 30 June 2014, the local Rabobanks and Obvion have a balanced mortgage loan portfolio with a weighted loan-to-value of approximately 79 per cent (year end 2013: 81 per cent). This improvement is due to additional repayments, the increase of pledged savings and the stabilisation of the average prices of existing homes. 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**

The Group offers a comprehensive package of financial products and services. 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:* At 30 June 2014, Rabobank Group had a market share of 20.1 per cent. of the total amount of new home mortgages in the Dutch mortgage market by value (15.9 per cent. by local Rabobanks and 4.2 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:* At 30 June 2014, Rabobank Group had a market share of 36.8 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). Of the total saving deposits in the Netherlands, 35.9 per cent. were held by the local Rabobanks and 0.9 per cent. were held by Robeco Direct's savings bank Roparco at 30 June 2014.

*Lending to small and medium-sized enterprises:* At 30 June 2014, Rabobank Group had a market share of 42 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's own surveys).

*Agricultural loans:* At 31 December 2013, Rabobank Group had a market share of 85 per cent. of loans and advances made by banks to the Dutch primary agricultural sector (measured by Rabobank's own surveys).

### **Properties**

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 Rabobank 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 believes that Rabobank Group's facilities are adequate for its present needs in all material respects.

### **Insurance**

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

### **Legal proceedings**

Rabobank Group is involved in a number of legal and arbitration proceedings in the Netherlands and other countries, including the United States, in connection with claims brought by and against Rabobank Group arising from its business operations. Rabobank has over the course of the last several years received requests for information and documentation from regulators in several countries related to a variety of issues, including benchmark issues. Rabobank is cooperating, and will continue to cooperate, with the regulators and authorities involved in these global investigations.

On 29 October 2013, Rabobank entered into settlement agreements with various authorities in connection with their investigations into Rabobank's historical LIBOR and EURIBOR submission processes. All financial penalties associated with those settlement agreements have been fully paid and accounted for by Rabobank in 2013.

Along with numerous other panel banks and interdealer brokers, Rabobank has been named in a number of putative class-action and individual civil litigations pending in federal court in the US. The lawsuits concern US Dollar (USD) LIBOR, Japanese Yen (JPY) LIBOR, TIBOR (Rabobank has never been a member of the TIBOR Panel), and EURIBOR.

In 2014, an Argentine consumer protection organisation filed a putative class action lawsuit against Rabobank in Argentina relating to USD LIBOR. Rabobank has received several complaints from customers in the Netherlands alleging exposure to interest rate benchmark-tied products. Rabobank has been summoned to appear before Dutch courts in six civil proceedings relating to EURIBOR.

The above-mentioned putative class-action suits and civil proceedings, along with any future proceedings conducted in the United States or elsewhere are by their nature subject to uncertainty, making their outcomes difficult to predict. Rabobank nevertheless maintains that it has substantive and persuasive legal and factual defenses to these claims. Rabobank intends to continue defending itself against these claims.

## RABOBANK GROUP STRUCTURE

Rabobank Group is comprised of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., its members (being the local Rabobanks in the Netherlands) and a number of specialised subsidiaries.

### **Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (“Rabobank”)**

The central institution of Rabobank Group is Rabobank. Rabobank is a licensed bank, in the legal form of a cooperative pursuant to the Dutch Civil Code.

The objective of a cooperative is to provide for certain material needs of its members by whom it is effectively owned and controlled.

Rabobank was formed as a result of the merger of the Coöperatieve Centrale Raiffeisenbank and the Coöperatieve Centrale Boerenleenbank, the two largest banking cooperative entities in the Netherlands. It was incorporated with unlimited duration on 22 December 1970 and registered with the Trade Register of the Chamber of Commerce in Utrecht, under number 30046259.

The object of Rabobank, as stated in its articles of association at article 3, is to promote the interests of its members, and to do so by:

- (a) promoting the establishment, continued existence and development of cooperative banks;
- (b) conducting the business of banking in the widest sense, especially by acting as central bank for its members and as such entering into agreements with its members;
- (c) negotiating rights on behalf of its members and, with due observance of the relevant provisions of these Articles of Association, entering into commitments on their behalf, provided that such commitments have the same implications for all members, including, but not limited to, the entering into collective labour agreements on behalf of the members;
- (d) participating in, managing and providing services to other enterprises and institutions, in particular enterprises and institutions operating in the fields of insurance, lending, investment and/or other financial services;
- (e) exercising control over the members pursuant to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*); and
- (f) performing acts, including juristic acts, that are conducive to the attainment of the objects specified under paragraphs (a), (b), (c), (d) and (e) above.

Rabobank is furthermore authorised by its articles of association to extend its activities to parties other than its members.

The Executive Board is responsible for the management of Rabobank and of Rabobank Group as a whole. Executive Board members are appointed by the Supervisory Board. The Supervisory Board is responsible for the supervision of the management by the Executive Board. Supervisory Board members are appointed by the General Meeting of Rabobank. Further information regarding the governance of Rabobank Group is set out below under “*Governance of Rabobank Group*”.

Rabobank uses the trade name of Rabobank.

The executive offices of Rabobank are located at Croeselaan 18, 3521 CB Utrecht, the Netherlands. The telephone number is: +31 (0)30 2160000. The statutory seat of Rabobank is Amsterdam, the Netherlands.

Rabobank operates not only from Utrecht, but also from branches and representative offices all over the world. These offices all form part of the legal entity Rabobank and focus on wholesale banking.

Rabobank branches are located in Sydney, Antwerp, Toronto, Grand Cayman, 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, Moscow, Istanbul, Kuala Lumpur, Tokyo, Atlanta, Chicago, Dallas, San Francisco and St. Louis.

### **Local Rabobanks**

Membership of Rabobank is open only to cooperative banks whose articles of association have been approved by Rabobank. The members of Rabobank, which comprise 123 local Rabobanks in the Netherlands as at 30 June 2014, are all banking cooperatives in their own right.

Each local Rabobank must hold shares in Rabobank according to an apportionment formula (the “**Apportionment Formula**”). Since 2010, approximately 6 million shares of €1,000 have been issued by Rabobank to the local Rabobanks, creating own funds of Rabobank of approximately €6 billion. In September 2014 the nominal amount of the shares was amended to €100, while €900 per share was added to the reserves of Rabobank. In 2013 no dividend was distributed to the local Rabobanks and in 2014 a dividend of €218 million was distributed to the local Rabobanks. In previous years, such distributed dividends to the local Rabobanks amounted to €493 million in 2012, €483 million in 2011, €438 million in 2010 and €342 million in 2009. At Rabobank Group level these dividend distributions did not have any impact on equity.

As members of Rabobank, the local Rabobanks have membership rights such as voting rights at a General Meeting of Rabobank.

The liability position of members of a cooperative, however, is not comparable to the position of shareholders in a corporation for a number of reasons:

- (a) Pursuant to Rabobank’s articles of association, if, in the event of Rabobank’s liquidation (whether by court order or otherwise), its assets prove to be insufficient to meet its liabilities, the local Rabobanks (as members of Rabobank at the time of the liquidation), as well as those who ceased to be members in the year prior to the liquidation, shall be liable for the deficit in proportion to the Apportionment Formula. If it is not possible to recover the share of one or more liable members or former members to address the shortfall, the remaining members shall be liable in the same proportion for the amount not recovered. Under Rabobank’s articles of association, the total amount for which members or former members are liable shall never exceed 3 per cent. of its last adopted balance sheet total.<sup>1</sup>
- (b) Through their mutual financial association, various legal entities within Rabobank Group make up a single organisation, including the local Rabobanks, Rabobank and a number of group entities. These legal entities have a mutual relationship of liability as referred to in Section 3:111 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*). This relationship is formalised in an internal cross-guarantee system. This cross-guarantee system stipulates that, if a qualifying institution should have a shortage of funds to meet its obligations towards creditors, the other qualifying institutions are required to supplement that institution’s funds in order to allow it to fulfil these obligations.

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<sup>1</sup> References in this paragraph to the last adopted balance sheet total are to the unconsolidated balance sheet or the unconsolidated balance sheet total of a local Rabobank drawn up by the board of a local Rabobank at the end of the previous financial year, or, if available, the consolidated balance sheet or the consolidated balance sheet total drawn up by the board of a local Rabobank at the end of the previous financial year.



- (c) The local Rabobanks are also party to several compensation agreements whereby shortfalls of local Rabobanks with respect to equity, profitability, loan loss reserves and financing losses are financed by charging all other local Rabobanks.

Traditionally, an important role of Rabobank has been its function as a bankers' bank for the local Rabobanks. The local Rabobanks are permitted to have accounts only with Rabobank, which is the sole outlet for each local Rabobank's excess liquidity and which acts as treasurer to the local Rabobanks.

Rabobank also provides services to the local Rabobanks in the form of support, advice and guidance.

Furthermore, Rabobank negotiates rights in the name of the local Rabobanks and enters into commitments on their behalf, provided that such commitments have the same implications for all local Rabobanks (for instance, the entering into of collective labour agreements on behalf of the local Rabobanks).

Rabobank operates its own banking business, which is both complementary to and independent of the business of the local Rabobanks.

Notwithstanding the fact that Rabobank and the local Rabobanks are supervised by the Dutch Central Bank on a consolidated basis, it is based on article 3:111 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) that Rabobank has responsibility for supervision of the local Rabobanks and, amongst others, for ensuring compliance by the local Rabobanks with the applicable capital adequacy and liquidity regulations. The capital adequacy regulations are intended to preserve a bank's ability to withstand loan losses and other business risks through reserves and retained earnings. The internal standards applied by Rabobank, however, are in some aspects more conservative than the regulations promulgated by the law. This policy partly reflects the fact that the local Rabobanks, which cannot raise new capital by issuing shares, can only grow and maintain an appropriate ratio of reserves to total liabilities by making profits. Any local Rabobank whose ratio of reserves to total liabilities fails to meet internal solvency standards is subject to stricter supervision by Rabobank. In particular, Rabobank may restrict such local Rabobank's authority to make lending decisions within Rabobank Group's lending limits.

The local Rabobanks are organised geographically into 12 Regional Delegates Assemblies (*Kringvergaderingen*), each with a board of six delegates. These board members together form the Central Delegates Assembly (Centrale Kringvergadering), consisting of 72 delegates, who meet at least four times a year. This Central Delegates Assembly has some specific powers of its own. It also advises on the subjects discussed at any General Meeting of Rabobank, in which each local Rabobank has a number of votes according to the Apportionment Formula.

At 30 June 2014, the 123 local Rabobanks (at that time) themselves had approximately 2.0 million members. The members of the local cooperative Rabobanks are their customers but they do not make capital contributions to the local Rabobanks and they are not entitled to the equity of the local Rabobanks. Such members are not liable for any obligations of the local Rabobanks.

### **Subsidiaries**

Rabobank also conducts business through separate legal entities, not only in the Netherlands but also worldwide. Rabobank is the (ultimate) shareholder of about 1,100 subsidiaries and participations.

Rabobank Group companies focus on retail banking (Rabobank Australia, Rabobank, N.A., Bank BGZ), vendor leasing (De Lage Landen) and real estate services (Rabo Vastgoedgroep).

Rabobank has assumed liability for debts arising from legal transactions for approximately 29 of its Dutch subsidiaries under article 2:403 of the Dutch Civil Code.

**Local Rabobank Group**

Rabobank and the consolidated total of local Rabobanks form the Local Rabobank Group. This Local Rabobank Group exists solely for the purpose of prudential reporting requirements.

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

*The following discussion should be read in conjunction with the financial statement, the notes and the independent auditor's reports thereto of Rabobank Group and Rabobank, and in conjunction with the unaudited condensed consolidated interim financial information of Rabobank, all of which are incorporated by reference into this Prospectus. Certain figures for Rabobank Group on a consolidated basis at and for the year ended 31 December 2012 included in the following discussion have been restated as a result of changes in accounting policies and presentation. See "Factors affecting results of operations – Change in accounting policies and presentations" below for further information. As of 2005, the financial statements of Rabobank Group 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 interim condensed consolidated interim financial information has been prepared in accordance with IAS 34 'Interim financial reporting', as adopted by the European Union. The financial statements of Rabobank have been prepared in accordance 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 financial statements or condensed consolidated interim financial information but instead is unaudited and derived from the accounting records of Rabobank, unless otherwise stated.*

### **Business overview\***

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. At 30 June 2014, it comprised 123 independent local Rabobanks and their central organisation Rabobank and its subsidiaries. Rabobank Group operates in 40 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, leasing and real estate. In the Netherlands, its focus is on maintaining the Group's position in the Dutch market and, internationally, on food and agri. Rabobank Group entities have strong relationships due to Rabobank's cooperative structure. At 30 June 2014, Rabobank Group had total assets of €679.5 billion and 55,055 full-time employees.

Rabobank, the local Rabobanks and certain subsidiaries in Rabobank Group are linked through a "cross-guarantee system". The cross-guarantee system provides for intra-group credit support among Rabobank, all local Rabobanks and certain of Rabobank Group's subsidiaries that are the other participating institutions. Under the cross-guarantee system, funds are made available by each participating institution if another participant suffers a shortfall in its funds. If a participating institution is liquidated and has insufficient assets to cover its liabilities, the other participating institutions are liable for its debts.

The independent local Rabobanks make up Rabobank Group's cooperative core business. Clients can become members of their local Rabobank. In turn, the local Rabobanks are members of Rabobank, the supralocal cooperative organisation that advises and supports the banks in their local services. Rabobank also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 591 branches and 2,352 cash-dispensing machines at 30 June 2014, the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.7 million retail customers and approximately 800,000 corporate clients, both private and corporate, offering a comprehensive package of financial services.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) is the holding company of a number of specialised subsidiaries in the Netherlands and abroad. Wholesale, Rural & Retail is Rabobank Group's wholesale bank and international retail bank.

The Rabobank Group comprises Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), its branches and consolidated subsidiaries and its local Rabobanks. The Local Rabobank Group comprises Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) and its local member banks. The

difference between the Rabobank Group and the Local Rabobank Group is that the Local Rabobank Group excludes the subsidiaries of Rabobank.

## **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. Banks are still facing persistent turmoil in the financial markets. In the first quarter of 2013, the Dutch state nationalised the bank and insurance group SNS Reaal. This rescue highlights the fragility of European banks and the continued exposure of taxpayers to European banks five years after the financial crisis first erupted. During 2013, the contraction of the Dutch economy negatively impacted Rabobank Group's growth in lending and resulted in loan losses above Rabobank Group's long-term average. 2014 was another difficult year for the Dutch economy with limited economic growth. Competition for mortgages and savings is likely to continue in 2015.

In 2013, 70 per cent. of Rabobank Group's total income 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 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 the Capital Securities – 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 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. Although interest rates may start an upward trend if the European sovereign debt crisis is resolved, Rabobank expects that the relatively low interest rate environment that it faced in the recent past is likely to continue in 2015, with a corresponding impact on Rabobank Group's results.

As discussed under "*Risk Management – Interest rate risk*", Rabobank Group generally takes a limited interest rate position that is managed within strict limits and designed to take advantage of expected changes in interest rates and the yield curve.

### ***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 footnotes to the audited consolidated financial statements incorporated by reference into this Prospectus for additional discussion of the application of Rabobank Group's accounting policies.

### ***Value adjustments***

Rabobank regularly assesses the adequacy of the allowance for loan losses 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.

Rabobank distinguishes:

- Specific allowances for impaired corporate loans. For these loans, impairment is measured on a case-by-case basis. Once a loan is identified as impaired, the impairment amount is measured as the difference between the carrying amount and the recoverable amount of the loan. The recoverable amount equals the present value of expected future cash flows discounted at the loan's effective rate.
- Collective allowances for loans that are not significant enough to be assessed individually. Retail portfolios of loans that are not individually assessed for impairment are grouped into pools, based on similar risk characteristics, and are collectively assessed for impairment. The allowance is set using IFRS-adjusted Basel II parameters.
- An Incurred But Not Reported ("IBNR") allowance for losses on loans that have been incurred but have not yet been individually identified at the balance sheet date. Non-impaired loans are included in groups with similar risk characteristics and are collectively assessed for the potential losses, based on IFRS-adjusted expected loss parameters. Furthermore, factors are used which assume that within three to six months impairment will be discovered.

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

The Provisioning Committee headed by the CFO decides twice a year on allowance-taking for all impaired loans above a certain threshold (currently over €45 million) or with an allowance above a predetermined threshold (currently over €15 million).

### ***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 and/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 2012 in this Prospectus have been restated (see the Consolidated Financial Statements 2013 Rabobank Group, under note 2.1.1, “*Changes in accounting policies*”). Where the year ended 31 December 2013 is compared with the year ended 31 December 2012, the restated figures for 2012 are discussed. Where the year ended 31 December 2012 is compared with the year ended 31 December 2011, the non-restated figures for 2012 are discussed.

### **Results of operations**

The following table sets forth certain summarised financial information for Rabobank Group for the years indicated:

	<b>Year ended 31 December</b>			
	<b>2013</b>	<b>2012 (restated)</b>	<b>2012</b>	<b>2011</b>
		<i>(in millions of euros)</i>		
Interest.....	9,093	9,171	9,097	9,174
Commission .....	2,000	2,228	2,206	2,361
Other results .....	1,927	2,217	2,149	1,171
<b>Total income</b> .....	<b>13,020</b>	<b>13,616</b>	<b>13,452</b>	<b>12,706</b>
Staff costs.....	5,325	5,494	5,325	4,862
Other administrative expenses .....	3,912	2,982	2,979	2,850
Depreciation .....	528	527	527	540
<b>Operating expenses</b> .....	<b>9,765</b>	<b>9,003</b>	<b>8,831</b>	<b>8,252</b>
<b>Gross result</b> .....	<b>3,255</b>	<b>4,613</b>	<b>4,621</b>	<b>4,454</b>
Value adjustments .....	2,643	2,350	2,350	1,606
Bank tax expense .....	197	196	196	—
<b>Operating profit before taxation</b> .....	<b>415</b>	<b>2,067</b>	<b>2,075</b>	<b>2,848</b>
Taxation.....	68	158	160	355
Net profit from continuing operations..	347	1,909	1,915	2,493
Net profit from discontinued operations.....	1,665	149	197	134
<b>Net profit</b> .....	<b>2,012</b>	<b>2,058</b>	<b>2,112</b>	<b>2,627</b>

### ***Year ended 31 December 2013 compared to year ended 31 December 2012***

*Total income.* Rabobank Group’s total income decreased 4 per cent. in 2013, falling to €13,020 million compared to €13,616 million in 2012. The decrease was mainly due to a decrease in commission income resulting from the sale of Bank Sarasin & Cie. AG (“**Sarasin**”), higher impairments on real estate and landholdings and the lower results from hedge accounting.

*Interest.* Interest income remains more or less stable at €9,093 million in 2013 compared to €9,171 million in 2012. This was due to a restoration of the margin on savings at the local Rabobanks and the loss of part of the interest income due to the sale of Sarasin.

*Commission.* Sarasin was still contributing to commission income for six months in 2012. Partly due to the absence of this income in 2013, commission income decreased 10 per cent. to €2,000 million in 2013 compared to €2,228 million in 2012.

*Other results.* Other results were down €290 million in 2013 at €1,927 million compared to €2,217 million in 2012. The other results rose as a result of the transition to the new pension scheme, however this item was negatively affected by higher impairments on real estate and land holdings and the lower result from hedge accounting. These developments drove the 13 per cent. decrease in other results.

*Operating expenses.* Rabobank Group's operating expenses rose by 8 per cent. in 2013 to €9,765 million compared to €9,003 million in 2012, mainly due to an increase in other administrative expenses.

*Staff costs.* Staff costs decreased by 3 per cent. to €5,325 million in 2013 compared to €5,494 million in 2012. Staff numbers declined by 2,758 FTE in 2013, to 56,870 FTE compared to 59,628 FTE in 2012, 1,387 FTE of which was due to the sale of Robeco. There was also a decline of 1,689 FTE at the local Rabobanks and Friesland Bank. The employee expenses at Sarasin were still included in the operating expenses at group level for six months in 2012. The decline in staff, in combination with the absence of the expenses for Sarasin, caused employee expenses to decline by €169 million.

*Other administrative expenses.* Other administrative expenses rose by 31 per cent. to €3,912 million in 2013 compared to €2,982 million in 2012. Other administrative expenses rose at Rabobank International as a result of the settlements relating to the LIBOR investigations. Please see "*Description of Business of Rabobank Group – Legal proceedings*". At Rabobank, other administrative expenses increased due to higher costs of innovation associated with the further development of the virtual customer service as part of Vision 2016. Moreover, both the local Rabobanks and Rabo Real Estate Group faced higher costs of reorganisation. The implementation of Vision 2016 led to heavy cuts in staff at the local Rabobanks, and a decision was made to phase out the commercial real estate development activities at Rabo Real Estate Group. The sale of Sarasin on the other hand led to a reduction in other administrative expenses. On balance, these developments resulted in a 31 per cent. increase in other administrative expenses.

*Depreciation.* Depreciation remained virtually unchanged at €528 million in 2013 compared to €527 million in 2012.

*Value adjustments.* Value adjustments were up 12 per cent. at Group level, rising to €2,643 in 2013 compared to €2,350 million in 2012. At 59 basis points of average lending in 2013 compared to 52 basis points in 2012, bad debt costs were 31 basis points above the long-term average of 28 basis points (based on the period 2003 to 2012). There was a further increase in bad debt costs at Rabo Real Estate Group due to the continuing poor state of the real estate market in the Netherlands. For the local Rabobanks, commercial real estate, inland shipping and greenhouse horticulture also suffered in 2013. In addition, the low level of domestic spending led to difficulties for sectors focusing on the domestic retail market. Export-oriented companies were able to benefit from the increase in world trade. The total value adjustments at the domestic retail banking division were slightly above the high level seen in 2012. At Rabobank International, which has a more internationally diversified portfolio, the level of value adjustments fell. At De Lage Landen, value adjustments rose slightly.

*Bank tax.* The bank tax led to an additional expense item for Rabobank Group of €197 million in 2013, compared to €196 million in 2012.

*Taxation.* The recognised tax expense was €68 million in 2013 compared to €158 million in 2012, which corresponds to an effective tax rate of 16.4 per cent. in 2013 compared to 7.6 per cent. in 2012. The relatively low tax burden was due to the fact that certain associates, such as Achmea, were not subject to tax.

*Net profit.* Net profit decreased by 2 per cent. to €2,012 million in 2013 compared to €2,058 million in 2012. The sale of Robeco and the transition to the new pension scheme had a non-recurring positive effect while the settlements in relation to the LIBOR investigations had a negative effect. The impairments on land holdings and real estate projects and the increase in the reorganisation provisions at the local Rabobanks also contributed to the decrease, as did the lower result from hedge accounting and the higher value adjustments. An amount of €929 million in 2013 compared to €843 million in 2012 remains net of non-controlling interests and payments on Rabobank Member Certificates and hybrid equity instruments. This amount was used to improve Rabobank's capital position.

### ***Year ended 31 December 2012 compared to year ended 31 December 2011***

*Total income.* Rabobank Group's total income increased 6 per cent. in 2012, rising to €13,452 million compared to €12,706 million in 2011.

*Interest.* Competition in the Dutch savings market was fierce. Lower margins on saving deposits caused interest income to fall by 1 per cent. to €9,097 million in 2012 compared to €9,174 million in 2011.

*Commission.* Insurance and securities commissions at the local Rabobanks were down. In addition, as a result of the sale of Swiss-based private bank Sarasin to Safra, Sarasin no longer contributed to commission income as of August 2012. Due, in part, to these developments, commission income decreased 7 per cent. to €2,206 million in 2012 compared to €2,361 million in 2011.

*Other results.* Other income increased significantly in 2012 to €2,149 million compared to €1,171 million in 2011. Interest rate developments, which led to a steepening of the yield curve and gains on hedge accounting, had a positive effect on other results. The same held true for the completion of the sale of the shares in Yes Bank and Sarasin, for improvements in the share of the profits of Achmea, and for the acquisition of Friesland Bank. This was counteracted by the fact that the fall in credit spread on Rabobank-issued structured notes and high impairment losses on property developments had a negative effect on other results. These developments drove the 84 per cent. increase in other results.

*Operating expenses.* Rabobank Group's operating expenses rose by 7 per cent. in 2012 to €8,831 million compared to €8,252 million in 2011, mainly due to an increase in staff costs.

*Staff costs.* Staff costs increased by 10 per cent. to €5,325 million in 2012 compared to €4,862 million in 2011 because of an increase in pension costs in the Netherlands, the UK and the U.S., and a temporary increase in outside staff. These costs also rose due to routine pay increases.

*Other administrative expenses.* Other administrative expenses rose by 5 per cent. to €2,979 million in 2012 compared to €2,850 million in 2011. The acquisition of Friesland Bank and an increase in consultancy fees at Rabobank International caused an increase in other administrative expenses, whereas the completion of the sale of Sarasin produced a drop in these expenses.

*Depreciation.* Depreciation charges decreased 2 per cent. to €527 million in 2012 compared to €540 million in 2011. The sale of Sarasin was instrumental in the 2 per cent. drop.

*Value adjustments.* Because of the challenging economic climate in the Netherlands and the weak property market, a relatively high number of trade, industry and services customers and customers operating in the property sector experienced financial difficulties. This situation forced Rabobank Group to increase its provisions, particularly at the local Rabobanks and FGH Bank. In the aggregate, value adjustments were up 46 per cent. at Group level, rising to €2,350 in 2012 compared to €1,606 million in 2011. At 52 basis points of



average lending (2011: 37 basis points), bad debt costs were 27 basis points above the long-term average of 25 basis points (based on the period 2002 to 2011).

*Bank tax.* The bank tax led to an additional expense item for Rabobank Group of €196 million in 2012. The bank tax did not exist in 2011.

*Taxation.* The recognised tax expense was €160 million in 2012 compared to €355 million in 2011, which corresponds to an effective tax rate of 7.7 per cent. (2011: 12.5 per cent.).

*Net profit.* Net profit decreased by 20 per cent. to €2,112 million in 2012 compared to €2,627 million in 2011. An amount of €897 million (2011: €1,549 million) remains net of non-controlling interests and payments on Rabobank Member Certificates and hybrid equity instruments. This amount was used to improve Rabobank's capital position.

## Segment discussion\*

### *Domestic retail banking*

The following table sets forth certain summarised financial information for Rabobank Group's domestic retail banking business for the years indicated:

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Interest.....	5,605	5,180	5,218
Commission .....	1,319	1,344	1,357
Other results .....	616	765	366
<b>Total income</b> .....	<b>7,540</b>	<b>7,289</b>	<b>6,941</b>
Staff costs.....	2,463	2,454	2,258
Other administrative expenses .....	2,408	1,755	1,609
Depreciation .....	144	151	119
<b>Operating expenses</b> .....	<b>5,015</b>	<b>4,360</b>	<b>3,986</b>
<b>Gross result</b> .....	<b>2,525</b>	<b>2,929</b>	<b>2,955</b>
Value adjustments .....	1,384	1,329	648
Bank tax .....	90	91	—
<b>Operating profit before taxation</b> .....	<b>1,051</b>	<b>1,509</b>	<b>2,307</b>
Taxation.....	270	205	454
<b>Net profit</b> .....	<b>781</b>	<b>1,304</b>	<b>1,853</b>

### *Year ended 31 December 2013 compared to year ended 31 December 2012*

*Total income.* Domestic retail banking total income increased by 3 per cent., rising to €7,540 million in 2013, compared to €7,289 million in 2012. This increase was mainly due to an increase in interest profit resulting from a partial restoration of margins on savings.

*Interest.* Interest income increased 8 per cent. to €5,605 million in 2013, compared to €5,180 million in 2012, which was due in particular to a partial restoration of margins on savings.

*Commission.* Commission fell by 2 per cent. to €1,319 million in 2013, compared to €1,344 million in 2012, due in part to a decline in insurance commissions.

*Other results.* Other results decreased by 19 per cent. to €616 million in 2013, compared to €765 million in 2012. Contrary to the decision in 2012, the June 2013 general members meeting decided that Rabobank should not pay a dividend to the local Rabobanks. The transition to the new pension scheme positively affected the other results.

*Operating expenses.* Total operating expenses for domestic retail banking increased 15 per cent., rising to €5,015 million in 2013, compared to €4,360 million in 2012, principally as a result of an increase in other administrative expenses.

*Staff costs.* Despite lower staff numbers, staff costs remained more or less unchanged at €2,463 million in 2013, compared to €2,454 million in 2012. This was due to the increase in individual redundancy payments in 2013.

*Other administrative expenses.* Other administrative expenses increased 37 per cent. to €2,408 million in 2013, compared to €1,755 million in 2012, driven by higher reorganisation costs in connection with Vision 2016 and increased costs of innovation at Rabobank, which are fully recharged to the local Rabobanks.

*Depreciation.* Depreciation fell to €144 million in 2013, compared to €151 million in 2012, because of lower amortisation of intangible non-current assets.

*Value adjustments.* Value adjustments rose by €55 million to reach €1,384 million in 2013, compared to €1,329 million in 2012. At 45 basis points in 2013, compared to 44 basis points in 2012, of average lending, bad debt costs were above the long-term average of 16 basis points, based on the period from 2003 to 2012. Of lending, 69 per cent. is comprised of residential mortgage loans. Bad debt costs on residential mortgage loans stood at 6 basis points in 2013 compared to 6 basis points in 2012.

*Bank tax.* The bank tax led to an additional expense item of €90 million in 2013 compared to €91 million in 2012.

*Taxation.* Taxation increased in 2013 by €65 million to €270 million compared to €205 million in 2012.

*Net profit.* Net profit decreased by 40 per cent. to €781 million in 2013 compared to €1,304 million in 2012. The establishment of reorganisation plans associated with the Vision 2016 programme and increased costs of innovation at Rabobank, which are fully recharged to the local Rabobanks, contributed to the decrease.

### ***Year ended 31 December 2012 compared to year ended 31 December 2011***

*Total income.* Domestic retail banking total income increased by 5 per cent., rising to €7,289 million in 2012, compared to €6,941 million in 2011.

*Interest.* Interest income decreased 1 per cent. to €5,180 million in 2012, compared to €5,218 million in 2011, which was due in particular to lower margins on saving deposits.

*Commission.* Commission fell by 1 per cent. to €1,344 million in 2012, compared to €1,357 million in 2011, because of fewer loans being issued and lower securities commission.

*Other results.* Other results rose to €765 million in 2012, compared to €366 million in 2011. Other results is made up primarily of dividends payable by Rabobank to the local Rabobanks. Besides an increase in dividends, other results was up also because of higher earnings from cash management.

*Operating expenses.* Total operating expenses for domestic retail banking increased 9 per cent., rising to €4,360 million in 2012, compared to €3,986 million in 2011, principally as a result of an increase in staff costs.

*Staff costs.* Staff costs increased by 9 per cent. to €2,454 million in 2012, compared to €2,258 million in 2011. A factor contributing to the increase in staff costs was the rise in headcount compared with 2011, particularly in terms of temporary staff. The upswing in staff costs was also attributable to the addition of the Friesland Bank employees.

*Other administrative expenses.* Other administrative expenses increased 9 per cent. to €1,755 million in 2012, compared to €1,609 million in 2011, due mainly to the acquisition of Friesland Bank.

*Depreciation.* Depreciation rose to €151 million in 2012, compared to €119 million in 2011, because of higher amortisation charges of software and intangibles.

*Value adjustments.* The weak economy led to further increases in value adjustments in 2012. In the food and agri sector, loan losses were incurred mostly in greenhouse horticulture. In the trade, industry and services sector, businesses reliant on domestic spending in particular suffered the consequences of low consumer and business demand. Low investment levels caused problems in the building contracting and real estate-related sectors. The sea and coastal shipping sector was also negatively affected. Value adjustments rose by €681 million to reach €1,329 million in 2012, compared to €648 million in 2011. At 44 (2011: 22) basis points of average lending, bad debt costs were above the long-term average of 13 basis points, based on the period 2002 to 2011. Of lending, 69 per cent. is comprised of residential mortgage loans. Bad debt costs on residential mortgage loans stood at 6 (2011: 3) basis points.

*Bank tax.* The bank tax led to an additional expense item of €91 million in 2012.

*Taxation.* Taxation decreased in 2012 by €249 million to €205 million compared to €454 million in 2011.

*Net profit.* Net profit decreased by 30 per cent. to €1,304 million in 2012 compared to €1,853 million in 2011.

### ***Wholesale banking and international retail banking***

The following table sets forth certain summarised financial information for Rabobank Group's wholesale banking and international retail banking business for the years indicated:

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Interest.....	2,617	2,775	2,957
Commission .....	637	618	586
Other results .....	793	612	207
<b>Total income</b> .....	<b>4,047</b>	<b>4,005</b>	<b>3,750</b>
Staff costs .....	1,270	1,320	1,116
Other administrative expenses .....	1,737	976	847
Depreciation .....	127	120	109
<b>Operating expenses</b> .....	<b>3,134</b>	<b>2,416</b>	<b>2,072</b>
<b>Gross result</b> .....	<b>913</b>	<b>1,589</b>	<b>1,678</b>

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Value adjustments .....	568	621	686
Bank tax .....	75	60	—
<b>Operating profit before taxation</b> .....	<b>270</b>	<b>908</b>	<b>992</b>
Taxation .....	218	204	211
<b>Net profit</b> .....	<b>52</b>	<b>704</b>	<b>781</b>

#### ***Year ended 31 December 2013 compared to year ended 31 December 2012***

*Total income.* Total income at Rabobank International increased by 1 per cent. to €4,047 million in 2013 compared to €4,005 million in 2012. This increase was attributable in particular to a €181 million rise in other results.

*Interest.* Interest income declined by 6 per cent. to €2,617 million in 2013, compared to €2,775 million in 2012, due in part to the decrease in the loan portfolio and interest expenses relating to RaboDirect.

*Commission.* Commission increased by 3 per cent. to €637 million in 2013, compared to €618 million in 2012, driven by higher commission income at Capital Markets.

*Other results.* In 2013, other results rose by €181 million to €793 million, compared to €612 million in 2012. Positive results from Corporate Lending, Capital Markets, Acquisition Finance and Global Client Solutions and the phasing out of the illiquid asset portfolio contributed to the increase.

*Operating expenses.* Rabobank International's total operating expenses increased by 30 per cent. to €3,134 million, compared to €2,416 million in 2012, principally as a result of an increase in other administrative expenses.

*Staff costs.* Staff costs decreased by 4 per cent. to €1,270 million in 2013, compared to €1,320 in 2012. There was a one-off increase in pension costs in 2012, and partly because this item returned to historically normal levels in 2013, staff costs declined.

*Other administrative expenses.* As a result of the settlements agreed by Rabobank in the wake of the LIBOR investigations, other administrative expenses were up 78 per cent. to €1,737 million in 2013, compared to €976 million in 2012.

*Depreciation.* Depreciation grew by 6 per cent. to €127 million, compared to €120 million in 2012, due to increased write-offs on proprietary software.

*Value adjustments.* Value adjustments at Rabobank International decreased by 9 per cent. to €568 million in 2013, compared to €621 million in 2012. Bad debt costs amounted to 57 basis points in 2013, compared to 59 basis points in 2012 of average lending, which is higher than the long-term average of 54 basis points (based on the period 2003 to 2012).

*Bank tax.* The bank tax led to an additional expense item of €75 million in 2013, compared to €60 million in 2012.

*Taxation.* Taxation increased in 2013 by €14 million to €218 million, compared to €204 million in 2012.

*Net profit.* Net profit decreased by 93 per cent. to €52 million in 2013 compared to €704 million in 2012. This decrease was mainly due to the settlements agreed by Rabobank after the LIBOR investigations.

***Year ended 31 December 2012 compared to year ended 31 December 2011***

*Total income.* Total income at Rabobank International increased by 7 per cent. to €4,005 million in 2012 compared to €3,750 million in 2011. This increase was attributable in particular to a €405 million rise in other income.

*Interest.* Interest income declined by 6 per cent. to €2,775 million in 2012, compared to €2,957 million in 2011. The lower deposit interest rate of the European Central Bank was a factor in the 6 per cent. drop in interest results.

*Commission.* Commission increased by 5 per cent. to €618 million in 2012, compared to €586 million in 2011, due, in part, to an increase in commissions on loans.

*Other results.* In 2012, other results rose by €405 million to €612 million, compared to €207 million in 2011, because of the sale of remaining equity interest in Indian-based Yes Bank and the higher share of the profits of the participation in the Agricultural Bank of China.

*Operating expenses.* Rabobank International's total operating expenses increased by 17 per cent. to €2,416 million, compared to €2,072 million in 2011. The implementation of changes in international rules and regulations proved to be a substantial cost item whose impact was felt in staff costs and other administrative expenses.

*Staff costs.* Staff costs rose by 18 per cent. to €1,320 million in 2012, compared to €1,116 in 2011, owing to routine pay increases, higher pension costs and, to a lesser extent, an increase in headcount.

*Other administrative expenses.* Due, in part, to higher consultancy fees, administrative expenses were up 15 per cent. to €976 million in 2012, compared to €847 million in 2011.

*Depreciation.* Depreciation grew by 10 per cent. to €120 million, compared to €109 million in 2011, due to higher depreciation charges on software.

*Value adjustments.* Value adjustments at Rabobank International decreased by 9 per cent. to €621 million in 2012, compared to €686 million in 2011. As ACCBank accounted for €301 million of these value adjustments, reflecting nearly half of the total figure. Bad debt costs amounted to 59 basis points (2011: 73 basis points) of average lending, which is higher than the long-term average of 54 basis points (based on the period 2002 to 2011).

*Bank tax.* The bank tax led to an additional expense item of €60 million in 2012.

*Taxation.* Taxation decreased in 2012 by €7 million to €204 million, compared to €211 million in 2011.

*Net profit.* Net profit decreased by 10 per cent. to €704 million in 2012 compared to €781 million in 2011.

***Leasing***

The following table sets forth certain summarised financial information for Rabobank Group's leasing business for the years indicated:

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Interest.....	973	952	778
Commission .....	52	63	76
Other results .....	545	442	465
<b>Total income</b> .....	<b>1,570</b>	<b>1,457</b>	<b>1,319</b>
Staff costs .....	517	526	455
Other administrative expenses .....	198	223	269
Depreciation .....	49	47	50
<b>Operating expenses</b> .....	<b>764</b>	<b>796</b>	<b>774</b>
<b>Gross result</b> .....	<b>806</b>	<b>661</b>	<b>545</b>
Value adjustments .....	170	147	144
Bank tax .....	9	9	—
<b>Operating profit before taxation</b> .....	<b>627</b>	<b>505</b>	<b>401</b>
Taxation.....	205	138	97
<b>Net profit</b> .....	<b>422</b>	<b>367</b>	<b>304</b>

#### ***Year ended 31 December 2013 compared to year ended 31 December 2012***

*Total income.* De Lage Landen's total income increased by 8 per cent., rising to €1,570 million in 2013, compared to €1,457 million in 2012. The increase was in particular attributable to a 23 per cent. increase in other results.

*Interest.* Interest income was up by 2 per cent. to €973 million in 2013, compared to €952 million in 2012. Growth of the average lease portfolio contributed to the increase.

*Commission.* Commission income fell by €11 million to €52 million, compared to €63 million in 2012, due to a change in presentation of amounts received.

*Other results.* Residual value gains on sales of leased products rose in comparison to 2012. This contributed to the increase in other results by 23 per cent. to €545 million, compared to €442 million in 2012.

*Operating expenses.* Total operating expenses at De Lage Landen fell by 4 per cent. to €764 million in 2013, compared to €796 million in 2012, principally due to lower other administrative expenses.

*Staff costs.* Staff costs were down €9 million, reaching €517 million, compared to €526 million in 2012, due in part to the depreciation of several foreign currencies.

*Other administrative expenses.* Other administrative expenses fell by 11 per cent. to €198 million, compared to €223 million in 2012. The Action project was launched in 2012, with the aim of reducing costs and increasing organisational efficiency. The effects of this were visible in 2013, in the form of the 11 per cent. decline in other administrative expenses.

*Depreciation.* The depreciation item was slightly higher at €49 million, compared to €47 million in 2012, mainly due to higher depreciation of inventory.

*Value adjustments.* De Lage Landen's value adjustments increased by 16 per cent. to €170 million, compared to €147 million in 2012. The diversification of the lease portfolio across countries and sectors in combination with strict risk management contributed to the relatively limited increase. Expressed in basis points of average lending, bad debt costs stood at 59 basis points in 2013 compared to 53 basis points in 2012. Bad debt costs are now 9 basis points below the long-term average of 68 basis points (based on the period 2003 to 2012).

*Taxation.* Taxation increased in 2013 by €67 million to €205 million compared to €138 million in 2012.

*Net profit.* Net profit increased 15 per cent. to €422 million in 2013 compared to €367 million in 2012. The increase was mainly due to an increase in interest income in combination with lower costs.

### ***Year ended 31 December 2012 compared to year ended 31 December 2011***

*Total income.* De Lage Landen's total income increased by 10 per cent., rising to €1,457 million in 2012, compared to €1,319 million in 2011. The lease portfolio grew due to the provision of a broader range of services to existing customers.

*Interest.* Interest income was up by 22 per cent. to €952 million in 2012, compared to €778 million in 2011. Active portfolio management helped to grow interest income.

*Commission.* Higher commission payments to the local Rabobanks resulted in a fall of commission income by 17 per cent. to €63 million, compared to €76 million in 2011.

*Other results.* Lower residual value gains on lease products caused a decrease in other results by 5 per cent. to €442 million, compared to €465 million in 2011.

*Operating expenses.* Total operating expenses at De Lage Landen rose by 3 per cent. to €796 million in 2012, compared to €774 million in 2011, due to higher staff costs.

*Staff costs.* Staff costs were up €71 million, reaching €526 million, compared to €455 million in 2011, because of an increase in the number of temporary outside staff, a higher headcount and an increase in wage costs.

*Other administrative expenses.* Other administrative expenses were high in 2011 because of project costs incurred for self-developed software. As these costs were lower in 2012, other administrative expenses fell by 17 per cent. to €223 million, compared to €269 million in 2011.

*Depreciation.* The depreciation item was slightly lower at €47 million, compared to €50 million in 2011.

*Value adjustments.* De Lage Landen's value adjustments increased by 2 per cent. to €147 million, compared to €144 million in 2011. Due to the global spread of the operations, the increase was very limited. Expressed in basis points of average lending, bad debt costs stood at 53 basis points (2011: 58 basis points). Bad debt costs are now 16 basis points below the long-term average of 69 basis points (based on the period 2002 to 2011).

*Taxation.* Taxation increased in 2012 by €41 million to €138 million compared to €97 million in 2011.

*Net profit.* Net profit increased 21 per cent. to €367 million in 2012 compared to €304 million in 2011.

### ***Real estate***

The following table sets forth certain summarised financial information for Rabobank Group's real estate business for the years indicated:

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Interest.....	322	312	282
Commission .....	32	35	41
Other results .....	(563)	104	207
<b>Total income</b> .....	<b>(209)</b>	<b>451</b>	<b>530</b>
Staff costs.....	195	193	200
Other administrative expenses .....	120	89	124
Depreciation.....	27	19	20
<b>Operating expenses</b> .....	<b>342</b>	<b>301</b>	<b>344</b>
<b>Gross result</b> .....	<b>(551)</b>	<b>150</b>	<b>186</b>
Value adjustments .....	513	237	129
Bank tax .....	8	8	—
<b>Operating profit before taxation</b> .....	<b>(1,072)</b>	<b>(95)</b>	<b>57</b>
Taxation.....	(257)	12	17
<b>Net profit</b> .....	<b>(815)</b>	<b>(107)</b>	<b>40</b>

#### ***Year ended 31 December 2013 compared to year ended 31 December 2012***

*Total income.* Total income in Rabobank Group's real estate business decreased by 146 per cent. to minus €209 million in 2013 compared to €451 million in 2012 due to lower other results.

*Interest.* Interest income increased by €10 million to €322 million in 2013 compared to €312 million in 2012, due to improved margins on new loans and extensions.

*Commission.* The size of the loan portfolio was more or less unchanged. Commission also remained fairly stable at €32 million, compared to €35 million in 2012.

*Other results.* Impairments on land holdings and revaluations of land operations amounted to €567 million, partly due to the postponement of projects. Large impairments were also recognised on commercial real estate holdings. This led to a decrease in other results by 641 per cent. to minus €563 million in 2013, compared to €104 million in 2012.

*Operating expenses.* Total operating expenses in Rabobank Group's real estate business increased by 14 per cent. in 2013, reaching €342 million, compared to €301 million in 2012, mainly due to higher administrative expenses.

*Staff costs.* Due in part to additional staff at FGH Bank and Fondsenbeheer Nederland, the number of staff increased by 26 FTE to 1,554, compared to 1,528 FTE in 2012. Staff costs rose slightly as a result, by 1 per cent. to €195 million, compared to €193 million in 2012.

*Other administrative expenses.* Other administrative expenses increased by 35 per cent. to €120 million in 2013, compared to €89 million in 2012. The increase was mostly due to the formation of a reorganisation provision for the phasing out of the activities of MAB Development.



*Depreciation.* Depreciation increased by 42 per cent. to €27 million in 2013 compared to €19 million in 2012, mainly due to higher depreciation on real estate.

*Value adjustments.* Value adjustments stood at €513 million in 2013, compared to €237 million in 2012, which corresponds to 278 basis points in 2013 compared to 124 basis points in 2012 of average lending. Value adjustments rose due to the continuing poor state of the Dutch real estate market in 2013.

*Taxation.* Taxation decreased by €269 to minus €257 million in 2013 compared to €12 million in 2012.

*Net profit.* Net profit decreased 662 per cent. by €708 million to minus €815 million in 2013 compared to minus €107 million in 2012. The decrease was mainly due to heavy impairments on land holdings, revaluations of land operations and a decline in the number of housing transactions (especially in the Netherlands and France) at Bouwfonds Property Development and the large increase in value adjustments to receivables at the property financier FGH Bank.

### ***Year ended 31 December 2012 compared to year ended 31 December 2011***

*Total income.* Total income in Rabobank Group's real estate business decreased by 23 per cent. to €451 million in 2012 compared to €530 million in 2011 mainly due to lower other results.

*Interest.* Interest income increased by €30 million to €312 million in 2012 compared to €282 million in 2011, due to higher margins on new loans and renewals.

*Commission.* Commission decreased by 15 per cent. to €35 million, compared to €41 million in 2011, because fewer loans were issued than in 2011.

*Other results.* Higher impairment losses on property developments and strategic land positions contributed to a decrease in other results by 50 per cent. to €104 million in 2012, compared to €207 million in 2011.

*Operating expenses.* Total operating expenses in Rabobank Group's real estate business declined by 13 per cent. in 2012, falling to €301 million, compared to €344 million in 2011, mainly due to lower other administrative expenses.

*Staff costs.* The headcount was lower as a result of staff cuts at Bouwfonds Property Development, Bouwfonds REIM, MAB Development and the Management Centre, among other divisions. As a result, staff costs decreased by 4 per cent. to €193 million, compared to €200 million in 2011.

*Other administrative expenses.* Other administrative expenses, which had been high in 2011 because of a reorganisation allowance, dropped by 28 per cent. to €89 million in 2012, compared to €124 million in 2011.

*Depreciation.* Depreciation was slightly lower at €19 million in 2012 compared to €20 million in 2011.

*Value adjustments.* Value adjustments stood at €237 million in 2012, compared to €129 million in 2011, which corresponds to 124 basis points (2011: 69 basis points) of average lending. Bad debt costs rose sharply due to the continued decline in the Dutch property market.

*Taxation.* Taxation decreased by €5 million to €12 million in 2012 compared to €17 million in 2011.

*Net profit.* Net profit decreased by €147 million to minus €107 million in 2012 compared to €40 million in 2011.

### ***Loan portfolio***

The loans to customers item increased by 1 per cent., or €6.8 billion, to €462.7 billion at 30 June 2014 from €455.9 billion at 31 December 2013. The private sector loan portfolio decreased to €433.2 billion at 30 June 2014, a decrease of €1.5 billion from €434.7 billion at 31 December 2013. Loans to private individuals, primarily for mortgage finance, were down €2.6 billion, or 1 per cent., to €213.8 billion at 30 June 2014.

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 €0.4 billion to €130.9 billion at 30 June 2014. Lending to the food and agri sector increased by €1.5 billion to €88.5 billion at 31 December 2013, a 2 per cent. increase.

The following table shows a breakdown of Rabobank Group's total lending outstanding to the private sector at 30 June 2014, 31 December 2013 and 31 December 2012, by category of borrower:

	At 30 June		At 31 December			
	2014		2013		2012	
	<i>(in millions of euros and as percentage of total private sector lending)</i>					
Private individuals .....	213,800	49%	216,400	50%	220,029	48%
Trade, industry and services sector .....	130,900	30%	131,300	30%	145,626	32%
Food and agri sector.....	88,500	21%	87,000	20%	92,436	20%
<b>Total private sector lending .....</b>	<b>433,200</b>	<b>100%</b>	<b>434,700</b>	<b>100%</b>	<b>458,091</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 to customers (public and private sector) and professional securities transactions at 31 December 2013 and 31 December 2012:

	At 31 December			
	2013		2012	
	<i>(in millions of euros and as percentage of total loans to customers)</i>			
Less than 1 year .....	94,872	21%	102,211	21%
More than 1 year .....	365,330	79%	383,088	79%
<b>Total loans to customers.....</b>	<b>460,202</b>	<b>100%</b>	<b>485,299</b>	<b>100%</b>

### **Funding**

At 30 June 2014, amounts due to customers of Rabobank Group were €323.0 billion, a decrease of 1 per cent. compared to 31 December 2013. The balance held in savings deposits decreased by €3.1 billion to €148.4 billion, a decrease of 2 per cent. Other amounts due to customers (including current accounts, repurchase agreements and time deposits) decreased by €0.1 billion to €174.6 billion at 30 June 2014. At 30 June 2014, debt securities in issue (including certificates of deposit, commercial paper and bonds) totalled €194.4 billion compared to €195.4 billion at 31 December 2013. 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 30 June 2014, 31 December 2013, 31 December 2012 and 31 December 2011:

	<b>Six month period ended 30 June</b>	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
		<i>(in millions of euros)</i>		
Savings deposits .....	148,366	151,516	149,661	140,028
Other due to customers .....	174,669	174,705	184,610	189,864
Debt securities in issue .....	194,414	195,361	223,336	213,441
Other financial liabilities at fair value through profit .....				
or loss .....	19,384	19,069	24,091	25,889
<b>Total</b> .....	<b>536,833</b>	<b>540,651</b>	<b>581,698</b>	<b>569,222</b>

Rabobank Group also receives funds from the inter-bank and institutional market. Rabobank Group's total due to other banks was €17.7 billion at 30 June 2014, a 20 per cent. increase from €14.7 billion at 31 December 2013.

#### ***Other financial assets\****

Other financial assets comprise debt securities and other assets. Other financial assets are subdivided into the following categories:

- Trading financial assets;
- Other financial assets at fair value through profit or loss; and
- Available-for-sale financial assets.

<b>Other financial assets at 31 December 2013</b>				
	<b>Trading</b>	<b>Other at fair value through profit or loss</b>	<b>Available-for- sale</b>	<b>Total</b>
		<i>(in millions of euros)</i>		
Purchased loans .....	1,171	—	—	1,171
Short-term government securities .....	204	—	1,710	1,914
Government bonds .....	1,086	63	35,714	36,863
Other debt securities .....	2,109	2,917	8,170	13,196
<b>Loans</b> .....	—	1,056	—	1,056
<b>Total debt securities</b> .....	<b>4,570</b>	<b>4,036</b>	<b>45,594</b>	<b>54,200</b>
Venture capital .....	—	549	—	549
Equity instruments .....	719	386	817	1,922
<b>Total other assets</b> .....	<b>719</b>	<b>935</b>	<b>817</b>	<b>2,471</b>
<b>Total</b> .....	<b>5,289</b>	<b>4,971</b>	<b>46,411</b>	<b>56,671</b>
Category 1 <sup>(1)</sup> .....	2,959	371	42,456	45,786

**Other financial assets at 31 December 2013**

	<b>Trading</b>	<b>Other at fair value through profit or loss</b>	<b>Available-for- sale</b>	<b>Total</b>
	<i>(in millions of euros)</i>			
Category 2 <sup>(1)</sup> .....	2,155	2,994	3,645	8,794
Category 3 <sup>(1)</sup> .....	175	1,606	310	2,091

Note:

- (1) Category 1: quoted prices in active markets for identical assets or liabilities; 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); category 3: inputs for the asset or liability not based on observable market data.

Category 1: quoted prices in active markets for identical assets or liabilities; 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); category 3: inputs for the asset or liability not based on observable market data.

**Other financial assets at 31 December 2012**

	<b>Trading</b>	<b>Other at fair value through profit or loss</b>	<b>Available-for- sale</b>	<b>Total</b>
	<i>(in millions of euros)</i>			
Purchased loans .....	1,767	—	—	1,767
Short-term government securities .....	688	—	2,096	2,784
Government bonds .....	935	4	39,275	40,214
Other debt securities .....	1,690	3,738	8,537	13,965
Loans .....	—	1,026	—	1,026
<b>Total debt securities</b> .....	<b>5,080</b>	<b>4,768</b>	<b>49,908</b>	<b>59,756</b>
Venture capital .....	—	784	—	784
Equity instruments .....	1,307	359	517	2,183
<b>Total other assets</b> .....	<b>1,307</b>	<b>1,143</b>	<b>517</b>	<b>2,967</b>
<b>Total</b> .....	<b>6,387</b>	<b>5,911</b>	<b>50,425</b>	<b>62,723</b>
Category 1 <sup>(1)</sup> .....	4,107	251	43,889	48,247
Category 2 <sup>(1)</sup> .....	2,197	4,003	6,438	12,638
Category 3 <sup>(1)</sup> .....	83	1,657	98	1,838

Note:

- (1) Category 1: quoted prices in active markets for identical assets or liabilities; 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); 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.

	<b>At 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Guarantees.....	11,429	14,904	10,519
Letters of credit .....	5,919	5,583	5,487
Credit granting liabilities.....	32,126	33,061	34,522
Other contingent liabilities .....	82	—	—
<b>Total credit related and contingent liabilities .....</b>	<b>49,556</b>	<b>53,548</b>	<b>50,528</b>
Revocable credit facilities .....	45,031	45,083	44,649
<b>Total credit related commitments .....</b>	<b>94,587</b>	<b>98,631</b>	<b>95,177</b>

### ***Capital adequacy***

Rabobank wishes to have an adequate solvency position, which it manages based on a number of ratios. The principal ratios are the common equity Tier 1 ratio, the Tier 1 ratio, the BIS ratio (capital ratio), the equity capital ratio and the leverage 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 Balance and Risk Management Committee Rabobank Group (Balans- en Risicomanagement Commissie Rabobank Groep), the Executive 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 BIS ratio and common equity Tier 1 ratio with the total amount of the risk-weighted assets. Since 1 January 2014, the minimum required percentages have been determined based on CRD IV. This will result in a gradual increase in the minimum required percentages. Rabobank takes this into its account in its capital planning. In addition, CRD IV includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their tier 1 capital as a percentage of their total exposure measure. See further "*Risk Factors - CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments*".

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 common equity Tier 1 ratio, the Tier 1 ratio and the BIS ratio are the most common ratios used to measure solvency. The common equity Tier 1 ratio expresses the relationship between common equity Tier 1 capital and total risk-weighted assets. At 30 June 2014, Rabobank Group's common equity Tier 1 ratio stood at 12.6 per cent. (year-end 2013; 13.5 per cent.) and the unaudited sub-consolidated common equity Tier 1 ratio of the Local Rabobank Group was 15.0 per cent. (in the case of the Local Rabobank Group, based upon Common Equity Tier 1 Capital of the Local Rabobank Group of €27.0 billion and Risk Weighted Assets of the Local Rabobank Group of €180.5 billion). The minimum requirement for the common equity Tier 1 ratio set by external supervisors is 4.5 per cent and the capital conservation buffer is a further 2.5 per cent. Rabobank Group's fully loaded common equity Tier 1 ratio was 10.8 per cent. as at 30 June 2014. The fully loaded common equity Tier 1 ratio is the common equity Tier 1 ratio calculated without applying the transitional provisions set out in Part Ten of the CRD IV Regulation.

Risk-weighted assets were increased €5.4 billion to €216.2 billion at 30 June 2014 compared to €210.8 billion at 31 December 2013. The implementation of CRDIV was a contributing factor in the €1.4 billion decrease in common equity Tier 1 capital of the Rabobank Group to €27.2 billion at 30 June 2014 compared to €28.6 billion at 31 December 2013. The capital instruments eligible as Common Equity Tier 1 capital of the Local Rabobank Group are the same as the capital instruments eligible as Common Equity Tier 1 capital of the Rabobank Group. See "*Regulation of Rabobank Group*" and "*Risk Factors - CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments*" 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 30 June 2014, Rabobank Group's Tier 1 ratio stood at 14.9 per cent. (year-end 2013: 16.6 per cent.).

The BIS ratio is calculated by dividing the total of Tier 1 and Tier 2 capital by the total of risk-weighted assets. At 30 June 2014, the BIS ratio stood at 19.7 per cent. (year-end 2013: 19.8 per cent.). This exceeds the current minimum requirement set by the external supervisors of 8.0 per cent.

The leverage ratio as at 30 June 2014 of Rabobank Group was 4.6 per cent. (year end 2013: 4.8 per cent.). The leverage ratio is calculated by dividing the tier 1 capital by the volume of the balance sheet and liabilities no shown on the balance sheet and has been calculated in accordance with the CRD IV definitions. As at 30 June 2014, the fully loaded leverage ratio of Rabobank Group was 3.3 per cent.

The following table sets forth the risk-weighted capital ratios of Rabobank Group at 31 December 2013, 31 December 2012, 31 December 2011 and 30 June 2014:

***Development in capital and solvency ratios***

	At 30 June	At 31 December		
	2014	2013	2012	2011
		<i>(in millions of euros, except percentages)</i>		
Common equity Tier 1 capital .....	27,189	28,551	29,253	28,324

	At 30 June	At 31 December		
	2014	2013	2012	2011
		<i>(in millions of euros, except percentages)</i>		
Common equity Tier 1 ratio.....	12.6%	13.5%	13.1%	12.7%
Tier 1 capital.....	32,249	35,092	38,358	37,964
Tier 1 ratio .....	14.9%	16.6%	17.2%	17.0%
Qualifying capital .....	42,614	41,650	42,321	39,088
BIS ratio.....	19.7%	19.8%	19.0%	17.5%
Leverage ratio .....	4.6%	4.8%	4.7%	-

### ***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***

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

	2013	2012	2011	2010	2009
	<i>(in percentages)</i>				
Return on assets <sup>(1)</sup> .....	0.29	0.28	0.38	0.42	0.37
Return on equity <sup>(2)</sup> .....	4.88	4.70	6.17	7.00	6.37
Equity to assets ratio <sup>(3)</sup> .....	5.82	5.96	6.19	4.84	5.82

Notes:

- (1) Net profit as a percentage of total average assets, based on month-end balances.
- (2) Net profit as a percentage of average equity, based on quarter-end balances.
- (3) Average equity divided by average total assets, based on quarter-end balances.

The following table presents information relating to payments on Rabobank Member Certificates for each of the years indicated:

	2013	2012	2011	2010	2009
	<i>(in millions of euros, except percentages)</i>				
Outstanding Rabobank (Member) Certificates <sup>(1)</sup> .....	6,219	6,587	6,551	6,368	6,275
Payments.....	309	328	315	303	318
Average yield.....	4.96%	4.98%	4.81%	4.76%	5.07%

Note:

- (1) Average Outstanding Rabobank Member Certificates based on month-end balances.

### **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 2013, 31 December 2012 and 31 December 2011:

	<b>At 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Private sector lending.....	438,975	458,091	448,337
Government clients .....	2,670	3,764	3,557
Securities transactions due from private sector lending ....	10,697	11,410	7,026
Interest rate hedges (hedge accounting) .....	7,860	12,034	9,165
<b>Total loans to customers</b> .....	<b>460,202</b>	<b>485,299</b>	<b>468,085</b>
Value adjustments in loans to customers .....	(4,177)	(3,715)	(3,089)
Reclassified assets .....	2,806	4,224	5,588
<b>Gross loans to customers</b> .....	<b>461,573</b>	<b>484,790</b>	<b>465,586</b>

The following table sets forth a geographic breakdown of Rabobank Group's loan portfolio at 31 December 2013, 31 December 2012 and 31 December 2011:

	<b>At 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
The Netherlands .....	1,541	2,584	1,764
Other countries in the EU zone .....	336	408	771
North America.....	390	444	484
Latin America.....	40	5	7
Asia .....	288	256	465
Australia and New Zealand.....	2	5	12
Other countries.....	73	61	54
<b>Total government clients</b> .....	<b>2,670</b>	<b>3,764</b>	<b>3,557</b>
The Netherlands .....	335,046	341,614	332,489
Other countries in the EU zone .....	26,972	35,737	38,540
North America.....	40,853	42,010	40,876
Latin America.....	10,635	11,414	10,950
Asia .....	6,631	6,284	5,672
Australia.....	18,698	20,812	19,666



	<b>At 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Other countries .....	140	220	144
<b>Total private sector lending</b> .....	<b>438,975</b>	<b>458,091</b>	<b>448,337</b>

## Risk elements\*

### *Breakdown of assets and liabilities by repayment date\**

The following table shows Rabobank's assets and liabilities grouped by the period remaining between the reporting date and the contract repayment date. These amounts correspond with the statement of financial position.

	<b>At 31 December 2013</b>					
	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>Payments due by period (in millions of euros)</i>					
Cash and cash equivalents .....	15,495	27,542	2	—	—	43,039
Due from other banks .....	6,380	30,730	2,376	1,138	220	40,844
Trading financial assets .....	50	1,868	544	1,802	1,025	5,289
Other financial assets at fair value through profit or loss .....	40	851	402	888	2,790	4,971
Derivative financial instruments .....	152	3,511	2,841	11,477	21,722	39,703
Loans to customers .....	27,749	33,300	33,823	89,947	275,383	460,202
Available-for-sale financial assets .....	70	3,917	3,040	11,778	27,606	46,411
Deferred tax assets .....	460	—	—	—	1,451	1,911
Other assets (excluding employee benefits) .....	989	4,789	1,153	1,441	427	8,799
<b>Total financial assets</b> .....	<b>51,385</b>	<b>106,508</b>	<b>44,181</b>	<b>118,471</b>	<b>330,624</b>	<b>651,169</b>
Due to other banks .....	2,907	5,829	1,691	3,803	1,266	15,496
Due to customers .....	249,908	36,462	10,526	15,586	16,918	329,400
Debt securities in issue .....	112	31,850	62,865	70,110	30,424	195,361
Derivative financial instruments and other trade liabilities .....	888	3,958	2,872	16,454	25,999	50,171
Other debts (excluding employee benefits) .....	1,663	4,235	299	866	85	7,148
Other financial liabilities at fair value through profit or loss .....	70	653	1,533	7,076	9,737	19,069
Deferred tax liabilities .....	162	—	—	—	128	290
Subordinated debt .....	—	5	—	89	7,721	7,815
<b>Total financial liabilities</b> .....	<b>255,710</b>	<b>82,992</b>	<b>79,786</b>	<b>113,984</b>	<b>92,278</b>	<b>624,750</b>
<b>Net liquidity surplus/(deficit)</b> .....	<b>(204,325)</b>	<b>23,516</b>	<b>(35,605)</b>	<b>4,487</b>	<b>238,346</b>	<b>26,419</b>

The above breakdown was compiled on the basis of contract information, without taking into account actual movements in items in the statement of financial position. This is taken into account, however, for the day-to-day management of liquidity risk. Customer savings are an example. By contract, they are payable on demand. However, historically this has been a stable source of financing at the long-term disposal of Rabobank. The regulations of the supervisory authority also factor this in. Based on the liquidity criteria of the Dutch Central Bank, Rabobank had a substantial liquidity surplus at 31 December 2013 and throughout 2013. The average liquidity surplus was 40 per cent. of the total liquidity requirement.

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

### ***Interest rate sensitivity***

The key indicators used for managing the interest rate risk are the Basis Point Value, the Equity at Risk and the Income at Risk.

The Basis Point Value ("BPV") is the absolute loss of market value of equity after a parallel increase of the yield curve with 1 basis point. In 2013, the BPV did not exceed €12 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 equity's market value to interest rate fluctuations. A 100 basis point overnight upward parallel shock of the curve will result in a 2.3 per cent. drop in market value of equity.

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 at the most by €54 million in 2013.

### ***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 2013, 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, 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:

Banks	Public authorities	Private sector	Total
<i>(in millions of euros)</i>			

**At 31 December 2013**

	<b>Banks</b>	<b>Public authorities</b>	<b>Private sector</b>	<b>Total</b>
	<i>(in millions of euros)</i>			
France .....	6,622	5,253	5,198	17,073
Germany .....	3,863	4,855	5,709	14,427
United Kingdom .....	14,218	6,289	10,446	30,953
Poland .....	96	2,415	7,592	10,103
United States .....	5,021	23,699	48,710	77,430
Brazil .....	1,043	615	5,881	7,539
Australia .....	953	1,898	13,149	16,000
<b>At 31 December 2012</b>				
France .....	4,448	6,001	4,213	14,662
Germany .....	3,556	6,605	5,751	15,912
United Kingdom .....	11,441	3,775	14,709	29,925
Poland .....	28	3,024	7,733	10,785
United States .....	5,294	14,471	53,871	73,636
Brazil .....	1,462	663	6,219	8,344
Australia .....	794	919	15,566	17,279
<b>At 31 December 2011</b>				
France .....	1,629	6,305	3,686	11,620
Germany .....	2,809	7,335	6,237	16,381
United Kingdom .....	8,312	3,020	10,062	21,394
Poland .....	149	2,440	6,562	9,151
United States .....	4,446	10,556	52,424	67,426
Brazil .....	1,217	921	6,423	8,561
Australia .....	433	423	14,614	15,470

#### ***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 2013:

	<b>At 31 December 2013</b>		
	<b>On balance</b>	<b>Off balance</b>	<b>Total</b>
	<i>(in millions of euros)</i>		
Grain and oilseeds .....	14,890	868	15,758
Animal protein .....	16,716	243	16,959

**At 31 December 2013**

	<b>On balance</b>	<b>Off balance</b>	<b>Total</b>
	<i>(in millions of euros)</i>		
Dairy .....	14,293	184	14,477
Fruit and vegetables .....	9,006	148	9,154
Farm inputs .....	6,032	381	6,413
Food retail .....	4,735	264	4,999
Beverages .....	3,683	21	3,704
Flowers .....	2,915	9	2,924
Sugar .....	1,959	89	2,048
Miscellaneous crop farming .....	1,649	3	1,652
Other .....	11,098	345	11,443
<b>Total private sector lending to food and agri .....</b>	<b>86,976</b>	<b>2,555</b>	<b>89,531</b>
Lessors of real estate .....	26,568	22	26,590
Finance and insurance (except banks) .....	14,565	1,160	15,725
Wholesale .....	18,441	5,837	24,278
Activities related to real estate .....	6,795	1,350	8,145
Manufacturing .....	8,557	973	9,530
Transportation and warehousing .....	6,581	339	6,920
Construction .....	6,615	1,243	7,858
Healthcare and social assistance .....	6,065	40	6,105
Professional, scientific and technical services .....	5,442	279	5,721
Retail (except food and beverages) .....	4,711	531	5,242
Utilities .....	2,311	829	3,140
Information and communication .....	1,008	60	1,068
Arts, entertainment and recreation .....	1,310	18	1,328
Other services .....	26,679	1,899	28,578
<b>Total private sector lending to trade, industry and services .....</b>	<b>135,648</b>	<b>14,580</b>	<b>150,228</b>
Private individuals .....	216,351	160	216,511
<b>Total private sector lending .....</b>	<b>438,975</b>	<b>17,295</b>	<b>456,270</b>

Apart from due from other banks (€40.8 billion at 31 December 2013 which is 6 per cent. of total assets), Rabobank's only significant risk concentration is in the portfolio of loans to private individuals which accounted for 49 per cent. of the total loan portfolio at 31 December 2013. 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 20 per cent. in 2013. The proportion of the total loan portfolio attributable to trade, industry and services was 31 per cent. at 31 December 2013. 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.

### **Impaired loans**

Loans for which an allowance has been taken are called impaired loans. At 30 June 2014, these loans amounted to €13,737 million (year-end 2013: €12,809 million). The allowance for loan losses covered 32 per cent. (year-end 2013: 34 per cent.) of the impaired loans. It should be noted that for several years now, the provision for portfolios to which a very low probability of recovery is assigned has been written off at group level. Accordingly, impaired loans are also reduced by that same amount. Over and above this allowance, additional coverage is raised through collateral and other securities. Rabobank Group forms allowances at an early stage and applies the one-obligor principle, 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 30 June 2014, impaired loans corresponded to 3.2 per cent. (2013: 2.9 per cent.) of the private sector loan portfolio.

The following table provides an analysis of Rabobank Group's impaired loans by business at 30 June 2014, 31 December 2013, 31 December 2012 and 31 December 2011:

	At 30 June	At 31 December		
	2014	2013	2012	2011
		<i>(in millions of euros)</i>		
Domestic retail banking .....	6,492	6,651	5,317	4,559
Wholesale banking and international retail banking .....	2,666	2,670	3,456	3,493
Leasing .....	687	721	905	832
Real estate .....	3,892	2,767	1,525	1,066
Other .....	—	—	—	8
<b>Rabobank Group</b> .....	<b>13,737</b>	<b>12,809</b>	<b>11,203</b>	<b>9,958</b>

### **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 the years indicated:

	2013	2012	2011
	<i>(in millions of euros)</i>		
Domestic retail banking .....	1,974	1,501	1,376
Wholesale banking and international retail banking .....	845	889	670
Asset management .....	—	1	12
Leasing .....	467	451	444
Real estate .....	376	205	94
Other .....	53	42	14
<b>Total balance at 1 January</b> .....	<b>3,715</b>	<b>3,089</b>	<b>2,610</b>
Domestic retail banking .....	1,979	1,757	1,119

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Wholesale banking and international retail banking .....	1,000	1,214	1,333
Asset management .....	—	—	1
Leasing .....	276	264	313
Real estate .....	520	240	147
Other .....	16	26	
<b>Total additions</b> .....	<b>3,791</b>	<b>3,501</b>	<b>2,913</b>
Domestic retail banking .....	(582)	(416)	(465)
Wholesale banking and international retail banking .....	(408)	(572)	(578)
Asset management .....	—	(2)	(1)
Leasing .....	(40)	(64)	(127)
Real estate .....	(6)	(2)	(18)
Other .....	(9)	(8)	
<b>Total reversal of impairments</b> .....	<b>(1,045)</b>	<b>(1,064)</b>	<b>(1,189)</b>
Domestic retail banking .....	(1,270)	(1,370)	(590)
Wholesale banking and international retail banking .....	(487)	(658)	(542)
Asset management .....	—	—	(2)
Leasing .....	(223)	(196)	(199)
Real estate .....	(34)	(67)	(19)
Other .....	(10)	(6)	(14)
<b>Total written off</b> .....	<b>(2,024)</b>	<b>(2,297)</b>	<b>(1,366)</b>
Domestic retail banking .....	124	502	103
Wholesale banking and international retail banking .....	(346)	(28)	6
Asset management .....	—	1	(9)
Leasing .....	(25)	12	20
Real estate .....	(14)	—	1
Other .....	1	(1)	—
<b>Total other</b> .....	<b>(260)</b>	<b>486</b>	<b>121</b>
Domestic retail banking .....	2,225	1,974	1,543
Wholesale banking and international retail banking .....	604	845	889
Asset management .....	—	—	1
Leasing .....	455	467	451
Real estate .....	842	376	205
Other .....	51	53	—
<b>Total other balance at 31 December</b> .....	<b>4,177</b>	<b>3,715</b>	<b>3,089</b>

### ***Due to customers\****

The following table presents a breakdown of due to customers at 31 December 2013, 31 December 2012 and 31 December 2011. Interest rates paid on time deposits and savings deposits reflect market conditions and not all current accounts/settlement accounts earn interest.

	<b>At 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Time deposits .....	56,418	56,006	58,931
Current accounts/settlement accounts .....	82,991	81,640	73,443
Repurchase agreements .....	1,474	2,299	2,669
Other .....	12,713	21,525	34,147
<b>Total due to customers by businesses</b> .....	<b>153,596</b>	<b>161,470</b>	<b>169,190</b>
Savings deposits .....	151,516	149,661	140,028
Current accounts/settlement accounts .....	14,470	15,122	12,988
Other .....	9,818	8,018	7,686
<b>Total due to customers by individuals</b> .....	<b>175,804</b>	<b>172,801</b>	<b>160,702</b>
<b>Total due to customers</b> .....	<b>329,400</b>	<b>334,271</b>	<b>329,892</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 under "Debt securities in issue". An analysis of the balance of short-term borrowings at 31 December 2013, 31 December 2012 and 31 December 2011 is provided below.

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Year-end balance .....	54,416	61,476	70,307
Average balance .....	53,389	72,290	74,246
Maximum month-end balance.....	63,765	82,795	79,737

### ***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 under "Debt securities in issue" and "Other financial liabilities at fair value through profit or loss". An analysis of the balance of long-term borrowings at 31 December 2013, 31 December 2012 and 31 December 2011 is provided below.

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Year-end balance .....	160,015	185,952	169,024

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of euros)</i>		
Average balance .....	172,906	184,554	164,471
Maximum month-end balance.....	185,952	191,074	169,024



## SELECTED FINANCIAL INFORMATION

The following selected financial data are derived, in the case of full year data, from the audited consolidated financial statements of Rabobank Group, which have been audited by Ernst & Young Accountants LLP, the independent auditor in the Netherlands, with the exception of the bad debt costs, the latter being derived from the annual report of Rabobank Group, and in the case of half-year data, from the unaudited condensed consolidated interim financial information of Rabobank Group and the review report in respect thereof. The data should be read in conjunction with the consolidated financial statements and the interim report (and related notes), incorporated by reference herein and the “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” included in this Prospectus. The Rabobank Group audited consolidated financial statements for the year ended 31 December 2013 and 31 December 2012 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 condensed consolidated interim financial information of Rabobank Group for the six months ended 30 June 2014 has been prepared in accordance with IAS 34 ‘Interim financial reporting’, as adopted by the European Union.

### Consolidated statement of financial position

	Year ended 30 June		Year ended 31 December	
	2014	2013	2013	2012
	<i>(in millions of euros)</i>			
<b>Assets:</b>				
Cash and cash equivalents .....	40,612	45,181	43,039	68,103
Due from other banks .....	40,980	34,036	40,787	35,386
Trading financial assets .....	5,184	6,843	5,289	6,387
Other financial assets at fair value through profit or loss .....	4,247	5,351	4,939	5,911
Derivative financial instruments .....	45,335	47,774	39,703	65,423
Loans to customers .....	462,739	474,651	455,909	485,299
Available-for-sale financial assets .....	43,778	51,365	46,552	50,425
Investments in associates .....	3,591	3,666	3,747	3,649
Intangible assets .....	2,033	2,279	1,991	2,343
Property and equipment .....	6,998	7,058	6,901	6,500
Investment properties .....	385	1,368	1,055	1,489
Current tax assets .....	104	1,039	170	597
Deferred tax assets .....	2,178	893	1,910	960
Other assets .....	10,884	10,289	8,339	9,763
Non-current assets held for sale and discontinued operations .....	10,465	1,578	9,073	8,475
<b>Total assets</b> .....	679,513	693,371	669,404	750,710

	Year ended 30 June		As at 31 December	
	2014	2013	2013	2012
	<i>(in millions of euros)</i>			
<b>Liabilities:</b>				
Due to other banks .....	17,715	19,118	14,745	27,059
Due to customers .....	323,035	336,491	326,222	334,271
Debt securities in issue .....	194,414	197,891	195,361	223,336
Derivative financial instruments and other trade liabilities .....	55,611	59,247	50,171	74,800
Other debts .....	8,542	11,556	7,149	11,166
Other financial liabilities at fair value through profit or loss .....	19,384	21,785	19,069	24,091
Provisions .....	934	812	1,050	752
Current tax liabilities .....	296	221	266	205
Deferred tax liabilities .....	292	337	288	186
Subordinated debt .....	11,056	5,203	7,815	5,407
Liabilities held for sale .....	8,380	681	7,825	7,357
<b>Total liabilities</b> .....	<b>639,659</b>	<b>653,342</b>	<b>629,961</b>	<b>708,630</b>
<b>Equity:</b>				
Equity of Rabobank Nederland and local Rabobanks .....	25,041	24,403	24,640	25,311
<i>Equity instruments issued directly</i>				
Rabobank (Member) Certificates .....	5,928	6,243	5,823	6,672
Capital Securities .....	6,857	7,040	7,029	7,114
	12,785	13,283	12,852	13,786
<i>Equity instruments issued by subsidiaries</i>				
Capital Securities .....	236	229	236	236
Trust Preferred Securities III to VI .....	1,322	1,315	1,269	1,340
	1,558	1,544	1,505	1,576
Other non-controlling interests .....	470	799	446	1,407
<b>Total equity</b> .....	<b>39,854</b>	<b>40,029</b>	<b>39,443</b>	<b>42,080</b>
<b>Total equity and liabilities</b> .....	<b>679,513</b>	<b>693,371</b>	<b>669,404</b>	<b>750,710</b>

### Consolidated statement of income

	As at 30 June		As at 31 December	
	2014	2013	2013	2012
	<i>(in millions of euros)</i>			
Interest .....	4,522	4,453	9,093	9,171
Commission .....	931	1,046	2,000	2,228

	As at 30 June		As at 31 December	
	2014	2013	2013	2012
	<i>(in millions of euros)</i>			
Other results .....	945	956	1,482	958
<b>Income</b> .....	6,398	6,455	13,020	13,616
Staff costs .....	2,471	2,632	5,325	5,494
Other administrative expenses .....	1,252	1,351	3,912	2,982
Depreciation.....	223	257	528	527
<b>Operating expenses</b> .....	3,946	4,240	9,765	9,003
Value adjustments .....	1,188	1,106	2,643	2,350
Bank tax .....	214	0	197	196
<b>Operating profit before taxation</b> .....	1,050	1,109	415	2,067
Taxation .....	-30	97	68	158
<b>Net profit from continuing operations</b> .....	1,080	1,012	347	1,909
Net profit from discontinued operations .....	0	98	1,665	149
<b>Net profit</b> .....	1,080	1,110	2,012	2,058
Of which attributable to Rabobank Nederland and local Rabobanks .....	501	549	929	843
Of which attributable to holders of Rabobank Member Certificates .....	192	161	309	328
Of which attributable to Capital Securities .....	325	340	655	717
Of which attributable to Trust Preferred Securities III to VI .....	35	34	67	75
Of which attributable to non-controlling interests .....	27	26	52	95
<b>Net profit for the year</b> .....	1,080	1,110	2,012	2,058

### Financial ratios:

	As at 30 June 2014	As at 31 December 2013	As at 31 December 2012
BIS ratio .....	19.7%	19.8%	19.0%
Tier 1 ratio.....	14.9%	16.6%	17.2%
Common equity Tier 1 ratio .....	12.6%	13.5%	13.1%

	<b>As at 30 June 2014</b>	<b>As at 31 December 2013</b>	<b>As at 31 December 2012</b>
Equity capital ratio(1) .....	15.7%	16.1%	15.3%
Bad debt costs (in basis points of average lending) .....	54	59	52

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Note:

- (2) The equity capital ratio is calculated by dividing retained earnings and Rabobank Member Certificates by total of risk-weighted assets.

## 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 Balance Sheet and Risk Management Committee Rabobank Group (“**BRMC-RG**”) in cooperation with the Group Risk Management department. The BRMC-RG is responsible for balance sheet management, establishing risk policy, setting risk measurement standards, broadly determining limits and monitoring developments, and advising the Executive Board on all relevant issues regarding risk management. The Group Operational Risk Committee (“**GORC**”) focuses on operational risks, whereas the Group’s risk management policies relating to credit risk are developed by the Policy Credit Committee Rabobank Group in cooperation with the Group Risk Management and the Credit Risk Management department. These committees report to the Executive Board, which is ultimately responsible for risk management within Rabobank Group.

The principal risks faced by Rabobank Group are credit risk, country risk, interest rate risk, liquidity risk, market risk, operational risk, 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*”.

### Risk Adjusted Return On Capital

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

The use of the RAROC model to classify Rabobank Group’s activities also plays a role in the allocation of capital to the various group entities and the different risk categories. If the calculated RAROC lags behind a formulated minimum result to be achieved, which is a reflection of the costs of the capital employed, economic value is wasted. A higher RAROC implies the creation of economic value. For the six month period ended 30 June 2014, Rabobank realised a RAROC, which is the ratio between net profit and average economic capital, after tax of 9.2 per cent.

### 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 30 June 2014, 49 per cent. of Rabobank Group’s credit loan portfolio to the private sector consisted of loans to private individuals, mainly residential mortgages, which tend to have a very low risk profile in relative terms. The remaining 51 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. The Executive Board itself decides on the largest credit applications. Rabobank

Group has three Policy Credit Committees (“PCCs”): Rabobank Group PCC and the Wholesale, Rural & Retail and Member Banks PCCs. Rabobank Group PCC establishes Rabobank Group’s credit risk policy. Rabobank Group entities define and establish their own credit policies within this framework. In this context, the Member Banks PCC is responsible for domestic retail banking and the Wholesale, Rural & Retail PCC for wholesale banking and international retail banking. Rabobank Group PCC is chaired by the CFO and the Executive Board is represented by three members. The CFO also chairs the Wholesale, Rural & Retail and Member Banks PCCs. The PCCs are composed of representatives from Rabobank Group’s most senior management levels. 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 Risk Management department and Group Risk Management department play a key role. Credit applications beyond certain limits are subject to a thorough credit analysis by credit officers of Credit Risk Management. Group Risk Management monitors 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.

Rabobank Group uses the Advanced IRB approach for credit risk. This is the most risk-sensitive form of the CRR (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 best-practice framework for Economic Capital. 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 economic capital and the Risk Adjusted Return On Capital (RAROC). These Basel II parameters are an important element of management information. A significant advantage associated with the use of economic capital is a streamlined and efficient approval process. The use of the Basel II parameters and RAROC support credit analysts and the Credit Committees in making well-considered 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 30 June 2014, the EAD of the total Advanced IRB loan portfolio was €560 billion (year-end 2013: €574 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 total Advanced IRB loan portfolio is 1.08 per cent. (year-end 2013: 1.12 per cent.). This slight deterioration in PD was caused by a change in the PD of existing debtors

as well as by changes in the composition of the portfolio (inflow and outflow of clients), the implementation of new models and policy changes.

The following table shows the impaired loans (i.e. the amount of loans for which an allowance has been taken) at 30 June 2014, 31 December 2013, 2012 and 2011 per business unit as a percentage of private sector loans:

#### Impaired loans/private sector lending per business unit

	At 30 June	At 31 December		
	2014	2013	2012	2011
			<i>(in percentages)</i>	
Domestic retail banking .....	2.2	2.2	1.7	1.5
Wholesale banking and international retail banking .....	3.0	2.9	3.2	3.5
Leasing .....	2.7	2.9	3.6	3.1
Real Estate .....	21.5	15.1	8.2	5.5
<b>Rabobank Group</b> .....	<b>3.2</b>	<b>2.9</b>	<b>2.4</b>	<b>2.3</b>

#### Bad debt costs

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 bad debt costs for the six month period ended 30 June 2014 and for the three years ended 31 December 2013, 2012 and 2011 per business unit as a percentage of private sector lending:

#### Bad debt costs/average private sector lending per business unit

	At 30 June	At 31 December		
	2014	2013	2012	2011
			<i>(in percentages)</i>	
Domestic retail .....	0.38	0.45	0.44	0.22
Wholesale banking and international retail banking .....	0.35	0.57	0.59	0.73
Leasing .....	0.47	0.59	0.53	0.58
Real estate .....	3.91	2.78	1.24	0.69

	At 30 June	At 31 December		
	2014	2013	2012	2011
			<i>(in percentages)</i>	
<b>Rabobank Group</b> .....	0.54	0.59	0.52	0.37

## 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 Group Risk Management.

At Rabobank Group level, the country risk outstanding, including additional capital requirements for transfer risk, is reported every quarter to Rabobank Group's Balance Sheet and Risk Management Committee Rabobank Group (the "BRMC-RG") 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 2013, the ultimate collective debtor risk for non-OECD countries was €23.8 billion and the net ultimate transfer risk before provisions for non-OECD countries was €14.2 billion, which corresponds to 2.1 per cent. of total assets (2012: 1.4 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	31 December 2013					In % of total assets
	Europe	Africa	Latin America	Asia/Pacific	Total	
	<i>(in millions of euros)</i>					
Ultimate country risk (excluding derivatives) .....	569	365	8,757	14,140	23,831	3.5%
— of which in local currency exposure.....	201	163	5,859	3,448	9,671	
<i>Net ultimate country risk before allowance</i> .....	368	202	2,899	10,692	14,160	2.1%
						<b>In % of total allowance</b>



**31 December 2013**

Regions	Europe	Africa	Latin America	Asia/ Pacific	Total	In % of total assets
<i>(in millions of euros)</i>						
<i>Total allowance for ultimate country risk.....</i>	4	0	209	100	314	7.3%

Since concerns about the euro increased, the outstanding country risk, including the sovereign risk for relevant countries, has been reported on a monthly basis.

At 30 June 2014, Rabobank Group exposure to government bonds issued by Ireland, Italy and Spain was €108 million (year-end 2013: €174 million). The exposure to bonds issued by banks in these countries are mainly Spanish covered bonds with a value of €1,414 million (year-end 2013: €1,390 million), backed by additional collateral provided by the issuer. The outstanding country risk in the countries under most intense scrutiny as at 30 June 2014 was very limited.

The bonds issued by financial institutions in the countries referred to in the following table are mainly Spanish covered bonds backed by additional collateral provided by the issuing entity.

**Government exposure at year-end 2013 (in millions of euros)**

Country	Government bonds	State- guaranteed bonds	Bonds issued by financial institutions	Total	Cumulative changes through profit or loss at 31 December 2013
Greece.....	—	42	—	42	8
Ireland.....	6	—	42	48	—
Italy.....	124	—	52	176	—
Portugal.....	—	—	—	—	—
Spain.....	44	—	1,390	1,434	6
<b>Total.....</b>	<b>174</b>	<b>42</b>	<b>1,484</b>	<b>1,701</b>	<b>14</b>

Based on Rabobank Group's accounting policies, it has been established with respect to the Greek government bonds and a number of bonds issued by financial institutions that impairment losses need to be recognised; these positions have been impaired to their fair market value at 31 December 2013. The average valuation of the Greek government bonds and state-guaranteed bonds was 84 per cent. at year-end 2013.

Exposure to European government bonds other than Dutch, German and French is very limited.

**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, Income at Risk

and Equity at Risk. Based on the Basis Point Value, Income at Risk and Equity at Risk analyses, the Executive Board forms an opinion with regard to the acceptability of losses related to projected interest rate scenarios, and decides upon limits with regard to the 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 "Income at Risk" figure represents the change in net interest income for the coming 12 months, due to parallel increases/decreases in interest rates, assuming no management intervention. The Income at Risk calculation also takes account of changes in client savings and prepayments behaviour in reaction to interest rate movements and changes in the pricing policy of savings products. In the past, 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. Given the low interest rate environment and the assumption that interest rates cannot become negative, the methodology which assumed a 200 basis point decline has been replaced by an alternative methodology that assumes an interest rate decline by 5 basis points in 2012 and 10 basis points in 2013. 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 "Equity at Risk", which is the sensitivity of Rabobank Group's economic value of equity to an instant parallel change in interest rates of 200 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 Equity at Risk 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 Income 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. Equity at Risk is expressed as a percentage. This percentage represents the deviation from the economic value of equity at the reporting date.

At 31 December 2013 and 31 December 2012, the Income at Risk ("IatR") and Equity at Risk ("EatR") for Rabobank Group were as follows:

	2013	2012
	<i>(in millions of euros, except percentages)</i>	
	10 bp decline	5 bp decline
Income at Risk .....	(50)	(18)
Equity at Risk.....	2.3%	1.4%

Rabobank Group performs complementary scenario analyses to assess the impact of changes in customer behaviour and the economic environment.

### Liquidity risk

Liquidity risk is the risk that a bank will not be able to fulfil all its payment and repayment obligations on time, as well as the risk that it will at some time be unable to fund increases in assets at a reasonable price, if at all.

Responsibility for the day-to-day management of liquidity exposures, the raising of professional funding on the money market and the capital market, and the management of the structural position lies with Rabobank Group's Treasury department, which reports to the CFO. 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-funding thanks to money raised from customers. The division raised more than enough money to fund operations in 2013, thanks to growth in amounts due to customers at the retail banking division outpacing growth in lending.

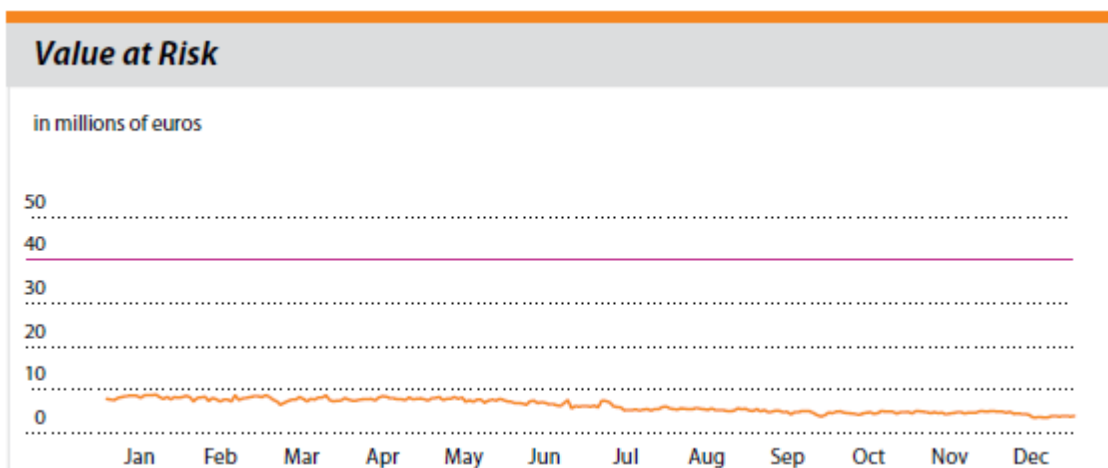
Liquidity risk is an organisation-wide matter and managed by Treasury Rabobank Group. Rabobank has developed several methods to measure and manage liquidity risk, including a method for calculating the survival period, i.e. the period that the liquidity buffer will hold up under severe market-specific 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 2013, Rabobank more than satisfies the minimum survival period of three months in all the internally used scenarios.

## **Market risk**

Market risk relates to the change in value of Rabobank Group's trading portfolio as a consequence of changes in market prices, such as interest rates, foreign exchange rates, credit spreads, commodity prices and equity share prices. The BRMC-RG is responsible for developing and supervising market risk policies and monitors Rabobank Group'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 Dutch Central Bank. Rabobank Group's risk models are based on the "Value at Risk" concept. Value at Risk describes the maximum possible loss that Rabobank Group can suffer within a defined holding period, based on historical market price changes and a given certain confidence interval. Value at Risk within Rabobank Group is based on actual historical market circumstances. To measure the potential impact of strong adverse market price movements, stress tests are applied. These "event risk scenarios" measure the effect of sharp and sudden changes in market prices. Value at Risk and event risk are tied to limits that are set by the Executive Board on an annual basis.

For the year ended 31 December 2013, the Value at Risk, based on a one-day holding period and 97.5 per cent. confidence level, fluctuated between €3.5 million (2012: €7.6 million) and €8.9 million (2012: €20.6 million), with an average of €6.4 million (2012: €11.6 million). The slight decrease of the average Value at Risk compared to 2012 follows from changes in positions and activities.

Value at Risk models have certain limitations; they are more reliable during normal market conditions, and historical data may fail to predict the future. 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 BRMC-RG, in evaluating Rabobank Group's market positions.



Source: Rabobank Group Annual Report 2013

## 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 risks 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 interwoven in the strategic and daily decision-making. The management of each Rabobank Group entity is responsible for developing policies and procedures to manage their specific operational risks in line with Rabobank Group Operational Risk Management policy. Group Risk Management — Operational Risk Management (“**GRM-ORM**”) offers overview, support tools, expertise and challenge to the 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 assessment and scenario analysis. All entities record operational incidents and report them on a quarterly basis to the Group Operational Risk department 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. 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 of changes in income or equity as a result of currency exchange movements. In currency risk management, a distinction is made between positions in trading books and positions in banking books. In the trading books, currency risk is part of market risk and is controlled using Value at Risk and other limits, as are other market risks. This risk is monitored on a daily basis. The policy aims to prevent open positions whenever possible. The value at risk from currency risk exposure in the trading books stood at €0.6

million at 31 December 2013 (2012: €0.8 million). The non-trading books are only exposed to the translation risk on capital invested in foreign activities and on issues of hybrid equity instruments not denominated in euros. To monitor and manage translation risk, Rabobank follows a policy of protecting equity against exchange rate fluctuations.

## GOVERNANCE OF RABOBANK GROUP

### Corporate governance

In recent years, the corporate governance of organisations has been of particular public interest. On account of its cooperative organisation, Rabobank's corporate governance is characterised by a robust system of checks and balances. As a result, this governance is in many respects even stricter than in listed enterprises. The members of the independent, cooperative local Rabobanks exercise influence at a local level. As members of Rabobank, the local Rabobanks in turn play a very important part in the policy-making within Rabobank's organisation. For example, a distinguishing feature in Rabobank Group's governance is the Central Delegates Assembly, Rabobank Group's parliament, which meets at least four times a year and where Rabobank's members are able to participate in virtually all Rabobank's strategic decisions.

Although the Dutch Corporate Governance Code does not apply to the cooperative as a legal form of enterprise, Rabobank's corporate governance is broadly consistent with this code. Rabobank also observes the Banking Code, which was adopted in 2009 by the Netherlands Bankers' Association and came into force on 1 January 2010.

### Executive Board

The Executive Board (*raad van bestuur*) of Rabobank is responsible for the management of Rabobank and, indirectly, its affiliated entities. This includes responsibility for defining and achieving the targets of Rabobank, for determining its strategic policy and associated risk profile, for its financial results, and for the corporate social responsibility aspects that are relevant to the business. In addition, the Executive Board is in charge of Rabobank Group's compliance with all relevant laws and regulations, the management of business risks and the financing of Rabobank Group. In performing its duties, the Executive Board acts in accordance with the interests of Rabobank and its affiliated entities, also taking into account the interests of relevant groups of stakeholders. The Executive Board is accountable on all these aspects to the Supervisory Board (*raad van commissarissen*) of Rabobank, the Central Delegates Assembly and the General Meeting (*algemene vergadering*) of Rabobank. The members of the Executive Board are appointed by the Supervisory Board for a four-year period, but their contracts of employment are for an indefinite period. Reappointments likewise are for a four-year term. Members may be dismissed and suspended by the Supervisory Board. The principles of the remuneration policy for the Executive Board, as recommended by the Supervisory Board, are established by the Central Delegates Assembly. The Supervisory Board then determines the remuneration of the members of the Executive Board and is accountable for decisions in this regard to the Committee on Confidential Matters of the Central Delegates Assembly. Finally, the Supervisory Board periodically assesses and follows up on the Executive Board's performance.

### Supervisory Board

The Supervisory Board performs the supervisory role within Rabobank. This means that the Supervisory Board supervises the policy pursued by the Executive Board and the general conduct of affairs of Rabobank and its affiliated entities. As part thereof, the Supervisory Board monitors the compliance with the law, the Articles of Association and other relevant rules and regulations. In practice, this means that the achievement of Rabobank Group's objectives, the strategy, business risks, the design and operation of the internal risk management and control systems, the financial reporting process and compliance with laws and regulations are discussed at length and tested regularly. In addition, the Supervisory Board has an advisory role in respect of the Executive Board.

The Supervisory Board has five committees: the Audit, Compliance & Risk Committee, the Cooperative Issues Committee, the Appointments Committee, the Remuneration Committee and the Appeals Committee. These committees perform preparatory and advisory work for the Supervisory Board.

The Supervisory Board evaluates whether enough consideration is given to the interests of all stakeholders of Rabobank and its affiliated entities. Certain key Executive Board decisions are subject to Supervisory Board approval. Examples include decisions on strategic collaboration with third parties, major investments and acquisitions, as well as the annual adoption of policy plans and the budget.

The members of the Supervisory Board are appointed by the General Meeting of Rabobank on the recommendation of the Supervisory Board. However, the Executive Board, Rabobank's Works Council and the General Meeting of Rabobank are each entitled to nominate individuals for consideration by the Supervisory Board. The independence and the expertise of the individual members, among other factors, are important considerations for nomination and appointments of Supervisory Board members. Any semblance of a conflict of interests must be avoided. The profile for the members of the Supervisory Board sets standards for its size and composition, taking into account the nature of the enterprises carried on by Rabobank and its activities, and for the expertise, backgrounds and diversity of the Supervisory Board members. The profile for the members of the Supervisory Board is drawn up in consultation with the Committee on Confidential Matters of the Central Delegates Assembly and is adopted by the General Meeting of Rabobank. The Supervisory Board's desired composition and the competencies represented in it are specific areas of attention, within the profile's framework, when nominating candidates for appointment or reappointment.

The Committee on Confidential Matters of the Central Delegates Assembly determines the remuneration of the Supervisory Board members. The Supervisory Board, headed by its Chairman, continually assesses its own performance, both as a collective body and in terms of its separate committees and individual members. Initiatives are developed regularly to keep Supervisory Board members abreast of developments or to increase their knowledge in various areas.

### **Member influence**

As a cooperative, Rabobank has members, not ordinary shareholders like companies do. The local cooperative Rabobanks are members of Rabobank and hence have an important role in the working of Rabobank's governance. In that context, a key element is the open and transparent culture, with clear accountability for the management and supervision and the assessment thereof. The influence and control of the local Rabobanks are manifested through their representation in two bodies: the Central Delegates Assembly and the General Meeting of Rabobank.

### **Central Delegates Assembly**

The local Rabobanks are geographically divided into 12 Regional Delegates Assemblies, each of which has its own board of directors. The Regional Delegates Assemblies jointly form the Central Delegates Assembly, which meets four times a year. The members of the Central Delegates Assembly have largely been appointed – via the Regional Delegates Assemblies – by clients/members as their representative at the local and collective level. Ahead of every Central Delegates Assembly, the Regional Delegates Assemblies discuss the matters placed on the agenda. In addition, the Regional Delegates Assemblies themselves can submit items for their own meeting. The Regional Delegates Assemblies and Central Delegates Assembly have a significant influence on the views adopted in the Rabobank organisation, as they are involved, for instance, in policy preparation, policy-making and policy implementation.

The Central Delegates Assembly also considers other matters beside the proposed policy, and is, for instance, authorised:

- to set rules to be complied with by all local Rabobanks;
- to determine the Strategic Framework, through which it determines the Group's strategic direction; and
- to adopt the budget for the activities of Rabobank for the local Rabobanks.

The Central Delegates Assembly advises either the local Rabobanks, the Executive Board or the General Meeting of Rabobank. It will issue advice in advance on specific matters where decision-making is reserved by the articles of association to the General Meeting of Rabobank.

The Central Delegates Assembly is a forum in which matters are discussed in great depth. This includes not only matters arising from the specific roles and responsibilities of the Central Delegates Assembly, as the Central Delegates Assembly also acts as a sounding board. The discussions in the Central Delegates Assembly are also guided by the shared aim of consensus between the local Rabobanks and Rabobank.

The Executive Board of Rabobank informs the Central Delegates Assembly of the policies pursued and discusses them with it. To enable it to operate responsively, the Central Delegates Assembly has appointed committees with specific responsibilities from among its members.

### **General Meeting of Rabobank**

The General Meeting (*algemene vergadering*) of Rabobank is the body through which all local Rabobanks, as members of Rabobank, can exercise direct control. The General Meeting of Rabobank deals with important issues, such as the adoption of the financial statements, approval and endorsement of management and supervision, amendments to the articles of association and regulations, and the appointment of members of the Supervisory Board. The Central Delegates Assembly issues advice prior to the General Meeting of Rabobank on all the items on the agenda. This procedure ensures that, prior to the General Meeting of Rabobank, these subjects have been discussed in detail on a local, regional and central level. Because of the special relationship between Rabobank and its members, the General Meeting of Rabobank enjoys almost full attendance.

### **Local Rabobanks**

The local Rabobanks have a cooperative structure. Their members are locally based clients.

Each local Rabobank has a Board of Directors comprised of banking professionals who collectively conduct its management. This Board of Directors is appointed by the local Supervisory Board after having obtained the approval of Rabobank.

The Board of Directors operates under the supervision of the local Supervisory Board. The Board of Directors is composed in a balanced and complementary manner in order to ensure the management's effectiveness. One of the Board of Directors' key tasks is to ensure and safeguard member involvement and member influence.

### **Supervisory Board of the local Rabobanks**

The members of the local Supervisory Board are nominated by the local Supervisory Board and appointed by the members council, subject to the approval of Rabobank. One of the main responsibilities of the local Supervisory Board is to conduct supervision across the full breadth of the local cooperative Rabobank.



This encompasses the policies of the Board of Directors and the general course of affairs relating to the cooperative and its operations. The local Supervisory Board is authorised to rule on the general policy and to provide the Board of Directors with solicited and unsolicited advice. Major decisions made by the Board of Directors require the approval of the local Supervisory Board. It furthermore oversees compliance with the applicable legislation and regulations. Appointing, appraising, suspending and dismissing members of the Board of Directors are also the responsibility of the local Supervisory Board.

The local Supervisory Board and the Board of Directors of the local Rabobank jointly represent the local Rabobank in the committee meetings as a member of Rabobank.

Accountability for the supervision conducted by the local Supervisory Board is rendered in a meeting of the members council and through a report included in the annual report of the local Rabobank.

### **Members council of the local Rabobanks**

Each local Rabobank has a members council in order to ensure that member control and influence are strongly and structurally embedded. A members council is a delegation from the total group of members who are chosen by and from the members and it therefore comprises a cross-section of the local community. A members council consists of 30 to 50 members. The local Board of Directors engages the members council to assess its policies in order to make its services as suitable as possible. The members council influences and monitors the course of the local Rabobank and forms the link to the Bank's broad member basis. It performs an influential, sounding board, advisory and control role and serves as the link between the broad member basis on the one hand and the Bank on the other.

The members council's activities include adopting the financial statements and appointing the members of the local Supervisory Board.

### **Employee influence within Rabobank Group**

Rabobank 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 business of Rabobank are handled by Rabobank's Works Council. Subsidiaries such as De Lage Landen, Orbay and Rabo Real Estate Group each have their own Works Councils with consultative powers on matters concerning these enterprises. In addition, each local Rabobank has its own Works Council to discuss matters concerning that particular local Rabobank.

The Group Works Council of Member Banks ("GOR AB") is a cooperative-structure based employee representative body that represents the interests of the employees of the local Rabobanks on issues that concern all the local Rabobanks or a majority thereof. In the case of a proposed decision, as defined in the Dutch Works Councils Act, that affects the majority of the local Rabobanks, it is submitted for approval or advice to the GOR AB. In the case of a proposed decision that does not affect the majority of all local Rabobanks, the GOR AB does not interfere with the position of the Works Councils of the local Rabobanks.

Rabobank Group also has an employee representative body at a European level, the European Working Group ("EWG"), in which employees of Rabobank offices from the EU member states are represented. The EWG regularly holds discussions with the Executive Board about developments within Rabobank Group. This does not affect the role of the national employee representative bodies.

## Members of Supervisory Board and Executive Board

### Supervisory Board of Rabobank

The following persons, all of whom are resident in the Netherlands, are appointed as members of the Supervisory Board:

<b>Name</b>	<b>Born</b>	<b>Year Appointed</b>	<b>Term Expires</b>	<b>Nationality</b>
Wout (W.) Dekker, Chairman	1956	2010	2016	Dutch
Ron. (R.) Teerlink, Vice Chairman	1961	2013	2017	Dutch
Cees (C.P.) Veerman, Vice Chairman	1949	2007	2015	Dutch
Irene (I.P.) Asscher-Vonk	1944	2009	2017	Dutch
Henk (C.H.) van Dalen	1952	2013	2017	Dutch
Leo (L.N.) Degle	1948	2012	2016	German
Leo (S.L.J.) Graafsma	1949	2010	2018	Dutch
Arian (A.) Kamp	1963	2014	2018	Dutch
Erik (E.A.J.) van de Merwe	1950	2010	2016	Dutch

#### Mr. W. Dekker (Wout)

Date of birth	10 November 1956
Former profession	Professional supervisory director
Main position	Chairman of the Supervisory Board of Rabobank
Nationality	Dutch
Auxiliary positions	<b>Supervisory Directorships:</b> <ul style="list-style-type: none"><li>• Member of the Supervisory Board of Macintosh Retail Group N.V.</li><li>• Member of the Supervisory Board of Randstad N.V.</li><li>• Chairman of the Supervisory Board of Prinses Maxima Centrum</li></ul>
Date of first appointment to the Supervisory Board	June 2010
Current term of appointment to the Supervisory Board	June 2012 - June 2016

#### Mr. R. Teerlink (Ron)

Date of birth	28 January 1961
Former profession	Management Consultant
Main position	Independent Management Consultant

Nationality	Dutch
Auxiliary positions	<b>Supervisory Directorships:</b>
	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Rabobank</li> </ul>
Date of first appointment to the Supervisory Board	September 2013
Current term of appointment to the Supervisory Board	September 2013 - June 2017

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**Mr. C.P. Veerman (Cees)**

Date of birth	8 March 1949
Profession	Professor
Main positions	Professional director/supervisory director Professor at Tilburg University and Wageningen University focusing on the field of sustainable rural development from a European perspective Crop farmer
Nationality	Dutch
Auxiliary positions	<b>Supervisory Directorships:</b>
	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Rabobank</li> <li>Chairman of the Supervisory Board of USG People N.V.</li> <li>Chairman of the Supervisory Board of Koninklijke Reesink N.V.</li> <li>Member of the Supervisory Board of Barenbrug Holding B.V.</li> <li>Chairman of the Supervisory Board of Ikazia Hospital Rotterdam</li> <li>Chairman of the Supervisory Board of Novamedia</li> <li>Member of the Supervisory Board of KDS</li> <li>Chairman of the Board of Supervision of Trustkantoor Fagoed Erfpacht B.V. and Bestuurskantoor Fagoed B.V.</li> </ul>
	<b>Other auxiliary positions:</b>
	<ul style="list-style-type: none"> <li>Member of the Governing Board of the Netherlands Organisation for Scientific Research (NWO)</li> <li>Member of the Advisory Board of Prominent</li> <li>Chairman of the Project council North/South Line</li> <li>Chairman of the Board of Directors of the Society</li> </ul>

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	for Watercompanies in the Netherlands (VEWIN)
	<ul style="list-style-type: none"> <li>Chairman of the Board of Amsterdam Baroque Orchestra &amp; Choir</li> </ul>
Date of first appointment to the Supervisory Board	June 2007
Current term of appointment to the Supervisory Board	June 2011 - June 2015

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**Mrs. I.P. Asscher-Vonk (Irene)**

Date of birth	5 September 1944
Profession	Professional supervisory director
Main position	None
Nationality	Dutch
Auxiliary positions	<p><b>Supervisory Directorships:</b></p> <ul style="list-style-type: none"> <li>Member of the Supervisory Board of Rabobank</li> <li>Member of the Supervisory Board of KLM N.V.</li> <li>Member of the Supervisory Board of Arriva Nederland N.V.</li> <li>Member of the Supervisory Board of Philip Morris Holland N.V.</li> </ul> <p><b>Other auxiliary positions:</b></p> <ul style="list-style-type: none"> <li>Chair of the National Arbitration Board for Schools (<i>Landelijke Geschillencommissie Scholen</i>)</li> <li>Chair of The Dutch Museum Association (<i>Museumvereniging</i>)</li> </ul>
Date of first appointment to the Supervisory Board	June 2009
Current term of appointment to the Supervisory Board	June 2013 - June 2017

**Mr. C.H. van Dalen (Henk)**

Date of birth	1 November 1952
Profession	<ul style="list-style-type: none"> <li>Professional director/supervisory director</li> <li>Advisor</li> </ul>
Main position	Director of Avenue Business Consulting B.V.
Nationality	Dutch
Auxiliary positions	<p><b>Supervisory Directorships:</b></p>

- Member of the Supervisory Board of Rabobank
- Chairman of the Supervisory Board of Macintosh Retail Group N.V.
- Member of the Supervisory Board of AVEBE
- Member of the Supervisory Board of Metro Russia N.V.
- Member of the Supervisory Board of Evides
- Member of the Supervisory Board and Chairman of the Audit Committee of Brabantse Ontwikkelingsmaatschappij (BOM)
- Member of the Board of Supervision of Erasmus MC

**Other auxiliary positions:**

- Member of the Advisory Board of Zorg-Vuldig Healthcare Organisation
- Member of the Advisory Board of Nederland Cares
- Member of the Advisory Board of Duisenberg School of Finance
- Member of the Advisory Board of Nationaal Fonds 4 en 5 mei

Date of first appointment to the Supervisory Board

September 2013

Current term of appointment to the Supervisory Board

September 2013 - June 2017

**Mr. L.N. Degle (Leo)**

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Date of birth

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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.
- Member of the Supervisory Board of Egeria Investments B.V.

Date of first appointment to the Supervisory Board

June 2012

Current term of appointment to the Supervisory Board June 2012 - June 2016

**Mr. S.L.J. Graafsma RA (Leo)**

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Date of birth	29 March 1949
Former profession	<ul style="list-style-type: none"><li>Public accountant/partner of audit, tax and advisory firm KPMG</li></ul>
Main position	None
Nationality	Dutch
Auxiliary positions	<ul style="list-style-type: none"><li>Member of the Supervisory Board of Rabobank</li><li>Deputy member of the “Accountantskamer” (disciplinary court for accountants)</li></ul>
Date of first appointment to the Supervisory Board	September 2010
Current term of appointment to the Supervisory Board	September 2010 - June 2018

**Mr. A. Kamp (Arian)**

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Date of birth	12 June 1963
Profession	Entrepreneur, owner of a cattle farm
Main position	Cattle farmer and professional supervisory director
Nationality	Dutch
Auxiliary positions	<ul style="list-style-type: none"><li>Member of the Supervisory Board of Rabobank</li><li>Vice-chairman Supervisory Board Koninklijke Coöperatie Agrifirm UA</li></ul>
Date of first appointment to the Supervisory Board	December 2014
Current term of appointment to the Supervisory Board	December 2014 – December 2018

**Mr. E.A.J. van de Merwe (Erik)**

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Date of birth	30 December 1950
Profession	<ul style="list-style-type: none"><li>Advisor</li><li>Professional director/supervisory director</li></ul>
Nationality	Dutch
Auxiliary positions	<b>Supervisory Directorships:</b> <ul style="list-style-type: none"><li>Member of the Supervisory Board of Rabobank</li></ul>

- Member of the Supervisory Board and member of the audit committee of Achmea B.V.
- Chairman of the Supervisory Board and member of the audit committee of Staalbankiers N.V.

**Other auxiliary positions:**

- Non-executive Chairman of GWK Travelex N.V.
- Member of the Board of Governors of the postgraduate study ‘Corporate Compliance and Integrity’, VU University Amsterdam
- Chairman Board of Supervision and Chairman of the audit committee of the Dutch Burns Foundation (*Nederlandse Brandwonden Stichting*)
- Chairman Supervisory Council Euro Tissue Bank
- Member Advisory Council Dutch Institute of Internal Auditors (IIA)
- Member Arbitration committee Dutch Securities Institute (DSI)
- Member of the Supervisory Board of the kids Rights Foundation
- Jurymember Henri Sijthoff Award

Date of first appointment to the Supervisory Board

June 2010

Current term of appointment to the Supervisory Board

June 2012 - June 2016

The following persons, all of whom are resident in the Netherlands, are appointed as members of the Executive Board of Rabobank:

**Executive Board of Rabobank**

<b>Name</b>	<b>Born</b>	<b>Year Appointed</b>	<b>Nationality</b>
Wiebe (W.) Draijer, Chairman	1965	2014	Dutch
Bert (A.) Bruggink, CFRO	1963	2004	Dutch
Berry (B.J.) Marttin	1965	2009	Dutch and Brazilian
Ralf (R.J.) Dekker	1957	2013	Dutch
Rien (H.) Nagel	1963	2013	Dutch
Jan (J.L.) van Nieuwenhuizen	1961	2014	Dutch

***Wiebe (W.) Draijer***

Mr. Draijer was appointed as chairman of the Executive Board of Rabobank as of October 1, 2014. Mr. Draijer served as President of the Social and Economic Council of the Netherlands (SER) from 2012 to 2014. Prior to that, he held several positions within management-consulting firm McKinsey and worked as a journalist. Mr. Draijer is a member of the supervisory boards of the Kröller-Müller Museum and Staatsbosheer, the national nature conservation organization. He furthermore acts as chairman of the supervisory board of the National Centre for Science and Technology (NCWT, museum Nemo). He is also the chairman of the Avond van de Wetenschap & Maatschappij Foundation (evening of science & society).

***Bert (A.) Bruggink***

Mr. Bruggink was appointed to Rabobank's Executive Board as of November 15, 2004. As CFRO Mr. Bruggink is responsible for Control Rabobank Group, Credit Risk Management, Group Risk Management, Treasury Rabobank Group and Special Accounts Rabobank. Mr. Bruggink joined Rabobank Group in 1986. After several different jobs in Finance and Control within Rabobank Group, he became Head of the Control CBB (Central Banking Business), later Control RI (Rabobank International) (1994-1998) and Head of CRG (Control Rabobank Group) (1998-2004). Within the Rabobank Group, he fulfils several additional functions. He is chairman of the board of the Stichting Rabobank Pensioen Fonds, secretary of the supervisory board of Rabohypotheekbank, member of the supervisory board of Friesland Bank and a member of the supervisory board of Rabo Herverzekeringsmaatschappij N.V. Outside Rabobank he is a member of the supervisory board of Robeco, a member of the supervisory board of ROVA, member of the supervisory board of FMO N.V., a member of the supervisory board of Windesheim and member of staff in the Financial Management and Business Economics Department of the Technical Business Administration Faculty of the University of Twente, as ordinary professor since early 1996.

***Ralf (R.J.) Dekker***

Mr. Dekker was appointed to the Executive Board of Rabobank as of November 1, 2013. As COO Mr. Dekker is responsible for operational support of the banking services. He joined Rabofacet in 1993, where he (a.o.) acted as Director IT (1996-1998) and general manager (1998-2000). From 2000 until 1 November 2013 he acted as a member of the managing board of Rabobank International, Chief Operating Officer of Rabobank International and as a member of the Wholesale and Rural & Retail management teams of Rabobank International. Mr. Dekker currently acts as chairman of the board of commissioners of PT Bank Rabobank International Indonesia.

***Berry (B.J.) Marttin***

Mr. Marttin was appointed to Rabobank's Executive Board as of July 1, 2009. Mr. Marttin joined Rabobank in 1990. Within the Executive Board, Mr. Marttin is responsible for the international retail network, the regional international operations, international risk management and Rabobank Development. 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 General Deputy Manager for Rabobank Australia and New Zealand. Prior to his appointment to Rabobank's Executive Board, he was Chairman of the board of directors of Rabobank Amsterdam. Within Rabobank Group Mr. Marttin (a.o.) is a member of the supervisory boards of De Lage Landen and Rabohypotheekbank, a member of the boards of directors of Rabobank International Holding B.V., RI Investments Holding B.V., the Rabobank Foundation and a member of the board of Rabobank Australia Ltd and the board of Rabo NZ Holdings. Mr. Marttin is a member of the board of Unico Banking Group, vice chairman of the board of directors of the American Chambers of Commerce in the Netherlands, a member of the supervisory board of Wageningen University, chairman of the Advisory board of Amsterdam University



College, member of the Dutch Trade Board, member of the advisory board of JINC and member of the supervisory board of the Dutch Sustainable Trade Initiative.

***Rien (H.) Nagel***

Mr. Nagel was appointed to Rabobank's Executive Board as of November 1, 2013, where he is responsible for the domain Retail Markets Netherlands. Since 1987, Mr. Nagel held several managing positions in local Rabobanks before becoming director Retail Banking of Rabobank in 2013. Mr. Nagel is a member of the board of directors of Utrecht Development, a member of the supervisory board of The Utrechts Landschap (Utrecht landscape) as well as a member of the advisory board of the University Centre for Sports Medicine. Furthermore he is a member of the Board of the Dutch Banking Association (Nederlandse Vereniging van Banken), member of the general and the daily Board of VNO-NCW and member of the Nationale Coöperatieve Raad voor land- en tuinbouw (NCR).

***Jan (J.L.) van Nieuwenhuizen***

Mr. Van Nieuwenhuizen was appointed to Rabobank's Executive Board as of March 24, 2014. In the Executive Board Mr. Van Nieuwenhuizen is responsible for the domain Markets Wholesale Netherlands and International including Wholesale Clients Netherlands, Wholesale Clients International, Global Financial Markets and Professional Products. From 1986 until 2002 Mr. Van Nieuwenhuizen fulfilled several international positions at Morgan Stanley, JP Morgan and NIBC. From 2009 Mr. Van Nieuwenhuizen was a member of the Management Team of Rabobank International Wholesale, responsible for Trade and Commodity Finance, Corporate Finance and Private Equity until his appointment to the Executive Board. Within Rabobank Group, he is a member of the Supervisory Boards of Rabo Vastgoedgroep and FGH bank. Mr Van Nieuwenhuizen is also a director at IHC B.V.

**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 "*Executive Board of Rabobank*".

**Administrative, management and supervisory bodies — business address**

The business address of the members of Rabobank's Supervisory Board and Executive Board is Croeselaan 18, 3521 CB Utrecht, the Netherlands.

## REGULATION OF RABOBANK GROUP

Rabobank is a bank organised under the laws of the Netherlands. The principal Dutch law on supervision applicable to Rabobank is the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), which entered into force on 1 January 2007 and under which Rabobank is supervised by the Dutch Central Bank (De Nederlandsche Bank N.V.), the AFM and the Dutch Ministry of Finance (*Ministerie van Financiën*). Rabobank and the various Rabobank Group entities are also subject to certain European Union (“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 the regulation and supervision of local supervisory authorities of the various countries in which Rabobank Group does business.

### Basel standards

The Basel Committee develops international capital adequacy guidelines based on the relationship between a bank’s capital and its risks (*inter alia* credit, market, operational, liquidity and counterparty risks).

In this context, on 15 July 1988, the Basel Committee adopted risk-based capital guidelines (the “**Basel Guidelines**”). A review of Basel I was published in June 2004 (“**Basel II**”). Basel II provides a range of options for determining the capital requirements for credit risk, market risk and also operational risk. In comparison to Basel I, Pillar 1 of Basel II aligns the minimum capital requirements more closely to each bank’s actual risk of economic loss. Pursuant to Pillar 2, effective supervisory review of banks’ internal assessments of their overall risks is exercised to ensure that bank management is exercising sound judgement and has reserved adequate capital for these risks. Pillar 3 uses market discipline to motivate prudent management by increasing transparency in banks’ public reporting.

Instead of the previous “one size fits all” approach, under Basel II banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from simple via intermediate to advanced, giving banks the possibility to select approaches that are most appropriate for their operations and their financial market infrastructure.

For 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 Basel II and external credit ratings and 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”. The Group has chosen the most sophisticated approach, the Advanced Internal Ratings Based Approach.

For market risk, banks can choose between a “Standardised approach” or an alternative methodology based on own internal risk management models. Rabobank has permission from the Dutch Central Bank to calculate the general and specific exposures using its internal Value-at-Risk (VaR) models.

For operational risk, banks can also choose between three approaches with different levels of sophistication, the most refined one being the “Advanced Measurement Approach”. The Group has chosen the Advanced Measurement Approach.

Under Basel III, capital and liquidity requirements have been increased. On 17 December 2009, 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”. The Basel Committee published its

economic impact assessment on 18 August 2010 and, on 12 September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements. On 16 December 2010, the Basel Committee issued its final view on Basel III though it has subsequently suggested several amendments and refinements to Basel III, particularly in respect of its liquidity requirements, capital requirements for exposures to central counterparties, and other areas. The Basel Committee has indicated that it continues to consider potential revisions to the Basel III regime.

The framework 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. The Basel III Reforms include increasing the minimum common equity (or equivalent) requirement from 2 per cent. (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments which will be gradually phased in from 1 January 2014 until 1 January 2018). The total tier 1 capital requirement will increase from 4 per cent. to 6 per cent. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5 per cent. to withstand future periods of stress, bringing the total common equity (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 buffer of up to 2.5 per cent. of common equity (or other fully loss absorbing capital) may be applied as an extension of the conservation buffer. Furthermore, banks considered to have systemic importance should have loss absorbing capacity beyond these standards. See further *“Risk Factors - CRD IV includes capital requirements that are in addition to the minimum capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments”*.

Capital requirements have been further supplemented by the introduction of a non-risk leverage ratio of 3 per cent. 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 will monitor 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 will include 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 will also closely monitor accounting standards and practices to address any differences in national accounting frameworks that are material to the definition and calculation of the leverage ratio.

In addition, the Basel III Reforms have 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 will be gradually phased in from 1 January 2015. The LCR is a ‘test’ to promote 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. In January 2013, the Basel Committee announced revisions to the LCR that may make compliance less costly for banks. The second one is referred to as a net stable funding ratio (the **“NSFR”**) which will be introduced on 1 January 2018. The NSFR is a ‘test’ to promote 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.

There can be no assurance that the Basel Committee will not further amend the package of reforms described above. Further, the European Commission, the Dutch Central Bank or the Dutch legislator may implement the

package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital and liquidity requirements on Dutch banks.

The Basel III Reforms package is implemented in the EEA through the CRD IV Directive and the CRR (for further detail, see the risk factor entitled “*Minimum regulatory capital and liquidity requirements*” and the section entitled “*The CRD IV Directive and CRR*” below).

## **European Union standards**

### ***The CRD IV Directive and CRR***

As of 1 January 2014, the EC Directive 2006/48 and EC Directive 2006/49 was repealed by the CRD IV Directive. The CRD IV Directive, together with the CRR, implements the Basel III Reforms 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 shall apply as from 1 January 2016). The CRD IV Directive was implemented into Dutch law by amendments to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) pursuant to an amendment act (the “**CRD IV/CRR Implementation Act**”) which entered into force on 1 August 2014. The liquidity requirements for investment firms became applicable as of 1 January 2015.

The CRR establishes 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 2021. The harmonised prudential rules include own funds requirements, an obligation to maintain a liquidity coverage buffer (similar to the LCR, although the CRR obligation does not include a requirement to meet a ratio), 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 common equity tier 1 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 set out in Basel III, however, the CRR does not include a requirement to meet a minimum ratio).

On 17 January 2014, the 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 Dutch Central Bank 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. and tier 1 ratio of 6 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), and withdraws the following Dutch Central Bank regulations (a) *Regeling solvabiliteitseisen kredietrisico en grote posities Wft 2010*, (b) *Regeling solvabiliteitseisen marktrisico Wft 2011*, (c) *Regeling solvabiliteitseisen operationeel risico Wft 2010*, (d) *Regeling hybride instrumenten banken en andere financiële ondernemingen (exclusief verzekeraars) Wft 2010*, (e) *Regeling securitisaties Wft 2010*, and (f) *Regeling uitsluiting solvabiliteitsaftrek immateriële activa*. On 29 April 2014, the Dutch Central Bank announced that, pursuant to the CRD IV/CRR Implementation Act, it intends to impose an additional capital buffer requirement for Rabobank. This systematic risk buffer will be 3 per cent. of risk-weighted assets and will be phased in between 2016 and 2019. The DNB has the power to impose this buffer pursuant to the implementation of CRR/CRD IV by the CRR/CRD IV Implementation Act. The Dutch CRD IV and CRR Regulation will likely also be amended to this effect.

### ***Bank Recovery and Resolution Directive***

On 15 April 2014, the European Parliament adopted text for the proposed Bank Recovery and Resolution Directive. A draft of the BRRD was accepted by the European Parliament in April 2014. The BRRD entered into force in July 2014 with an implementation date into the national law of EU member states of 31

December 2014, with the intention that the majority thereof be applied by national authorities from 1 January 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 powers provided to resolution authorities in the BRRD include write down and conversion powers to ensure relevant capital instruments fully absorb losses at the point of non-viability of the issuing institution, as well as a bail-in tool comprising a more general power for resolution authorities to write down the claims of unsecured creditors (including holders of senior debt instruments) of a failing institution and/or to convert unsecured debt claims to equity.

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 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 and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

The bail-in tool with respect to eligible liabilities and the other measures set out in the BRRD outlined above are expected to be implemented into Dutch law on or prior to 1 January 2016.

The BRRD represents the official implementation in the European Economic Area of the non-viability requirements set out in the press release dated 13 January 2011 issued by the Basel Committee entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the "**Basel III Non-Viability Requirements**"). The Basel III Non-Viability Requirements form part of the broader Basel III package of new capital and liquidity requirements (as described above under "*Regulation of Rabobank Group – Basel standards*") intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions.

### ***Supervision***

On 16 December 2002, the Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council was adopted. This directive aims to address the supervisory issues that arise from the blurring of distinctions between the activities of firms in each of the banking, securities, investment services and insurance sectors. The main objectives of this directive are to:

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

The directive was implemented in the Netherlands through the Dutch Financial Supervision Act. The directive was amended by Directive 2011/89/EU as regards the supplementary supervision of financial entities in a

financial conglomerate. The bill implementing Directive 2011/89/EU through amendments to the Dutch Financial Supervision Act was published in the Dutch Bulletin of Acts and Decrees but has not yet entered into force.

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture consists of the existing national authorities and the newly created European Systemic Risk Board (ESRB) and the following three European Authorities: European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authorities (ESMA). These institutions have been in place since 1 January 2011. Operational day-to-day supervision continues to be with national supervisors.

However, as part of the EU regulatory a European banking union (the “**European Banking Union**”) is established. For this, two regulations were enacted, (i) a regulation for the creation of a single supervisory mechanism 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) the amendment of the regulation setting up the EBA. Regulation 1024/2013 for the setting up of the single supervisory mechanism (“**SSM**”) was published in the Official Journal of the European Union on 29 October 2013 and entered into force on 4 November 2013. On 4 November 2014, the ECB began its tasks relating to the prudential supervision of the most significant banks and most significant banking groups within the Euro area. Rabobank Group qualifies as a significant group under the SSM and SSM Framework regulation, and as such the ECB is now the competent authority responsible for supervising the Rabobank Group.

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. From 4 November 2014, the day-to-day supervision of the 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, 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 (AQR) and stress tests, of the banks in respect of which it took on the formal supervision. The ECB is now the competent authority responsible for supervising Rabobank Group’s compliance with the prudential requirements, including (i) the own funds requirements, LCR, NSFR, 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 Dutch Financial Supervision Act. The ECB is also the competent authority to assess notifications of the acquisition of qualifying holdings in banks and to grant a declaration of no objection for such holdings.

To complement the European Banking Union and the SSM, on 10 July 2013 the European Commission proposed the SRM Regulation to establish the SRM (each as defined in the risk factor entitled “*Bank recovery and resolution regimes*”). The SRM Regulation was adopted in September 2014. The SRM proposes to establish a single resolution board (consisting of representatives from the ECB, the European Commission and the relevant national authorities) 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 single resolution board is granted the same resolution tools as those set out in the Bank Recovery and Resolution Directive, including a bail-in tool. The SRM will apply directly to banks covered by the SSM. Most parts of the SRM will apply as of 1 January 2016. However, some parts apply as of 1 January 2015.

## **Dutch regulation**

### ***Scope of the Dutch Financial Supervision Act***

A bank is any enterprise whose business it is to take deposits or other repayable funds from the public, and to grant credits for its own account. Rabobank and various Group entities, including each of the local Rabobanks, are banks and, because they are engaged in the securities business as well as the commercial banking business, each is considered a ‘universal bank’. The ECB is formally the competent authority that supervises the majority of the Group’s activities. The day-to-day supervision of the Rabobank Group is carried out by the JST for Rabobank Group. The ECB is the competent authority for all applicable European Union law, including regulations and directives as implemented into Dutch national law. The AFM supervises primarily the conduct of business. Set forth below is a brief summary of the principal aspects of the Dutch Financial Supervision Act.

### ***Licensing***

Under the Dutch Financial Supervision Act, a bank established in the Netherlands is required to obtain a licence from the Dutch Central Bank before engaging in any banking activities. Now 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 Dutch Central Bank 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 have a minimum level of own funds (*eigen vermogen*) of €5,000,000. In addition, the Dutch Central Bank shall pursuant to the Dutch Financial Supervision Act refuse to grant a licence if, among other things, it 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 Dutch Central bank 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 and the local Rabobanks 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.

Under the Dutch Financial Supervision Act, Rabobank is required to make its annual financial statements and its semi-annual financial statements generally available to the public within four months and two months, respectively, of the end of a period to which the financial information relates. The annual and semi-annual financial statements must be filed with the AFM simultaneously with their publication.

### ***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 new capital measurement guidelines of Basel II and Basel III as described under “*Basel standards*” above and as laid down in EU directives described above under “*European Union standards*”. The regulations of the Dutch Central Bank on solvency supervision have been repealed by the Dutch CRD IV and CRR Regulation.

### ***Liquidity***

The regulations of the Dutch Central Bank relating to liquidity supervision require that a bank maintains sufficient liquid assets against certain liabilities of the bank. The basic principle of the liquidity regulations is that liquid assets must be held against ‘net’ liabilities of banks (after netting out claims and liabilities in a maturity schedule) so that the liabilities can be met on the due dates or on demand, as the case may be. These regulations impose additional liquidity requirements if the amount of liabilities of a bank with respect to one debtor or group of related debtors exceeds a certain limit.

### ***Structure***

The Dutch Financial Supervision Act provides that a bank must obtain a declaration of no-objection from the Dutch Central Bank before, among other things, (i) acquiring or increasing a qualified 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 qualified 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. Under the SSM the ECB is the supervisor formally taking the decision to grant a declaration of no-objection. The request for a declaration of no-objection should be sent to the Dutch Central Bank. The Dutch Central Bank makes a draft decision and the ECB takes the formal decision. As of 1 January 2014, the definition of “qualified holding” as set out in the CRR applies. “Qualified 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 qualified 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 controls. 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 rights and obligations. Furthermore, the electronic data processing systems, which form the core of the accounting system, must be secured in such a way as to ensure optimum continuity, reliability and security against fraud.



### ***Intervention***

On 13 June 2012, the Intervention Act entered into force and amended the Dutch Financial Supervision Act and the Dutch Bankruptcy Act (*Faillissementswet*). Pursuant to the Intervention Act, the Dutch Central Bank has the power to take various measures in respect of banks and insurance companies if it perceives a dangerous development regarding the entity's own funds, solvency, liquidity or technical provisions and there is a reasonable probability that this development cannot be sufficiently or promptly reversed. The possible measures available to the Dutch Central Bank under the Intervention Act include filing a request for a bank or insurance company to be declared bankrupt, or preparing and effecting the transfer of deposits, other assets and liabilities and/or shares of the entity to a third party with a view to the timely and efficient liquidation of the entity. The Dutch Central Bank can prepare a 'transfer plan' for this purpose. If the Dutch Central Bank decides to notify the relevant entity of its preparation of such a plan, then following such notification the entity must provide various information and access to the Dutch Central Bank, the entity and its corporate bodies must cooperate in the preparation of the transfer plan and the Dutch Central Bank can appoint a special receiver. The intervention will only be made public after approval of the transfer plan by the Amsterdam district court.

In addition, under the Intervention Act the Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets 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 Dutch Central Bank 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 exercise of acceleration, early termination and other rights (including the right to request collateral and the right to set-off or net), could impair the effectiveness of the supervisory measures introduced by the Intervention Act. Therefore, the Intervention Act provides that such rights, to the extent they are triggered by the preparation or implementation of the measures introduced by the Intervention Act, cannot be exercised without the prior approval of the Dutch Central Bank. Exceptions are made in respect of rights resulting from the final directive and financial collateral arrangements. Furthermore, an obligation to give notice of an event or to provide information regarding an event is not enforceable. These provisions apply regardless of the governing law and extend to group companies of banks and insurance companies.

Once the SRM takes effect, the single resolution board will have additional intervention powers including the power to operate the bail-in tool as set out in the SRM and the Bank Recovery and Resolution Directive. A legislative proposal for the implementation of the SRM/BRRD in The Netherlands was made public in November 2014 for consultation. It is currently expected that this legislation will enter into force in 2015.

### ***Emergencies***

The Dutch Financial Supervision Act contains an "emergency regulation" which can be declared in respect of a bank by a Dutch court at the request of the Dutch Central Bank 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. Together with the request to declare the “emergency regulation”, the Dutch Central Bank can request the Dutch court to approve a “transfer plan” for a bank. This plan may include the transfer of deposits, assets/liabilities or shares of the bank.

## **U.S. regulation**

### ***Regulation and Supervision in the U.S.***

The Group’s operations are subject to federal and state banking and securities regulation and supervision in the U.S. The 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 is a bank holding company that is a financial holding company within the meaning of the U.S. Bank Holding Company Act of 1956. As such, it is 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, the 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. So long as Rabobank is a financial holding company under U.S. law, it 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 the 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.

The 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 will extend to almost every area of U.S. financial markets. While many of the rules implementing Dodd-Frank have been finalised or proposed significant uncertainty remains about the implementation, timing and impact of many of those rules.

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 includes any non-U.S. banking organisation, such as the 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. In February 2014, the Federal Reserve issued a final rule implementing these heightened standards. Under the final rule, the New York Branch would be subject to liquidity, risk management requirements, and in certain circumstances, asset maintenance requirements.

Pursuant to the Volcker Rule, the Dodd-Frank Act limits the ability of banking entities and their affiliates to engage as principal in certain types of proprietary trading or to sponsor or invest in private equity or hedge funds subject to certain exceptions. For example, certain non-U.S. banking organisations, such as the Rabobank Group, are not prohibited from engaging in such activities that are solely outside of the U.S., subject to certain conditions.

On 10 December 2013, the five U.S. federal financial regulatory agencies released the final version of the regulations implementing the statute. The Federal Reserve extended the end of the conformance period for the Volcker Rule until 21 July 2015 (with the possibility of two one-year extensions under certain circumstances), by which time financial institutions subject to the rule, such as the Rabobank Group, must bring their activities and investments into compliance and implement a specific compliance program. During the conformance period, we will continue to analyse the final rule, assess how it will affect our businesses and devise and implement an appropriate compliance strategy. Further implementation efforts may be necessary based on subsequent regulatory interpretations, guidelines or examinations.

In addition, Title VII of the Dodd-Frank Act provides for an extensive framework for the regulation of derivatives, including mandatory clearing, exchange trading and transaction reporting of certain derivatives, as well as rules regarding the registration of, and capital, margin and business conduct standards for, swap dealers and major swap participants. U.S. regulators have issued numerous regulations governing the derivatives markets as contemplated by the Dodd-Frank Act. Under the Dodd-Frank Act, with certain exceptions, our entities that are swap dealers or major swap participants will be required to register with the CFTC, and will become subject to capital, margin, business conduct, recordkeeping and other requirements. Also, under the so-called swap “push-out” provisions of the Dodd-Frank Act, the derivatives 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.

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 the 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.

Implementation of the Dodd-Frank Act and related final regulations could result in significant costs and potential limitations on or reorganisation of the Rabobank Group’s businesses and results of operations.

## CAPITALISATION OF RABOBANK GROUP

The following table sets forth in summary form Rabobank Group's consolidated own funds and consolidated long-term and short-term debt securities at 30 June 2014, at 31 December 2013 and at 31 December 2012:

	<u>At 30 June</u>	<u>At 31 December</u>	
	<u>2014</u>	<u>2013</u>	<u>2012</u>
		<i>(in millions of euros)</i>	
<b>Capitalisation of Rabobank Group</b>			
Equity of Rabobank Nederland and local Rabobanks .....	25,041	24,640	25,311
Equity instruments issued directly			
Rabobank (Member) Certificates.....	5,928	5,823	6,672
Capital Securities .....	6,857	7,029	7,114
	<u>12,785</u>	<u>12,852</u>	<u>13,786</u>
Equity instruments issued by subsidiaries			
Capital Securities .....	236	236	236
Trust Preferred Securities III to VI .....	1,322	1,269	1,340
	<u>1,558</u>	<u>1,505</u>	<u>1,576</u>
Other non-controlling interests.....	470	446	1,407
<b>Total equity</b> .....	<u>39,854</u>	<u>39,443</u>	<u>42,080</u>
Subordinated debt .....	11,056	7,815	5,407
Long-term debt securities in issue.....	136,822	140,946	161,860
Short-term debt securities in issue .....	57,592	54,415	61,476
<b>Total capitalisation</b> .....	<u>245,324</u>	<u>242,619</u>	<u>270,823</u>
Breakdown of reserves and retained earnings			
Revaluation reserve – available-for-sale financial assets..	585	282	420
Revaluation reserve – pensions .....	(3,269)	(3,251)	(2,493)
Other reserves .....	(393)	(497)	(73)
Retained earnings .....	28,118	28,106	27,457
<b>Total reserves and retained earnings</b> .....	<u>25,041</u>	<u>24,640</u>	<u>25,311</u>

Other than the fact that (i) the Group redeemed its CHF 750,000,000 6.875 per cent. Fixed/Floating Rate Perpetual Non-Cumulative Capital Securities on 12 November 2014 (which impacts the line item 'Equity instruments issued directly, Capital Securities' as mentioned in the table above); (ii) the Group issued JPY 50.8 billion subordinated (tier 2) notes with a maturity of 10 years on 19 December 2014 (which impacts the line item 'Subordinated debt' as mentioned in the table above); (iii) the Group redeemed its A\$250,000,000 Rabobank Capital Funding Trust V Noncumulative Guaranteed Trust Preferred Securities on 31 December 2014 (which impacts the line item 'Equity instruments issued by subsidiaries, Trust Preferred Securities III to VI' as mentioned in the table above); and (iv) the Group redeemed its A\$250,000,000 Rabobank Capital Funding Trust VI Noncumulative Guaranteed Trust Preferred Securities on 31 December 2014 (which impacts

the line item 'Equity instruments issued by subsidiaries, Trust Preferred Securities III to VI' as mentioned in the table above), there has been no material change in the capitalisation of Rabobank Group since 30 June 2014.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Capital Securities, expected to amount to approximately EUR 1,485,000,000, will be used to fund the general banking business and commercial activities of the Rabobank Group, and to strengthen its capital base.

The expenses in connection with the transaction are expected to amount to EUR 5,500.

## TAXATION

### Netherlands Taxation

#### Introduction

The following is intended as general information only and it does not purport to present any comprehensive or complete picture of all aspects of Dutch tax law which could be of relevance to investors. Prospective investors should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of the Capital Securities.

The following summary is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date of this Prospectus. It does not take into account any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, “the Netherlands” shall mean that part of the Kingdom of the Netherlands located in Europe and “Dutch Taxes” shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. This summary does not describe the Dutch tax consequences for a person to whom the Capital Securities are attributed on the basis of the separated private assets provisions (*afgezonderd particulier vermogen*) in the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and/or the Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*).

#### Withholding Tax

Any payments made under the Capital Securities will not be subject to withholding or deduction for, or on account of, any Dutch Taxes.

#### Taxes on income and capital gains

This section does not purport to describe the possible Dutch tax considerations or consequences that may be relevant to:

- (i) an investor who is an individual and for whom the income or capital gains derived from the Capital Securities are attributable to employment activities, the income from which is taxable in the Netherlands; and
- (ii) an investor which is a corporate entity and a resident of Aruba, Curaçao or Sint-Maarten; and
- (iii) an investor that owns a substantial interest (*aanmerkelijk belang*) in the Issuer.

An investor will not be subject to any Dutch Taxes on any payment made to the investor under the Capital Securities or on any capital gain made by the investor from the disposal, or deemed disposal, or redemption of, the Capital Securities, except if:

- (i) the investor is, or is deemed to be, resident in the Netherlands; or
- (ii) the investor derives profits from an enterprise, whether as entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of the enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands to which the Capital Securities are attributable; or



- (iii) the investor is an individual and derives benefits from miscellaneous activities (*overige werkzaamheden*) carried out in the Netherlands in respect of the Capital Securities, including (without limitation) activities which are beyond the scope of active portfolio investment activities; or
- (iv) the investor is not an individual and is entitled to a share in the profits or a co-entitlement to the net worth of an enterprise which is effectively managed in the Netherlands, other than by way of the holding of securities, and to which enterprise the Capital Securities are attributable; or
- (v) the investor is an individual and is entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities, and to which enterprise the Capital Securities are attributable.

### **Gift tax or inheritance tax**

No Dutch gift tax or inheritance tax (*schenk- of erfbelasting*) will arise in respect of an acquisition (or deemed acquisition) of Capital Securities by way of a gift by, or on the death of, an investor, except if the investor is a resident, or treated as being a resident, of the Netherlands for the purposes of Dutch gift and inheritance tax.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be resident in the Netherlands if he has been a resident in the Netherlands at any time during the twelve months preceding the date of the gift.

### **Other taxes**

No other Dutch Taxes, such as turnover tax (*omzetbelasting*) or other similar tax or duty (including stamp duty and court fees), are due by reason only of the issue, acquisition or transfer of the Capital Securities.

### **Residency**

Subject to the exceptions above, an investor will not become resident, or deemed resident, in the Netherlands for tax purposes, or become subject to Dutch Taxes, by reason only of Rabobank's performance under, or the investor's acquisition (by way of issue or transfer to it), holding and/or disposal of Capital Securities.

### **EU Savings Directive**

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. Luxembourg elected out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

A number of third countries and territories have adopted similar measures to the Savings Directive.

The Council of the European Union has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a

person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

Investors who are in doubt as to their position should consult their professional advisers.

### **FATCA withholding**

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”), non-U.S. financial institutions that enter into agreements with the IRS (“**IRS Agreements**”) or become subject to provisions of local law intended to implement an inter-governmental agreement (“**IGA legislation**”) entered into pursuant to FATCA (“**IGA**”), may be required to identify and report to the government of the United States or another relevant jurisdiction certain information regarding “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable laws in its jurisdiction, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) 1 July 2014, in respect of certain U.S. source payments, (ii) 1 January 2017, in respect of payments of gross proceeds (including principal repayments) from the disposition of property that can produce U.S. source interest or dividends and (iii) 1 January 2017 (at the earliest) in respect of “foreign passthru payments”. FATCA withholding in respect of foreign passthru payments is not required for “obligations” that are not treated as equity for U.S. federal income tax purposes unless such obligations are issued or materially modified after the date that is six months after the date on which the final regulations defining “foreign passthru payments” are filed with the Federal Register. However, because the Capital Securities are perpetual, they will not be treated as obligations eligible for the grandfathering rule described in the previous sentence.

The application of FATCA to interest, principal or other amounts paid with respect to the Capital Securities and the information reporting obligations of the Issuers and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including The Netherlands) have entered into, or have announced their intention to enter into, IGAs or similar mutual understandings with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into IGAs will address withholding on “foreign passthru payments” (which may include payments on the Capital Securities) or if such withholding will be required at all.

Whilst the Capital Securities are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Capital Securities by the Issuer, any Paying Agent and the Common Depositary, given that each of the entities in the payment chain between

the Issuer and the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an inter-governmental agreement will be unlikely to affect the Capital Securities. The Agency Agreement expressly contemplates the possibility that the Capital Securities may be exchanged for Definitive Capital Securities and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive Capital Securities will only be printed in remote circumstances.

**FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE CAPITAL SECURITIES AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF CAPITAL SECURITIES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.**

## SUBSCRIPTION AND SALE

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc (the “**Joint Lead Managers**”) have, pursuant to a subscription agreement dated 20 January 2015 (the “**Subscription Agreement**”) agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Capital Securities at 5.50 per cent. of the principal amount of the Capital Securities plus accrued interest (if any), less certain commissions as agreed with the Issuer.

In addition, the Issuer will reimburse the Joint Lead Managers for certain of its expenses in connection with the issue of the Capital Securities.

### United States

The Capital Securities have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (“**Regulation S**”).

The Capital Securities are 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 and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Capital Securities (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 Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Capital Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities 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.

In addition, until 40 days after the commencement of the offering of the Capital Securities, an offer or sale of Capital Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) 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 (the “**FSMA**”)) received by it in connection with the issue or sale of the Capital Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving the United Kingdom.

No action has been taken by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offer of the Capital Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Joint Lead Managers have undertaken that it will not, directly or indirectly,

offer or sell any Capital Securities or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Capital Securities by it will be made on the same terms.

The Capital Securities are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the TMR other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed “Restrictions on marketing and sales to retail investors” on pages 3 to 4 of this Prospectus for further information.

## **Canada**

Each Joint Lead Manager has acknowledged that the Capital Securities have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof. Each Joint Lead Manager has represented and agreed that it has not offered, sold, distributed, or delivered, and that it will not offer, sell, distribute, or deliver, any Capital Securities, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof, and each Joint Lead Manager has also represented and agreed that it has not and will not distribute or deliver the Prospectus, or any other offering material relating to the Capital Securities, in Canada in contravention of the securities laws of Canada or any province or territory thereof.

## **Japan**

The Capital Securities 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 “**Financial Instruments and Exchange Act**”). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Capital Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **Singapore**

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Capital Securities or caused such Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Capital Securities or cause such Capital Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Capital Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities may not be circulated or distributed, nor may the Capital Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Capital Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **Hong Kong**

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Capital Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Capital Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **People's Republic of China**

Each Joint Lead Manager has represented and agreed that the Capital Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

## **Korea**

The Capital Securities have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Services and Capital Market Act and its subordinate decrees and regulations (collectively, the "FISCMA"). Each Joint Lead Manager has represented and agreed that the Capital Securities may not be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under the applicable laws and regulations of Korea, including the FISCMA and the Foreign Exchange Transaction Law and its subordinate decrees and regulations (collectively, the "FETL"). Without prejudice to the foregoing, the number of the Capital Securities offered in Korea or to a resident in Korea shall be less than 50 and for a period of one year from the issue date of the Capital Securities, none of the Capital Securities may be divided resulting in an increased number of the Capital Securities. Furthermore, the Capital Securities may not be resold to Korean residents unless the purchaser of the Capital Securities complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the FETL) in connection with the purchase of the Capital Securities.

## **Brazil**

The Capital Securities have not been, and will not be, registered with the Brazilian Securities and Exchange Commission (the "*Comissão de Valores Mobiliários*"). Any public offering or distribution, as defined under Brazilian laws and regulations, of the Capital Securities in Brazil is not legal without prior registrations required under Brazilian law and regulations, such as those provided for under Law No. 6,385/76, as amended, Instruction No. 400, issued by the *Comissão de Valores Mobiliários* on December 29, 2003, as amended. Documents relating to the offerings of the Capital Securities, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Capital Securities is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Capital Securities to the public, as provided for in the applicable laws and regulations, in Brazil. The Capital Securities may not be offered or sold in Brazil, except in circumstances that do not constitute a public offer or sale under Brazilian law or regulations.

## **Switzerland**

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Capital Securities. Each Joint Lead Manager has represented and agreed that the Capital Securities may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Capital Securities constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this Prospectus nor any other offering or marketing material relating to the Capital Securities may be publicly distributed or otherwise made publicly available in Switzerland.

## Republic of Italy

The offering of the Capital Securities has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Capital Securities may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to any Capital Securities be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Capital Securities or distribute any copy of this Prospectus or any other document relating to the Capital Securities in Italy except:

- (a) to qualified investors (*investitori qualificati*), as referred to in Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “**Financial Services Act**”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “**Issuers Regulation**”), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Capital Securities or distribution of copies of this Prospectus or any other document relating to the Capital Securities in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) and CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Investors should note that, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) and (b) above, the subsequent distribution of the Capital Securities on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and the Issuers Regulation. Furthermore, where no exemption from the rules on public offerings applies, the Capital Securities which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Issuers Regulation. Failure to comply with such rules may result in the sale of such Capital Securities being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of Capital Securities who are acting outside of the course of their business or profession.

## Republic of France

Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Capital Securities to the public in France and it has not distributed or caused



to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Capital Securities and such offers, sales and distributions have been and will be made in France only to (i) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*) and/or (iii) a limited circle of investors (*cercle restreint*) acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French Code *monétaire et financier*.

## **Israel**

Neither the offering contemplated by this Prospectus nor the Capital Securities have been or will be registered with the Securities Authority of the State of Israel. Accordingly, the Capital Securities may not be offered or sold to the general public in Israel. The Capital Securities shall only be offered to parties of the types that are listed in the First Schedule to the Securities Law, 5728-1968, of the State of Israel who are not individuals.

## **General**

No action has been taken in any jurisdiction that would permit a public offering of any of the Capital Securities, or possession or distribution of the Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Capital Securities, or has in its possession or distributes the Prospectus or any other offering material.

## GENERAL INFORMATION

1. Application has been made to the AFM to approve this document as a prospectus for the purposes of Article 5 of the Prospectus Directive. Application has also been made for the Capital Securities to be admitted to trading on Euronext Amsterdam by NYSE Euronext, a regulated market of Euronext Amsterdam N.V., subject only to the issue of the Temporary Global Capital Security.
2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Capital Securities. The issue of the Capital Securities was approved by the Issuer on 16 January 2015 which approval is in accordance with the funding mandate authorised by resolutions of the Executive Board passed on 18 November 2014 and 2 December 2014 and a resolution of the Supervisory Board passed on 1 December 2014, as confirmed by a Secretary's Certificate dated 20 January 2015.
3. There has been no significant change in the financial or trading position of the Issuer or of Rabobank Group since 30 June 2014, and there has been no material adverse change in the financial position or prospects of the Issuer or of Rabobank Group, since 31 December 2013.
4. Neither the Issuer nor any member, subsidiary or affiliate of the Rabobank Group is, or has been during the 12 months preceding the date of this Prospectus, involved in any governmental, legal or arbitration proceedings 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, nor so far as the Issuer is aware are any such proceedings involving any of them pending or threatened.
5. The Capital Securities have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The International Securities Identification Number (ISIN) is XS1171914515 and the Common Code is 117191451.  
  
The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Duchy of Luxembourg.
6. There are no material contracts entered into in the ordinary course of the Issuer's business, which could result in any member of the Rabobank Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Holders in respect of the Capital Securities being issued.
7. Where information in this Prospectus (including where such information has been incorporated by reference) has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
8. The yield of the Capital Securities for the period from (and including) the Issue Date to (but excluding) the First Reset Date, is 5.501 per cent. on a semi-annual basis, assuming interest is paid in full on the full Interest Principal Amount. Thereafter, the yield shall be subject to the reset mechanism described in Condition 4. The yield is calculated as at the Issue Date on the basis of the Issue Price. It is not an indication of any future yield.
9. For so long as the Capital Securities are listed on Euronext Amsterdam, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection, free of charge, at the offices of the Fiscal Agent:

- (a) the Agency Agreement (which includes the forms of the Global Capital Security and the Definitive Capital Security);
  - (b) the Articles of Association of the Issuer;
  - (c) the audited and consolidated financial statements of the Issuer and the Rabobank Group for the three financial years ended 31 December 2011, 2012 and 2013;
  - (d) the unaudited condensed consolidated interim financial statements of the Rabobank Group for the six months ended 30 June 2014; and
  - (e) a copy of this Prospectus.
10. Ernst & Young Accountants LLP, of which the ‘registeraccountants’ are members of the NBA (*Nederlandse Beroepsorganisatie van Accountants* – The Netherlands Institute of Chartered Accountants), has audited, and issued unqualified independent auditor’s reports on, the consolidated and unconsolidated financial statements of the Issuer for the years ended 31 December 2011, 2012 and 2013. Ernst & Young Accountants LLP has given its consent to the inclusion in this Prospectus of (i) its independent auditor’s reports on these financial statements for the years ended 31 December 2011, 2012 and 2013 and (ii) its review report to the condensed consolidated interim financial information for the six-month period 30 June 2014, each as incorporated by reference herein in the form and context in which they appear. Ernst & Young Accountants LLP has no interest in the Issuer.
11. In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer’s affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of the Capital Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.
12. The Rabobank Group believes that its working capital is sufficient for at least 12 months following the date of this Prospectus. The Rabobank Group currently complies with the applicable own funds requirements as set out in Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC) as implemented by the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*). The Rabobank Group’s current own funds are sufficient to comply with all own funds requirements applicable to it. The Rabobank Group currently complies with the applicable liquidity requirements as set out in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*). The Rabobank Group’s current liquidity position is sufficient to comply with all liquidity requirements applicable to it.

**PRINCIPAL OFFICE OF THE ISSUER**

**Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.**

**(Rabobank)**

Croeselaan 18  
3521 CB Utrecht  
The Netherlands

**JOINT LEAD MANAGERS**

**Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.**

**(Rabobank)**

Thames Court  
One Queenhithe  
London EC4V 3RL  
United Kingdom

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Credit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ  
United Kingdom

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**FISCAL AGENT AND PAYING AGENT**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**PAYING AGENT AND EURONEXT AMSTERDAM  
LISTING AGENT**

**Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.**

**(Rabobank)**

Croeselaan 18  
3521 CB Utrecht  
The Netherlands

**AUDITORS OF THE ISSUER**

**Ernst & Young Accountants LLP**

Cross Towers  
Antonio Vivaldistraat 150  
1083 HP Amsterdam  
The Netherlands

**LEGAL ADVISERS**

*To the Joint Lead Managers as to Dutch law*

**Linklaters LLP**

WTC Amsterdam  
Zuidplein 180  
1077 XV Amsterdam  
The Netherlands