

## IMPORTANT NOTICE

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You are reminded that the attached Information Memorandum has been delivered to you on the basis that you are a person into whose possession the attached Information Memorandum 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 Information Memorandum to any other person.

**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 Information Memorandum 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 Information Memorandum 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 Information Memorandum 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.

By accessing the Information Memorandum, you shall be deemed to have confirmed and represented to the Issuer and the Joint Lead Managers that you are not a ‘retail client’ as defined in section 761G of the Corporations Act (as defined in the Information Memorandum).

INFORMATION MEMORANDUM dated 30 June 2015



**Rabobank**

**Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank)  
AUD 225,000,000 5.00 per cent. Fixed Rate Subordinated Notes due July 2025**

**and**

**AUD 475,000,000 Floating Rate Subordinated Notes due July 2025**

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**Issue Price of the Fixed Rate Notes: 99.043 per cent.**

**Issue Price of the Floating Rate Notes: 100 per cent.**

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The AUD 225,000,000 5.00 per cent. Fixed Rate Subordinated Notes due 2 July 2025 (the “**Fixed Rate Notes**”) and AUD 475,000,000 Floating Rate Subordinated Notes due 2 July 2025 (the “**Floating Rate Notes**”, and together with the Fixed Rate Notes, the “**Notes**”) will be issued by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) (“**Rabobank**”, “**Rabobank Nederland**”, the “**Issuer**” or the “**Bank**”).

The Fixed Rate Notes will bear interest at an interest rate of 5.00 per cent. per annum, from (and including) 2 July 2015 (the “**Issue Date**”) to (but excluding) 2 July 2020 (the “**Call Date**”), and at an interest rate per annum which shall be equal to the sum of 2.50 per cent. and the semi-annualised equivalent of the then prevailing 5 year AUD Semi Quarterly Mid-Swap Reference Rate, from (and including) the Call Date to (but excluding) 2 July 2025. Interest will be payable semi-annually in arrear on 2 January and 2 July in each year commencing on 2 January 2016. The Fixed Rate Notes will have a final maturity date of 2 July 2025. The Floating Rate Notes will bear interest at the Floating Interest Rate (as defined in Condition 5(a) of the Floating Rate Notes) from (and including) the Issue Date to (but excluding) the Maturity Date (as defined in “*Terms and Conditions of the Floating Rate Notes*”), payable quarterly in arrear on 2 January, 2 April, 2 July and 2 October in each year. Upon the occurrence of a Tax Law Change or a Capital Event or, in case of the Fixed Rate Notes, on the Call Date, or in case of the Floating Rate Notes, on the Interest Payment Date falling on or nearest to the Call Date (each as defined herein), the Notes may be redeemed (at the option of the Issuer) in whole but not in part in an amount equal to their principal amount, together with any accrued and unpaid interest. The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and shall rank at all times *pari passu* and without any preference among themselves.

This Information Memorandum does not constitute a prospectus for the purposes of Article 3 of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”). Any person making or intending to make any offer of the Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive may only do so in circumstances in which no obligations arise for the Issuer to prepare a prospectus pursuant to Article 3 of the Prospectus Directive. The Issuer has not authorised, nor does the Issuer authorise, the making of any offer of the Notes in circumstances in which an obligation arises for it to publish a prospectus for such offer in any jurisdiction.

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of the Commonwealth of Australia (the “**Corporations Act**”) in relation to the Notes has been or will be lodged with or registered by the Australian Securities and Investments Commission (“**ASIC**”) as a disclosure document for the purposes of the Corporations Act or with ASX Limited (“**ASX**”). The denominations of the Notes shall be AUD 1,000, provided that the Notes will not be issued to a subscriber of the Notes unless (i) in respect of the offers and invitations received in Australia (A) the aggregate consideration paid by the relevant subscriber for such Notes is at least AUD 500,000 (disregarding moneys lent by the offeror or its associates); or (B) the aggregate consideration paid by the relevant subscriber for such Notes is at least AUD 250,000; and the Notes are issued in a manner that does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act; and (ii) in respect of the offers and invitations received outside Australia the aggregate consideration paid by the relevant subscriber for such Notes is at least AUD 250,000 (disregarding moneys lent by the offeror or its associates).

The Notes have been accepted for clearance through the Austraclear System operated by Austraclear Ltd (“**Austraclear**”). An acceptance for clearance by Austraclear is not a recommendation or endorsement by Austraclear.

The Notes are expected to be assigned on issue a rating of A3 by Moody’s Investors Service Limited (“**Moody’s**”), BBB+ by Standard & Poor’s Credit Market Services Europe Limited (“**Standard & Poor’s**”) and A by Fitch Ratings Ltd (“**Fitch**”). 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 Information Memorandum have been issued by Moody’s, Standard & Poor’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.

Credit ratings in respect of the Notes or the Issuer are for distribution only to persons who are not a “retail client” within the meaning of section 761G of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 or Part 7.9 of the Corporations Act and in all cases in such circumstances as may be permitted by applicable laws in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.

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

**Joint Lead Managers and Joint Bookrunners**

**National Australia Bank Limited**

**Nomura**

**UBS Investment Bank**

**Westpac Banking Corporation**

This Information Memorandum 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 Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”). Subject to certain exceptions, Notes 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 NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE NOTES OR POSSESSES OR DISTRIBUTES THIS INFORMATION MEMORANDUM AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE NOTES 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 Information Memorandum 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 Notes. The distribution of this Information Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum 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 Notes and distribution of this Information Memorandum see “*Subscription and Sale*” below.

This Information Memorandum has not been, and will not be, and no prospectus or other disclosure document in relation to the Notes has been or will be lodged with ASIC and this Information Memorandum is not, and does not purport to be, a document containing disclosure to investors for the purposes of Part 6D.2 or Part 7.9 of the Corporations Act. It is not intended to be used in connection with any offer for which such disclosure is required and does not contain all the information that would be required by those provisions if they applied. It is not to be provided to any ‘retail client’ as defined in section 761G of the Corporations Act.

No person is authorised to give any information or to make any representation not contained in this Information Memorandum 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 Information Memorandum 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 Information Memorandum 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 Information Memorandum has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes 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 the Joint Lead Managers have separately verified the information contained in this Information Memorandum. The Joint Lead Managers make no representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information in this Information Memorandum. Neither this Information Memorandum 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 Information Memorandum or any other financial statements should purchase the Notes. Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Information Memorandum. This Information Memorandum does not describe all of the risks of an investment in the

Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Information Memorandum and its purchase of Notes should be based upon such investigation as it deems necessary.

The Issuer has been granted an authority to carry on a banking business in Australia pursuant to section 9 of the Banking Act 1959 of Australia (“**Banking Act**”) and is an authorised deposit-taking institution (“**ADI**”) within the meaning of the Banking Act. The Notes are not covered by the depositor protection provisions contained in Division 2 of Part II of the Banking Act. Section 11F of the Banking Act provides that if a foreign ADI, such as Rabobank (whether in or outside Australia), suspends payment or is unable to meet its obligations, the assets of the foreign ADI in Australia are to be available to meet the foreign ADI’s liabilities in Australia in priority to all other liabilities of the foreign ADI. Further, section 86 of the Reserve Bank Act 1959 of Australia provides that debts due by an ADI to the Reserve Bank of Australia shall in a winding-up of the ADI have priority over all other debts of the ADI. Other laws in Australia, the Netherlands and other jurisdictions will also apply to the ranking of debts and other liabilities in a winding up of Rabobank. The Issuer does not make any representations as to whether the Notes, or any of them, would constitute liabilities in Australia, under such statutory provisions.

Unless the context otherwise requires, references in this Information Memorandum to “**Rabobank Group**”, “**Rabobank**” or the “**Group**” are to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and its members, subsidiaries and affiliates.

Unless otherwise specified or the context otherwise requires, references to “**U.S.\$**”, “**USD**” and “**U.S. Dollars**” are to the lawful currency of the United States of America, to “**AUD**” and “**Australian Dollars**” are to the lawful currency of Australia, to “**euro**”, “**Euro**”, “**EUR**” and “**€**” are to 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, as amended by the Treaty on the Functioning of the European Union and to “**¥**”, “**JPY**” and “**yen**” are to the lawful currency of Japan.

All figures in this Information Memorandum have not been audited, unless stated otherwise. Such figures are internal figures of Rabobank Nederland or Rabobank Group (as defined hereafter).

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## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. 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 Notes are also described below.*

*The Issuer believes that the factors described below represent risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum (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 Fixed Rate Notes or the terms and conditions of the Floating Rate Notes (together, the “Conditions”).*

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

#### ***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 2014, the Dutch economy showed signs of a possible recovery. The still difficult economic circumstances have resulted in reduced borrowing and interest rates and above average impaired loans in line with the levels of 2013. 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 2014 and due to the measures taken by the European Central Bank (the “ECB”) intended to stimulate European economies, declined further at the beginning of 2015. 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 Rabobank Group’s 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 Group, in its role as financial services provider, can or will obtain a claim on a debtor by providing a product. In addition to loans and facilities (with or without commitment), credit as a generic term also includes, among other things, guarantees, letters of credit and derivatives. An economic downturn or the persistence 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: (a) decrease the value of certain fixed income instruments which Rabobank Group holds; (b) result in surrenders of certain savings products with fixed rates below market rates by banking customers of Rabobank Group; (c) require Rabobank Group to pay higher interest rates on the securities that it issues; and (d) 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 complying 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 and arbitration proceedings whether private litigation or regulatory enforcement action, are brought against it. The outcome of such proceedings is inherently uncertain and could result in financial loss. Defending or responding to such proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if Rabobank Group is successful. Failure to manage these risks could have a negative impact on Rabobank Group’s reputation and could have a material adverse effect on Rabobank Group’s results of operations. In addition, banking entities generally, including 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. For further information, see “*Description of Business of Rabobank Group – Legal and arbitration proceedings*”.

### ***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 Group’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. Rabobank Group was charged a total of €167 million in bank tax in 2014.

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 was €321 million and had an adverse effect on Rabobank Group's results of operations 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 Group's results of operations.

Moreover, in July 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 Council of the European Union, and will require consultation with other European Union institutions before it may be implemented by the participating member states. Currently the proposal is still under discussion, given broad opposition in a number of countries as well as outstanding legal issues. The Dutch Parliament has not adopted the proposal, but may do so in the future. The financial transactions tax, if implemented, may have a material adverse effect on Rabobank Group's results of operations.

As of 1 July 2014, a personal mortgage loan may not be higher than €265,000 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 2015, this maximum will be reduced to €245,000 and as of 1 July 2016 to €225,000.

Since 1 January 2013, the tax deductibility of mortgage loan interest payments for Dutch homeowners has been restricted; interest payments on new mortgage loans can only be deducted if the loan amortises within 30 years on a linear or annuity basis. Moreover, the maximum permissible amount of a residential mortgage has been reduced from 104 per cent. in 2014, to 103 per cent. in 2015 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 is being gradually reduced beginning 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 in 2042. 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, private equity and other similar funds (the so-called "**Volcker Rule**") and (vi) consumer and investor protection. Implementation of the Dodd-Frank Act and related final regulations is 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 limitations and significant costs across all of Rabobank Group's subsidiaries and affiliates and their activities in scope for the Volcker Rule. While the

regulations contain a number of exceptions and exemptions that may permit Rabobank Group to maintain certain of its trading and fund businesses and operations, particularly those outside of the United States, aspects of those business may have to be modified to comply with the Volcker Rule. Further, Rabobank Group will be required to spend sufficient resources, which may be significant, to develop a Volcker Rule compliance programme mandated by the final regulations. The transitional conformance period for the Volcker Rule generally ends on 21 July 2015, although the Federal Reserve has effectively granted a two-year extension for certain legacy funds. Rabobank Group must conform its activities to the Volcker Rule and implement the compliance programme by the end of the conformance period applicable to the relevant activity.

The Federal Reserve has also issued a final rule on 18 February 2014 imposing “enhanced prudential standards” with respect to foreign banking organisations (“**FBOs**”) such as Rabobank Group. The rule 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 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.

Furthermore, the EBA has issued a consultation paper which requires European banks to hold resources in order to fulfil a Minimum Requirement for Own Funds and Eligible Liabilities (“MREL”). MREL will be implemented from 1 January 2016 using a phased approach with final implementation by 1 January 2019, but the calibration for the quantum of MREL and the consequences of not fulfilling the MREL requirements are still unclear. A comparable concept for loss absorption, Total Loss Absorbing Capacity (TLAC), is under discussion internationally, which could influence the implementation of MREL.

#### ***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/or any buffer capital requirements. 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 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.

At the end of December 2014, the Basel Committee issued two Consultative Documents: “Revisions to the Standardized Approach for credit risk” and “Capital floors: the design of a framework based on standardized approaches”. The Basel Committee is seeking to reduce reliance on external credit ratings and internal models and aims to enhance the comparability of risk weighted assets and capital ratios. While most (large) banks now calculate capital with advanced risk sensitive models, the Basel Committee proposes to put ‘capital floors’ on the ‘standardised method’. In particular, low risk portfolios with good collateral are affected, as it is expected that the capital floor will have a greater impact than for portfolios which are assessed to have a higher risk based upon the Advanced Internal Rating approach. This may lead to higher capital requirements.

Proposals are in the consultation and impact study phase. The Basel Committee intends to publish the final standard, including its calibration and implementation arrangements, around the end of 2015. The implementation date is not yet defined.

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.

For further information regarding the Basel III Reforms and CRD IV, including their implementation in the Netherlands, please see the section entitled “*Regulation of Rabobank Group*”.

### ***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 Group, 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 Notes**

***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes 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 Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in the final Information Memorandum 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 Notes and the impact the Notes 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 Notes, 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 Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

***The Notes are subordinated obligations***

The Issuer's obligation to make payments under the Notes are subordinated. In particular, the Issuer's obligations under the Notes rank:

- (i) subordinated and junior only to present or future unsubordinated indebtedness of the Issuer;
- (ii) pari passu with Parity Securities and any other present or future indebtedness of the Issuer which ranks by or under its own terms or otherwise pari passu with the Notes; and

- (iii) senior to any other present or future obligation of the Issuer which constitutes or is eligible to constitute Tier 1 Capital or which otherwise ranks by or under its own terms or otherwise, subordinate or junior to the Notes.

By virtue of this subordination, payments to the Holders will, in the case of the bankruptcy or dissolution as a result of the insolvency of the Issuer or in the event of a Moratorium, only be made after all payment obligations of the Issuer ranking senior to Notes have been satisfied in full. In addition, any right of set-off by the Holder in respect of any amount owed to such Holder by the Issuer under or in connection with such Note shall be excluded and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. See also the risk factors entitled “*Bank recovery and resolution regimes*” and “*Statutory loss absorption*”.

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

The Notes do not limit the Issuer’s ability or the ability of any entity in the Rabobank Group to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Notes.

The issue of any such securities may reduce the amount recoverable by Holders on a winding-up of the Issuer. Accordingly, on a winding-up 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 Notes 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 Notes***

The Notes 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 Notes, as permitted by applicable laws and regulations; however, the Joint Lead Managers are not obligated to make a market in the Notes, and they may discontinue their market-making activities at any time without notice. Therefore, Rabobank cannot assure investors that an active market for the notes will develop or, if developed, that it will continue. In addition, subsequent to their initial issuance, the Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar Notes, Rabobank’s performance and other factors.

***Redemption at maturity***

Subject to optional redemption by the Issuer, the Fixed Rate Notes mature on 2 July 2025 and the Floating Rate Notes mature on the Interest Payment Date falling in July 2025. Holders have no ability to require the Issuer to redeem their Notes unless an Event of Default occurs. The Events of Default, and Holders’ rights following an Event of Default, are set out in Condition 8 of the Terms and Conditions of the Fixed Rate Notes and in Condition 8 of the Terms and Conditions of the Floating Rate Notes .

***Notes subject to optional redemption by the Issuer***

At any time upon the occurrence of a Tax Law Change or a Capital Event or on the Call Date, the Notes may be redeemed at the option of the Issuer at their principal amount, as more particularly described in the Conditions. Such an optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the “**CRD IV Regulation**”) provides that the Relevant Regulator may only approve any such redemption of the Notes in the case of a Tax Law Change or a Capital Event before the Call Date if the following conditions are 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, 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 Notes upon the occurrence of a Capital Event or a Tax Law Change only apply to any such redemption of the Notes before the Call Date, and the Issuer may exercise its option to redeem the Notes in such circumstances on or on each Interest Payment Date after the Call Date (including as a result of a Capital Event or a Tax Law Change that occurred before the Call Date) without complying with these conditions.

In addition, in accordance with Article 29(3) of Regulation (EU) No 241/2014 the Issuer has the ability to make a market in the Notes at any time, subject to the prior approval of the Relevant Regulator.

#### ***Fixed Rate of Interest***

The Fixed Rate Notes will bear interest at a fixed rate of interest, which, until the Call Date, will remain constant. Any investors holding these Fixed Rate Notes will be subject to the risk that any subsequent increases in market interest rates may adversely affect the real return on the Fixed Rate Notes (and the value of the Fixed Rate Notes).

#### ***Floating Rate of Interest***

The Floating Rate Notes (and following the Call Date, the Fixed Rate Notes) will bear interest at a floating rate of interest, which will be subject to market fluctuations in interest rates. In addition, the floating rate of interest at any time may be lower than the rates on the Issuer's other Tier 2 capital instruments.

#### ***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 and Tier 2 capital instruments (such as the Notes) 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 BRRD 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 Notes absorbing losses (“**Statutory Loss Absorption**”).

Pursuant to the exercise of any Statutory Loss Absorption measures, the Notes 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 Notes, 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 an Event of Default 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 determination that all or part of the principal amount of the Notes 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 Notes which are subject to Statutory Loss Absorption is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that Notes will become subject to Statutory Loss Absorption could have an adverse effect on the market price of the relevant Notes. Potential investors should consider the risk that a Holder may lose all of its investment in such Notes, 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 empowers 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 Notes). 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.

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 Notes, 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 Notes, 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 Notes.

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

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

The Conditions 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 Issuing and Paying Agent may mutually deem necessary or desirable and which does not adversely affect the interests of the Holders, to all of which each Holder 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***

Notes 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 Notes easily or at all or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

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

The Issuer will pay principal and interest on the Notes in Australian dollar. 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 Australian dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Australian dollar 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 Australian dollar would decrease (i) the Investor’s Currency-equivalent yield on the Notes, (ii) the Investor’s Currency-equivalent value of the principal payable on the Notes and (iii) the Investor’s Currency-equivalent market value of the Notes. If the currency of the country in which the Holder is resident is not Australian dollar, 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 Australian 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.

***Interest rate risks***

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

The Floating Rate Notes will bear interest at a floating rate. A holder of a security with a floating interest rate is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such securities in advance.

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

The Notes are expected to be assigned on issue a rating of A3 by Moody's Investors Service Limited, BBB+ by Standard & Poor's Credit Market Services Europe Limited and A by Fitch Ratings Ltd. There can be no assurance that the methodology of the rating 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 Notes from time to time may not be reliable and changes to the credit ratings could affect the value of the Notes. 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 Notes. In addition, any reduction in the credit ratings of the Notes or deterioration in the capital market's perception of Rabobank Group's financial resilience following any such downgrade, could adversely affect the trading price of the Notes.

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. Accordingly, prospective investors should consult their own financial and legal advisers as to the risks entailed by an investment in the Notes and the suitability of the Notes in light of their particular circumstances.

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

***Change of law***

The Conditions are based on Dutch law in effect as at the date of the final Information Memorandum. 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 the final Information Memorandum. 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 Notes. 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).

## **IMPORTANT INFORMATION**

### **Responsibility Statement**

Rabobank Nederland, 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 Information Memorandum with respect to the Group and the Notes or otherwise is in accordance with the facts and does not omit anything likely to affect the import of such information. Rabobank Nederland accepts responsibility accordingly.

### **Documents incorporated by reference**

This Information Memorandum is to be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with this Information Memorandum:

- (a) the audited consolidated financial statements of Rabobank Group for the years ended 31 December 2012, 2013 and 2014 (in each case, together with the independent auditor's reports thereon and explanatory notes thereto); and
- (b) the audited unconsolidated financial statements of Rabobank Nederland for the years ended 31 December 2012, 2013 and 2014 (in each case, together with the independent auditor's reports thereon and explanatory notes thereto).

Such documents shall be incorporated in, and form part of, this Information Memorandum, save that any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of, this Information Memorandum shall be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement modifies or supersedes such statement.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum 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 Information Memorandum, (ii) by telephoning the Issuer on +31 (0)30 2160000 or (iii) from the Issuer's website at [http://www.rabobank.com/en/ir/funding/bank\\_capital.html](http://www.rabobank.com/en/ir/funding/bank_capital.html).

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

## **FORWARD-LOOKING STATEMENTS**

This Information Memorandum includes forward-looking statements. All statements other than statements of historical facts included in this Information Memorandum, 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 Information Memorandum. 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 Information Memorandum and which are incorporated by reference herein — see "*Important Information — Documents incorporated by reference*".

## OVERVIEW

The Overview below describes the principal terms of the Notes. The sections of this Information Memorandum entitled “Terms and Conditions of the Fixed Rate Notes” and “Terms and Conditions of the Floating Rate Notes” contain a more detailed description of the Notes. Capitalised terms used but not defined in this Overview shall bear the respective meanings ascribed to them in “Terms and Conditions of the Fixed Rate Notes” and “Terms and Conditions of the Floating Rate Notes”, respectively.

<b>Issuer of the Notes</b>	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank)	
	<b>Floating Rate Notes</b>	<b>Fixed Rate Notes</b>
<b>Issue Size</b>	AUD 475,000,000	AUD 225,000,000
<b>Maturity Date</b>	The Interest Payment Date falling in July 2025	2 July 2025
<b>Issue Date</b>	2 July 2015	
<b>Ranking</b>	<p>The payment obligations under the Notes 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>) as a result of the insolvency of the Issuer, the payment obligations of the Issuer under the Notes shall rank:</p> <ul style="list-style-type: none"> <li>(i) subordinated and junior only to present or future unsubordinated indebtedness of the Issuer;</li> <li>(ii) <i>pari passu</i> with Parity Securities and any other present or future indebtedness of the Issuer which ranks by or under its own terms or otherwise <i>pari passu</i> with the Notes; and</li> <li>(iii) senior to any other present or future obligation of the Issuer which constitutes or is eligible to constitute Tier 1 Capital or which otherwise ranks by or under its own terms or otherwise, subordinate or junior to the Notes.</li> </ul> <p>By virtue of such subordination, payments to Holders will, in the case of the bankruptcy or dissolution as a result of the insolvency of the Issuer or in the event of a Moratorium, only be made after all payment obligations of the Issuer ranking senior to the Notes have been satisfied in full.</p>	
<b>Interest</b>	<p>The Notes will bear interest at the Floating Interest Rate from (and including) the Issue Date to (but excluding) the Maturity Date, payable quarterly in arrear on each Interest Payment Date, as more fully described in Condition 5 the Terms and Conditions of the Floating Rate Notes .</p>	<p>The Notes will bear interest (i) from (and including) the Issue Date to (but excluding) the Call Date, at an interest rate of 5.00 per cent. per annum and (ii) from (and including) the Call Date to (but excluding) the Maturity Date, at an interest rate per annum which shall be equal to the sum of 2.50 per cent. and the semi-annualised equivalent of the then prevailing 5 year AUD Semi</p>

<b>Interest Payment Dates</b>	Interest will be payable on 2 January, 2 April, 2 July and 2 October in each year (each, an “ <b>Interest Payment Date</b> ”), commencing on 2 October 2015, provided that if any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day, unless it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately preceding Business Day.	Quarterly Mid-Swap Reference Rate, in each case payable semi-annually in arrear on each Interest Payment Date, as more fully described in Condition 5 of the Terms and Conditions of the Fixed Rate Notes.  Interest will be payable on 2 January and 2 July in each year (each, an “ <b>Interest Payment Date</b> ”), commencing on 2 January 2016.
<b>Optional Redemption</b>	Subject to certain conditions, as more particularly set out in Condition 6(b) of the Terms and Conditions of the Floating Rate Notes, the Issuer may elect to redeem all, but not some only, of the Notes on the Interest Payment Date falling on or nearest to 2 July 2020 (the “ <b>Call Date</b> ”) at their principal amount together with any accrued and unpaid Interest.	Subject to certain conditions, as more particularly set out in Condition 6(b) of the Terms and Conditions of the Fixed Rate Notes, the Issuer may elect to redeem all, but not some only, of the Notes on 2 July 2020 (the “ <b>Call Date</b> ”) at their principal amount together with any accrued and unpaid Interest.
<b>Redemption for Taxation Reasons</b>	If as a result of a Tax Law Change: (i) there is more than an insubstantial risk that the Issuer will be required to pay Additional Amounts with respect to payments on the Notes; or (ii) interest payable on the Notes 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 Notes at their principal amount together with any accrued and unpaid Interest on the relevant date fixed for redemption as more particularly set out in Condition 6(d) of the Terms and Conditions of the Floating Rate Notes and in Condition 6(d) of the Terms and Conditions of the Fixed Rate Notes.	
<b>Redemption for Regulatory Reasons</b>	If a Capital Event has occurred and is continuing, then the Issuer may, at any time, redeem all, but not some only, of the Notes at their principal amount together with any accrued and unpaid Interest, on the relevant date	

<b>Withholding Tax and Additional Amounts</b>	<p>fixed for redemption, as more particularly set out in Condition 6(e) of the Terms and Conditions of the Floating Rate Notes and in Condition 6(e) of the Terms and Conditions of the Fixed Rate Notes.</p> <p>Notwithstanding Condition 6(d) of the Terms and Conditions of the Floating Rate Notes and Condition 6(d) of the Terms and Conditions of the Fixed Rate Notes , 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 Notes, 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 Notes, 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 9 of the Terms and Conditions of the Floating Rate Notes and in Condition 9 of the Terms and Conditions of the Fixed Rate Notes .</p>
<b>Listing</b>	The Notes are not expected to be listed.
<b>Governing Law</b>	The Notes will be governed by, and construed in accordance with, the law of the Netherlands.
<b>Form</b>	<p>The Notes will be issued in registered form and each series will be represented upon issue by a registered global certificate (the “<b>Global Certificate</b>”), each of which will be registered in the name of Austraclear Ltd (ABN 94 002 060 773).</p> <p>Save in limited circumstances, Notes in definitive form will not be issued in exchange for interests in the Global Certificate.</p>
<b>Denomination</b>	<p>The denominations of the Notes shall be AUD 1,000, provided that the Notes will not be issued to a subscriber of the Notes unless (i) in respect of the offers and invitations received in Australia (A) the aggregate consideration paid by the relevant subscriber for such Notes is at least AUD 500,000 (disregarding moneys lent by the offeror or its associates); or (B) the aggregate consideration paid by the relevant subscriber for such Notes is at least AUD 250,000 and the Notes are otherwise issued in a manner that does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act; and (ii) in respect of the offers and invitations received outside Australia the aggregate consideration paid by the relevant subscriber for such Notes is at least AUD 250,000 (disregarding moneys lent by the offeror or its associates).</p>
<b>Clearing and Settlement</b>	<p>The Notes have been accepted for clearance through the facilities of Austraclear. An acceptance for clearance by Austraclear is not a recommendation or endorsement by Austraclear.</p> <p>On admission to the Austraclear System, interests in the Notes may be held for the benefit of the Euroclear Bank S.A/N.V. (“<b>Euroclear</b>”) or Clearstream Banking, <i>société anonyme</i> (“<b>Clearstream, Luxembourg</b>”). In these circumstances, entitlements in respect of holdings of interests in the Notes in Euroclear would be held in the Austraclear System by HSBC Custody Nominees (Australia) Limited as nominee of Euroclear while entitlements in respect of holdings of interests in the Notes in Clearstream, Luxembourg would be held in the Austraclear System by a nominee of J.P.</p>



<b>Transfer Procedures</b>	<p>Morgan Chase Bank, N.A. as custodian for Clearstream, Luxembourg.</p> <p>The rights of a holder of interests in Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg and their respective nominees and the rules and regulations of the Austraclear System. In addition, any transfer of interests in Notes which are held through Euroclear or Clearstream, Luxembourg will to the extent such transfer will be recorded in the Austraclear System and is in respect of offers or invitations received in Australia, be subject to the Corporations Act and the other requirements set out in the Notes.</p> <p>While the Notes remain in the Austraclear System, all dealings (including transfers and payments) in relation to those Notes within the Austraclear System will be governed by the Austraclear Regulations.</p> <p>Notes are transferable in integral multiples of their denomination subject, in respect of offers or invitations received in Australia, to a minimum amount payable of AUD 500,000 or its foreign currency equivalent (disregarding amounts, if any, lent by the Issuer or other person offering the Notes or its associates (within the meaning of those expressions in Part 6D.2 of the Corporations Act) unless the transfer is such that by virtue of section 708 of the Corporations Act no disclosure is required to be made under Part 6D.2 of that Act.</p> <p>Notes may only be transferred outside Australia in compliance with the laws of the jurisdiction having a relevant connection with the offering or sale.</p>
<b>Selling Restrictions</b>	<p>The United States of America, United Kingdom, European Economic Area, Australia, the Netherlands, Japan, Singapore, Hong Kong, Korea, New Zealand, Malaysia and Taiwan.</p> <p>The Notes 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 Notes 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 Notes and distribution of this Information Memorandum, see “<i>Subscription and Sale</i>”.</p>
<b>Payments</b>	<p>While the Notes are lodged in the Austraclear System, Austraclear will be the Holder and will, in turn, make payments and arrange transfer to relevant account holders in accordance with the Austraclear Regulations.</p>
<b>Rating</b>	<p>The Notes are expected to be assigned on issue a rating of A3 by Moody’s Investors Service Limited, BBB+ by Standard &amp; Poor’s Credit Market Services Europe Limited and A by Fitch Ratings Ltd. 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.</p> <p>Credit ratings in respect of the Notes or the Issuer are for distribution only to persons who are not a “retail client” within the meaning of section 761G</p>

of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 or Part 7.9 of the Corporations Act and in all cases in such circumstances as may be permitted by applicable laws in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.

**Security Codes****Floating Rate Notes****Fixed Rate Notes**

ISIN: AU3FN0027991

ISIN: AU3CB0230886

Common Code: 125479880

Common Code: 125479871

**Joint Lead Managers and  
Joint Bookrunners**

National Australia Bank Limited (ABN 12 004 044 937), Nomura International plc, UBS AG, Australia Branch (ABN 47 088 129 613; AFSL 231087) and Westpac Banking Corporation (ABN 33 007 457 141).

**Issuing and Paying Agent  
and Registrar**

Citigroup Pty Limited (ABN 88 004 325 080)

## **TERMS AND CONDITIONS OF THE FIXED RATE NOTES**

The issue of the Notes was authorised by resolutions of the Executive Board passed on 18 November 2014, 2 December 2014, 17 March 2015 and 20 April 2015 and resolutions of the Supervisory Board passed on 1 December 2014, 23 March 2015 and 13 May 2015. The Agency Agreement which will be entered into in respect of the Notes will be available for inspection during usual business hours at the specified office of each of the Issuing and Paying Agent. The Agency Agreement includes the form of the Notes. The Holders are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

### **1 Definitions**

In these Conditions:

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

“**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 agency agreement dated 2 July 2015 entered into between the Issuer, the Issuing and Paying Agent and the Registrar;

“**Agent Bank**” means Citigroup Pty Limited (ABN 88 004 325 080) in its capacity as agent bank, which expression includes the successor and additional agent banks appointed from time to time in connection with the Notes;

“**Austraclear**” means Austraclear Limited (ABN 94 002 060 773) as operator of the Austraclear System, or its successor;

“**Austraclear Regulations**” means the Operating Rules of Austraclear from time to time including the Austraclear Procedures, Determinations and Practice Notes;

“**Austraclear System**” means the system operated by Austraclear in accordance with the Austraclear Regulations;

“**Australian dollar**”, “**AUD**” or “**A\$**” means the Australian dollar, the currency of the Commonwealth of Australia;

“**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 registered banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Sydney;

“**Calculation Amount**” means AUD 1,000 in principal amount of each Note;

“**Call Date**” means 2 July 2020;

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 Notes under the Capital Regulations, the Notes have been or will be excluded from own funds or reclassified as a lower quality form of own funds (that is, no longer Tier 2 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;

“**Certificate**” means a registered certificate representing Notes, including where the context so permits. the Global Certificate;

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*;

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

“**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 the RBA Bond Basis, being (i) in respect of an Interest amount payable on a scheduled Interest Payment Date, one-half; and (ii) in respect of an Interest amount payable other than on a scheduled Interest Payment Date, one-half multiplied by the actual number of days in the relevant period divided by the actual number of days in the Interest Period in which the relevant period falls;

“**Euroclear**” means Euroclear Bank S.A./N.V.;

“**Event of Default**” means the Issuer becomes bankrupt or an order is made or an effective resolution is passed for the winding-up or liquidation of the Issuer (except for the purposes of a reconstruction or merger the terms of which have previously been approved by a meeting of Holders) or a declaration in respect of the Issuer is made under article 3:163(1)(b) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as modified or re-enacted from time to time which qualifies as a winding-up of the business of the Issuer (*liquidatie van het bedrijf van de kredietinstelling*);

“**Executive Board**” means the executive board of the Issuer;

“**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;

“**Issuing and Paying Agent**” means Citigroup Pty Limited (ABN 88 004 325 080) in its capacity as issuing and paying agent, which expression shall include any successor thereto;

“**Global Certificate**” means a Certificate substantially in the form set out in Schedule 2 to the Agency Agreement representing Notes that are registered in the name of Austraclear;

“**Holder**” means the has the meaning given to it in Condition 2;

“**Initial Fixed Interest Rate**” has the meaning given to it in Condition 5(b);

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

“**Interest Payment Date**” means 2 January and 2 July of each year, commencing 2 January 2016;

“**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 the Initial Fixed Interest Rate or the Reset Interest Rate, as the case may be;

“**Issue Date**” means 2 July 2015, being the date of the initial issue of the Notes;

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

“**Local Rabobanks**” means all of the Issuer’s local member banks;

“**Margin**” means 2.50 per cent. per annum;

“**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 re-enacted from time to time, is applicable to the Issuer;

“**Notes**” means the AUD 225,000,000 5.00 per cent. Subordinated Notes due 2 July 2025, which expression shall, unless the context otherwise requires, include any further instruments issued pursuant to Condition 14 and forming a single series with the Notes;

“**Parity Securities**” means the Issuer’s EUR1,000,000,000 5.875 per cent. Subordinated Notes 2009 due 20 May 2019 (ISIN: XS0429484891), EUR1,000,000,000 3.75 per cent. Subordinated Notes due 9 November 2020 (ISIN: XS0557252417), GBP500,000,000 5.25 per cent. Subordinated Notes due 2027 (ISIN: XS0827563452), EUR1,000,000,000 4.125 per cent. Subordinated Notes due 2022 (ISIN: XS0826634874), USD1,500,000,000 3.95 per cent Subordinated Notes due 2022 (ISIN: US21685WDF14), EUR1,000,000,000 3.875 per cent. Subordinated Notes due 2023 (ISIN: XS0954910146), USD1,750,000,000 4.625 per cent. Subordinated Notes due 2023 (ISIN: US21684AAA43), USD1,250,000,000 5.750 per cent. Subordinated Notes due 2043 (ISIN: US21684AAB26), EUR2,000,000,000 2.50 per cent. Subordinated Notes due 2026 (ISIN: XS1069772082), GBP1,000,000,000 4.625 per cent. Subordinated Notes due 2029 (XS1069886841), JPY50,800,000,000 1.429 per cent Subordinated Notes due 2024 (JP552816AEC3) and AUD 475,000,000 Floating Rate Subordinated Notes due July 2025 (AU3FN0027991);

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

“**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 Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. or Fitch Ratings Ltd, or their respective successors;

“**Register**” has the meaning given to it in Condition 2;

“**Registrar**” means Citigroup Pty Limited (ABN 88 004 325 080) in its capacity as registrar in relation to the Notes, which expression includes any successor thereto;

“**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**” means the Call Date;

“**Reset Determination Date**” means, in respect of the Reset Period, the day falling two Business Days prior to the first day of such Reset Period;

“**Reset Period**” means the period from and including the Reset Date to but excluding the Maturity Date;

“**Reset Rate of Interest**” has the meaning given to it in Condition 5(c);

“**Reset Reference Rate**” means in respect of the Reset Period, (i) the rate equal to the prevailing 5 year AUD Semi Quarterly Mid-Swap Reference Rate at 11 a.m. (local time in Sydney) on the Reset Determination Date or (ii) if such rate is not displayed on the Screen Page at such time and date, the Reset Reference Rate will be determined by the Agent Bank in its sole discretion following consultation with the Issuer;

where:

“**5 year AUD Semi Quarterly Mid-Swap Reference Rate**” means the 5 year AUD Swap Rate appearing on Bloomberg Page IAUS10 (or its replacement page) adjusted for a semi-annual basis as determined by the Agent Bank;

“**Supervisory Board**” means the supervisory board of the Issuer;

“**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;

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

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

## **2 Form, Denomination and Title**

### **(a) Form and Denomination**

The Notes are issued in registered form and their issue will be reflected by inscription in the Register, in evidence of which one or more Certificates will be issued to the Holders registered in the Register.

Each Note is a debt obligation of the Issuer, and save as provided in Condition 3(a), each Certificate shall represent the entire holding of Notes by the same Holder. No other certificate or evidence of title (including notes in definitive form) shall be issued by or on behalf of the Issuer to evidence title to a Note unless the Issuer determines that certificates should be made available or that it is required to do so under any applicable law or regulation. Certificates are evidence of entitlement only.

Notes will be denominated in Australian dollars and issued in denominations of AUD 1,000.

**(b) Title**

Title to the Notes passes by registration of the transfer in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, “**Holder**” means the person in whose name a Note is registered in the Register.

Upon a person acquiring title to a Note by virtue of becoming registered as the owner of that Note, all rights and entitlements arising in respect of that Note vest absolutely in the registered owner of the Note, so that no person who has previously been registered as the owner of the Note nor any other person has or is entitled to assert against the Issuer, the Issuing and Paying Agent or the Registrar or the registered owner of the Note for the time being and from time to time any rights, benefits or entitlements in respect of the Note.

**(c) Inscription conclusive**

Each inscription in the Register in respect of a Note is:

- (i) sufficient and conclusive evidence to all persons and for all purposes that the person whose name is so inscribed is the registered owner of the Note;
- (ii) evidenced for the benefit of the relevant Holder by the Certificate; and
- (iii) evidence that the person whose name is so inscribed, as evidenced by the Certificate, is entitled to the benefit of an unconditional and irrevocable undertaking by the Issuer that the Issuer will make all payments of principal and interest (if any) in respect of the Note in accordance with these Conditions.

**(d) Manifest or proven errors**

Except as ordered by a court of competent jurisdiction or as required by law, the making of, or the giving effect to, a manifest or proven error in an inscription into the Register will not avoid the constitution, issue or transfer of a Note. The Issuer will procure that the Registrar must correct any manifest or proven error of which it becomes aware and as soon as practicable record in/enter on the Register any transfer of Notes notified to it.

**3 Transfers of Notes**

**(a) Austraclear**

For so long as the Notes are represented by the Global Certificate, the following provisions shall apply.

- (i) The Notes will be lodged, subject to the agreement of Austraclear, into the Austraclear System. If the Notes are lodged into the Austraclear System, the Registrar will enter Austraclear in the Register as the Holder of those Notes. While those Notes remain in the Austraclear System:
  - (A) all payments and notices required of the Issuer or the Registrar in relation to those Notes will be made or directed to Austraclear in accordance with the Austraclear Regulations; and

- (B) all dealings (including transfers and payments) in relation to those Notes within the Austraclear System will be governed by the Austraclear Regulations and need not comply with these Conditions to the extent of any inconsistency.
- (ii) If Austraclear is entered in the Register in respect of a Note, despite any other provision of these Conditions, that Note is not transferable on the Register, and the Issuer may not, and must procure that the Registrar does not, register any transfer of that Note, and the relevant member of the Austraclear System to whose security account the Note is credited in respect of that Note (the “**Relevant Member**”) has no right to request any registration or any transfer of that Note, except that:
  - (A) for any repurchase, redemption or cancellation (whether on or before the final redemption of the Note), a transfer of that Note from Austraclear to the Issuer may be entered in the Register; and
  - (B) if either:
    - (1) Austraclear gives notices to the Registrar stating that the Relevant Member has stated to Austraclear that it needs to be registered in relation to the Note in order to pursue any rights against the Issuer; or
    - (2) Austraclear purports to exercise any power it may have under the Austraclear Regulations from time to time or these Conditions, to require Notes to be transferred on the Register to the Relevant Member,the Note may be transferred on the Register from Austraclear to the Relevant Member. In any of these cases, the Note will cease to be held in the Austraclear System.
- (iii) Notes are transferable without the consent of the Issuer, the Issuing and Paying Agent or the Registrar. Notes entered in the Austraclear System will be transferable only in accordance with the Austraclear Regulations and as otherwise provided for in these Conditions.
- (iv) The rights of a holder of interests in Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg and their respective nominees and the rules and regulations of the Austraclear System.
- (v) In addition, any transfer of interests in Notes which are held through Euroclear or Clearstream, Luxembourg will, to the extent such transfer will be recorded in the Austraclear System and is in respect of offers or invitations received in Australia, be subject to the Corporations Act and the other requirements set out in the Notes.

**(b) Transfer**

Subject to and without prejudice to Condition 3(a), if the Notes cease to be held in the Austraclear System, a holding of Notes may, subject to Condition 3(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) duly completed and executed and any other evidence as the Registrar may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a Holder of Notes, a new Certificate representing the enlarged holding shall only be



issued against surrender of the Certificate representing the entire holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Holder upon request.

**(c) *Delivery of New Certificates***

Each new Certificate to be issued pursuant to Condition 3(b) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Registrar to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the Holder making such delivery or surrender, as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(c), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar.

**(d) *Transfer Free of Charge***

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity as the Registrar may require).

**(e) *Closed Periods***

No Holder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, or (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c), (iii) after the Notes have been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

**(f) *Transfer amounts***

Notes may only be transferred if:

- (i) in the case of Notes to be transferred in, or into, Australia, the offer or invitation giving rise to the transfer:
  - (A) is for a minimum amount payable of at least AUD 500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the Issuer or its associates to the subscriber) or the offer or invitation (including any resulting issue) does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act; and
  - (B) does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act; and
- (ii) at all times, the transfer complies with all applicable laws and directives of the jurisdiction where the transfer takes place.

**(g) Registration of transfers**

Subject to this Condition 3, the Registrar must register a transfer of Notes as soon as practicable of being notified of it. Upon entry of the name, address and all other required details of the transferee in the Register, the Issuer must recognise the transferee as the Holder entitled to the Notes the subject of the transfer. Except as ordered by a court of competent jurisdiction or as required by law, the entry of such details in the Register constitutes conclusive proof of entitlement by that transferee of those Notes, and the transferor remains the owner of the relevant Notes until the required details of the transferee are entered in the Register in respect of those Notes. Subject to Condition 3(i), the Registrar must register the transfer of a Note whether or not the transfer and acceptance form to which the transfer relates has been marked by the Registrar.

**(h) Destruction**

Any transfer and acceptance form may, with the prior written approval of the Issuer, be destroyed by the Registrar after the entry in the Register of the particulars set out in the form. On receipt of such approval, the Registrar must destroy the transfer and acceptance form as soon as reasonably practicable and promptly notify the Issuer in writing of its destruction.

**(i) Deceased persons**

The Registrar may decline to give effect to a transfer of any Notes entered in the Register in the name of a deceased person who has two or more personal representatives unless the transfer and acceptance form is executed by all of them.

**(j) Stamp Duty**

The Issuer will bear any stamp duty payable on the issue and subscription of the Notes. The relevant Holder is responsible for any stamp duties or other similar taxes which are payable in any jurisdiction in connection with any transfer, assignment or any other dealing with its Notes.

**4 Status and Subordination**

**(a) Status**

The Notes 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 are subordinated as described in Condition 4(b).

**(b) Subordination**

Subject to exceptions provided by mandatory applicable law, the payment obligations under the Notes constitute unsecured obligations of the Issuer and shall, in the case of (a) the bankruptcy of the Issuer, (b) a Moratorium or (c) dissolution (*ontbinding*) as a result of the insolvency of the Issuer, rank:

- (i) subordinated and junior only to present or future unsubordinated indebtedness of the Issuer;
- (ii) *pari passu* with Parity Securities and any other present or future indebtedness of the Issuer which ranks by or under its own terms or otherwise *pari passu* with the Notes; and
- (iii) senior to any other present or future obligation of the Issuer which constitutes or is eligible to constitute Tier 1 Capital or which otherwise ranks by or under its own terms or otherwise, subordinate or junior to the Notes.

By virtue of such subordination, payments to the Holders will, in the case of the bankruptcy or dissolution as a result of the insolvency of the Issuer or in the event of a Moratorium, only be made

after all payment obligations of the Issuer ranking senior to the Notes have been satisfied in full. In addition, any right of set-off by the Holder in respect of any amount owed to such Holder by the Issuer under or in connection with such Note shall be excluded and each Holder shall, by virtue of being the Holder of any Note, be deemed to have waived all such rights of set-off in full.

*In respect of this Condition 4, reference is made to statutory loss absorption as more fully described in the risk factors entitled “Change of law” and “Statutory loss absorption” in the Information Memorandum relating to the Notes.*

## 5 Interest

### (a) **General**

The Notes bear Interest on their principal amount from (and including) the Issue Date in accordance with the provisions of this Condition 5.

Interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date at the relevant Interest Rate, as provided in this Condition 5.

If any Interest Payment Date falls on a day that is not a Business Day, the relevant payment will be made on the next day which is a Business Day, without adjustment, interest or further payment as a result

### (b) **Initial Fixed Interest Rate**

For each Interest Period ending on or before the Call Date, the Notes bear interest at the rate of 5.00 per cent. per annum (the “**Initial Fixed Interest Rate**”).

### (c) **Reset Interest Rate**

The Interest Rate will be reset (the “**Reset Rate of Interest**”) in accordance with this Condition 5 on the Reset Date. The Reset Rate of Interest will be determined by the Agent Bank on the Reset Determination Date as the sum of the Reset Reference Rate and the Margin.

### (d) **Interest Accrual, Calculation and Rounding**

The Notes will cease to bear Interest from (and including) the date of redemption thereof pursuant to Condition 6 unless payment of all amounts due in respect of the Notes 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 Note 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).

### (e) **Publication of Reset Rate of Interest**

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 5 in respect of the Reset Period to be given to the Issuing and Paying Agent, the Registrar, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Notes become due and payable under Condition 8, the accrued interest per Calculation Amount and the Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be

calculated as previously by the Agent Bank in accordance with this Condition 5 but no publication of the Reset Rate of Interest need be made.

**(f) *Maintenance of the Agent Bank***

With effect from no later than the Call Date, the Issuer will maintain an Agent Bank until the Reset Interest Rate has been determined.

The Issuer may, from time to time replace the Agent Bank with another leading financial institution in Sydney. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Interest Rate as provided in Condition 5(c), the Issuer shall forthwith appoint another leading financial institution in Sydney to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

**(g) *Determinations of Agent Bank binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Agent Bank shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Issuing and Paying Agent, the Registrar and all Holders and (in the absence as aforesaid) no liability to the Issuing and Paying Agent, the Holders, the Registrar or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

## **6 Redemption and Purchase**

**(a) *Final Redemption***

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 2 July 2025.

**(b) *Conditions to Redemption and Purchase***

Any redemption or purchase of the Notes in accordance with Condition 6(c), (d), (e) or (f) 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 Notes in accordance with Condition 6(f), the Issuer giving not less than 30 nor more than 60 calendar days' notice to the Holders, the Issuing and Paying Agent and the Registrar in accordance with Condition 13, which notice shall be irrevocable;
- (iv) if and to the extent then required under prevailing Capital Regulations, either: (A) the Issuer having replaced the Notes 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; and

- (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 applicable tax treatment is material and was not reasonably foreseeable at the Issue Date, 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 Notes was not reasonably foreseeable as at the Issue Date.

Notwithstanding the above conditions, if, at the time of such redemption 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 6(b), the Issuer having complied with such other and/or (as appropriate) additional pre-condition(s).

Prior to the publication of any notice of redemption pursuant to this Condition 6 (other than redemption pursuant to Condition 6(c)), the Issuer shall deliver to the Issuing and Paying Agent a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied.

**(c) *Issuer's Call Option***

Subject to the first paragraph of Condition 6(b), the Issuer may elect, in its sole discretion, to redeem all, but not some only, of the Notes on the Call Date at their principal amount together with any accrued and unpaid interest.

**(d) *Redemption due to Taxation***

If as a result of a Tax Law Change:

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

then the Issuer may, subject to Condition 6(b), having delivered to the Issuing and Paying 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 sub-paragraph (a) or, as applicable, (b) above, and having given the notice required by Condition 6(b) specifying the date fixed for redemption, at any time, redeem all, but not some only, of the Notes at their principal amount together with any accrued and unpaid Interest 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 6(b) and having given the notice required by Condition 6(b) specifying the date fixed for redemption, at any time, redeem all, but not some only, of the Notes at their principal amount together with any accrued and unpaid Interest on the relevant date fixed for redemption.

**(f) *Purchases***

The Issuer or any other member of the Rabobank Group may, subject to Condition 6(b) and to applicable law and regulation (which at the Issue Date shall include, without limitation, the CRD IV Directive and the CRD IV Regulation), (i) at any time after the fifth anniversary of the Issue Date purchase Notes in any manner and at any price, or (ii) at any time before such anniversary purchase

Notes in any manner and at any price, provided that the then applicable law and regulation (including, without limitation, the CRD IV Directive and the CRD IV Regulation) permits such purchase.

**(g) Cancellation**

All Notes redeemed by the Issuer pursuant to this Condition 6 will forthwith be cancelled. All Notes 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 Registrar for cancellation, except as otherwise provided for by applicable laws. Notes so surrendered shall be cancelled forthwith and may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

**7 Payments**

**(a) Payments to Holders**

All payments under a Note must be made by the Issuer or the relevant Issuing Agent on its behalf:

- (i) if the Notes are represented by the Global Certificate and are lodged in the Austraclear System, by crediting, on the relevant date on which a payment is due, the amount then due to:
  - (A) the account of Austraclear (as the Holder), in accordance with the Austraclear Regulations; or
  - (B) if requested by Austraclear, the accounts of the persons in whose Security Record (as defined in the Austraclear Regulations) a Note is recorded, in accordance with the Austraclear Regulations; or
- (ii) if the Notes are not represented by the Global Certificate and are not lodged in the Austraclear System, by transfer to the Australian dollar account maintained by the relevant Holder with a bank in Sydney as previously notified by the Holder to the Issuer and the Issuing and Paying Agent. If the Holder has not notified the Issuer and the Issuing and Paying Agent of such an account by close of business on the fifteenth calendar day, whether or not such fifteenth calendar day is a business day, before the relevant due date of the relevant payment of principal or interest (the “**Record Date**”), payments in respect of the relevant Notes will be made by cheque (drawn on a bank in Australia), mailed on the business day immediately preceding the relevant date for payment, at the Holder’s risk to the registered owner (or to the first named of joint registered owners) of such Notes at the address appearing in the Register as at the close of business on the Record Date. Cheques to be despatched to the nominated address of a Holder will in such cases be deemed to have been received by the Holder on the relevant payment and no further amount will be payable by the Issuer in respect of the relevant Notes as a result of payment not being received by the Holder on the due date, and in any such case, without prejudice to Condition 9.

Payments will be subject to surrender of the relevant Certificates at the specified office of the Register if no further payment falls to be made in respect of the Notes represented by such Certificates.

**(b) Method of payment**

A payment made by electronic transfer is for all purposes taken to be made when the Issuer or the Issuing and Paying Agent gives an irrevocable instruction for the making of that payment by electronic transfer, being an instruction which would be reasonably expected to result, in the ordinary course of banking business, in the relevant funds reaching the account of the Holder on the same day as the day on which the instruction is given.

**(c) *Payments Subject to Fiscal Laws***

Without prejudice to the terms of Condition 9, 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 and regulations 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, regulations or agreement, but without prejudice to Condition 9. No commissions or expenses shall be charged to the Holders in respect of such payments.

**(d) *Payments on Business Days***

Where payment is to be made by transfer to an account in the relevant currency, payment instructions (for value the due date), or if that date is not a business day, for value the first following day which is a business day) will be initiated on the last day on which the Issuing and Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of the Registrar, on a day on which the Issuing and Paying Agent is open for business and on which the relevant Certificate is surrendered.

**(e) *Delay in Payment***

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day or if the Holder is late in surrendering or cannot surrender its Certificate (if required to do so).

**(f) *Non-Business Days***

If any date for payment in respect of any Note is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and where payment is to be made by transfer to an account maintained with a bank in Sydney, on which foreign exchange transactions may be carried on in Australian dollars in Sydney.

## **8 Events of Default**

If an Event of Default occurs, the Holder of any Note may by written notice to the Issuer at its specified office declare such Note to be forthwith due and payable, whereupon the principal amount of such Note together with any accrued and unpaid Interest to the date of payment shall become immediately due and payable, provided that repayment will only be effected after the Issuer has obtained the prior written consent of the Relevant Regulator (to the extent that such consent is required at such time pursuant to the Capital Regulations).

## **9 Taxation**

All payments made of principal or Interest by or on behalf of the Issuer in respect of the Notes 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 to a third party on the Holder’s behalf) with respect to any Notes:

- (i) if such Holder 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 Notes

by reason of such Holder having some connection with the Netherlands other than by reason only of holding Notes or the receipt of the relevant payment in respect thereof; or

- (ii) if such Holder 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.

## **10 Prescription**

Claims for principal and Interest shall become void unless the relevant Note is presented for payment as required by Condition 9 within a period of five years of the appropriate due date.

## **11 Replacement of Notes**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar and notice of which designation is given to Holders, 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 Certificates must be surrendered before replacements will be issued.

## **12 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 Notes 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 Notes for the time being outstanding, or at any adjourned meeting two or more persons holding or representing whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration or proposals, *inter alia*, (i) to modify the provisions for redemption of the Notes or the dates on which Interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or amounts payable on redemption of, the Notes, (iii) to reduce the Interest Rate, (iv) to change the currency of payment of the Notes, (v) to modify the provisions concerning the quorum required at any meeting of Holders or (vi) to modify the provisions regarding the status or subordination of the Notes referred to in Condition 4, 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 Notes 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 Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Holders (whether or not they were present at the meeting at which such resolution was passed).

The Agency Agreement provides that a resolution in writing signed by or on behalf of the Holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.



**(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.

The Agency Agreement may be amended by the Issuer and the Issuing and Paying Agent, without the consent of the Registrar or any Holder, 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 Issuing and Paying Agent may mutually deem necessary or desirable and which does not adversely affect the interests of the Holders.

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).

**13 Notices**

Notices to the Holders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of the mailing. 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 Notes are for the time being listed.

**14 Further Issues**

The Issuer may from time to time, without the consent of the Holders, 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 Notes.

**15 Agents**

The Issuing and Paying Agent and Registrar initially appointed by the Issuer and their respective specified offices are listed below. They 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 Issuing and Paying Agent and the Registrar and to appoint additional or other agents, provided that it will at all times maintain (i) an Issuing and Paying Agent, (ii) for so long as required by the Austraclear Regulations of Austraclear Limited, a paying agent which has been and remains accepted by the Reserve Bank of Australia as a participant of the Reserve Bank Information and Transfer System and meets such other conditions as are imposed by Austraclear from time to time, (iv) a Registrar and (v) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank.

Notice of any such termination or appointment and of any change in the specified office of the Issuing and Paying Agent, the Registrar or the Agent Bank will be given to the Holders in accordance with Condition 13. If the Issuing and Paying Agent, the Agent Bank or the Registrar 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 Issuing and Paying Agent, the Agent Bank and the Registrar may not resign their duties or be removed without a successor having been appointed as aforesaid.

**16 Governing Law**

The Notes 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.

## **17 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 Notes and, accordingly, any Proceedings may be brought in such courts. This submission is made for the benefit of each of the Holders and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction.

## **TERMS AND CONDITIONS OF THE FLOATING RATE NOTES**

The issue of the Notes was authorised by resolutions of the Executive Board passed on 18 November 2014, 2 December 2014, 17 March 2015 and 20 April 2015 and resolutions of the Supervisory Board passed on 1 December 2014, 23 March 2015 and 13 May 2015. The Agency Agreement which will be entered into in respect of the Notes will be available for inspection during usual business hours at the specified office of each of the Issuing and Paying Agent. The Agency Agreement includes the form of the Notes. The Holders are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

### **1 Definitions**

In these Conditions:

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

“**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 agency agreement dated 2 July 2015 entered into between the Issuer, the Issuing and Paying Agent and the Registrar;

“**Agent Bank**” means Citigroup Pty Limited (ABN 88 004 325 080) in its capacity as agent bank, which expression includes the successor and additional agent banks appointed from time to time in connection with the Notes;

“**Austraclear**” means Austraclear Limited (ABN 94 002 060 773) as operator of the Austraclear System, or its successor;

“**Austraclear Regulations**” means the Operating Rules of Austraclear from time to time including the Austraclear Procedures, Determinations and Practice Notes;

“**Austraclear System**” means the system operated by Austraclear in accordance with the Austraclear Regulations;

“**Australian dollar**”, “**AUD**” or “**A\$**” means the Australian dollar, the currency of the Commonwealth of Australia;

“**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 registered banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Sydney;

“**Calculation Amount**” means AUD 1,000 in principal amount of each Note;

“**Call Date**” means the Interest Payment Date falling on, or nearest to, 2 July 2020;

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 Notes under the Capital Regulations, the Notes have been or will be excluded from own funds or reclassified as a lower quality form of own funds (that is, no longer Tier 2 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;

“**Certificate**” means a registered certificate representing Notes, including where the context so permits. the Global Certificate;

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*;

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

“**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 in respect of each Interest Period (and any other period in respect of which Interest may fall to be calculated), that actual number of days elapsed in the relevant period divided by 365;

“**Euroclear**” means Euroclear Bank S.A./N.V.;

“**Event of Default**” means the Issuer becomes bankrupt or an order is made or an effective resolution is passed for the winding-up or liquidation of the Issuer (except for the purposes of a reconstruction or merger the terms of which have previously been approved by a meeting of Holders) or a declaration in respect of the Issuer is made under article 3:163(1)(b) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as modified or re-enacted from time to time which qualifies as a winding-up of the business of the Issuer (*liquidatie van het bedrijf van de kredietinstelling*);

“**Executive Board**” means the executive board of the Issuer;

“**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;

“**Issuing and Paying Agent**” means Citigroup Pty Limited (ABN 88 004 325 080) in its capacity as issuing and paying agent, which expression shall include any successor thereto;

“**Floating Interest Amounts**” has the meaning given to it in Condition 5(c);

“**Floating Interest Rate**” has the meaning given to it in Condition 5(a);

“**Global Certificate**” means a Certificate substantially in the form set out in Schedule 2 to the Agency Agreement representing Notes that are registered in the name of Austraclear;

“**Holder**” means the has the meaning given to it in Condition 2;

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

“**Interest Determination Date**” means, in relation to each Interest Period the first day of the relevant Interest Period;

“**Interest Payment Date**” means 2 January, 2 April, 2 July and 2 October of each year, commencing on 2 October 2015, provided that if any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day, unless it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately preceding Business Day;

“**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;

“**Issue Date**” means 2 July 2015, being the date of the initial issue of the Notes;

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

“**Local Rabobanks**” means all of the Issuer’s local member banks;

“**Margin**” means 2.50 per cent. per annum;

“**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 re-enacted from time to time, is applicable to the Issuer;

“**Notes**” means the AUD 475,000,000 Floating Rate Subordinated Notes due July 2025, which expression shall, unless the context otherwise requires, include any further instruments issued pursuant to Condition 14 and forming a single series with the Notes;

“**Parity Securities**” means the Issuer’s EUR1,000,000,000 5.875 per cent. Subordinated Notes 2009 due 20 May 2019 (ISIN: XS0429484891), EUR1,000,000,000 3.75 per cent. Subordinated Notes due 9 November 2020 (ISIN: XS0557252417), GBP500,000,000 5.25 per cent. Subordinated Notes due 2027 (ISIN: XS0827563452), EUR1,000,000,000 4.125 per cent. Subordinated Notes due 2022 (ISIN: XS0826634874), USD1,500,000,000 3.95 per cent Subordinated Notes due 2022 (ISIN: US21685WDF14), EUR1,000,000,000 3.875 per cent. Subordinated Notes due 2023 (ISIN: XS0954910146), USD1,750,000,000 4.625 per cent. Subordinated Notes due 2023 (ISIN: US21684AAA43), USD1,250,000,000 5.750 per cent. Subordinated Notes due 2043 (ISIN: US21684AAB26), EUR2,000,000,000 2.50 per cent. Subordinated Notes due 2026 (ISIN: XS1069772082), GBP1,000,000,000 4.625 per cent. Subordinated Notes due 2029 (XS1069886841), JPY50,800,000,000 1.429 per cent Subordinated Notes due 2024 (JP552816AEC3) and AUD 225,000,000 5.00 per cent. Fixed Rate Subordinated Notes due 2 July 2025 (AU3CB0230886);

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

“**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 Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. or Fitch Ratings Ltd, or their respective successors;

“**Reference Banks**” means four major banks in the interbank market in Sydney as selected by the Agent Bank, after consultation with the Issuer;

“**Register**” has the meaning given to it in Condition 2;

“**Registrar**” means Citigroup Pty Limited (ABN 88 004 325 080) in its capacity as registrar in relation to the Notes, which expression includes any successor thereto;

“**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;

“**Supervisory Board**” means the supervisory board of the Issuer;

“**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;

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

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

## **2 Form, Denomination and Title**

### **(a) Form and Denomination**

The Notes are issued in registered form and their issue will be reflected by inscription in the Register in evidence of which one or more Certificates will be issued to the Holders registered in the Register.

Each Note is a debt obligation of the Issuer, and save as provided in Condition 3(a), each Certificate shall represent the entire holding of Notes by the same Holder. No other certificate or evidence of title (including notes in definitive form) shall be issued by or on behalf of the Issuer to evidence title to a Note unless the Issuer determines that certificates should be made available or that it is required to do so under any applicable law or regulation. Certificates are evidence of entitlement only.

Notes will be denominated in Australian dollars and issued in denominations of AUD 1,000.

### **(b) Title**

Title to the Notes passes by registration of the transfer in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, “**Holder**” means the person in whose name a Note is registered in the Register.

Upon a person acquiring title to a Note by virtue of becoming registered as the owner of that Note, all rights and entitlements arising in respect of that Note vest absolutely in the registered owner of the Note, so that no person who has previously been registered as the owner of the Note nor any other person has or is entitled to assert against the Issuer, the Issuing and Paying Agent or the Registrar or the registered owner of the Note for the time being and from time to time any rights, benefits or entitlements in respect of the Note.

**(c) *Inscription conclusive***

Each inscription in the Register in respect of a Note is:

- (i) sufficient and conclusive evidence to all persons and for all purposes that the person whose name is so inscribed is the registered owner of the Note;
- (ii) evidenced for the benefit of the relevant Holder by the Certificate; and
- (iii) evidence that the person whose name is so inscribed, as evidenced by the Certificate, is entitled to the benefit of an unconditional and irrevocable undertaking by the Issuer that the Issuer will make all payments of principal and interest (if any) in respect of the Note in accordance with these Conditions.

**(d) *Manifest or proven errors***

Except as ordered by a court of competent jurisdiction or as required by law, the making of, or the giving effect to, a manifest or proven error in an inscription into the Register will not avoid the constitution, issue or transfer of a Note. The Issuer will procure that the Registrar must correct any manifest or proven error of which it becomes aware and as soon as practicable record in/enter on the Register any transfer of Notes notified to it.

### **3 Transfers of Notes**

**(a) *Austraclear***

For so long as the Notes are represented by the Global Certificate, the following provisions shall apply.

- (i) The Notes will be lodged, subject to the agreement of Austraclear, into the Austraclear System. If the Notes are lodged into the Austraclear System, the Registrar will enter Austraclear in the Register as the Holder of those Notes. While those Notes remain in the Austraclear System:
  - (A) all payments and notices required of the Issuer or the Registrar in relation to those Notes will be made or directed to Austraclear in accordance with the Austraclear Regulations; and
  - (B) all dealings (including transfers and payments) in relation to those Notes within the Austraclear System will be governed by the Austraclear Regulations and need not comply with these Conditions to the extent of any inconsistency.
- (ii) If Austraclear is entered in the Register in respect of a Note, despite any other provision of these Conditions, that Note is not transferable on the Register, and the Issuer may not, and must procure that the Registrar does not, register any transfer of that Note, and the relevant member of the Austraclear System to whose security account the Note is credited in respect of that Note (the “**Relevant Member**”) has no right to request any registration or any transfer of that Note, except that:

- (A) for any repurchase, redemption or cancellation (whether on or before the final redemption of the Note), a transfer of that Note from Austraclear to the Issuer may be entered in the Register; and
- (B) if either:
  - (1) Austraclear gives notices to the Registrar stating that the Relevant Member has stated to Austraclear that it needs to be registered in relation to the Note in order to pursue any rights against the Issuer; or
  - (2) Austraclear purports to exercise any power it may have under the Austraclear Regulations from time to time or these Conditions, to require Notes to be transferred on the Register to the Relevant Member,

the Note may be transferred on the Register from Austraclear to the Relevant Member. In any of these cases, the Note will cease to be held in the Austraclear System.

- (iii) Notes are transferable without the consent of the Issuer, the Issuing and Paying Agent or the Registrar. Notes entered in the Austraclear System will be transferable only in accordance with the Austraclear Regulations and as otherwise provided for in these Conditions.
- (iv) The rights of a holder of interests in Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg and their respective nominees and the rules and regulations of the Austraclear System.
- (v) In addition, any transfer of interests in Notes which are held through Euroclear or Clearstream, Luxembourg will, to the extent such transfer will be recorded in the Austraclear System and is in respect of offers or invitations received in Australia, be subject to the Corporations Act and the other requirements set out in the Notes.

**(b) *Transfer***

Subject to and without prejudice to Condition 3(a), if the Notes cease to be held in the Austraclear System, a holding of Notes may, subject to Condition 3(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) duly completed and executed and any other evidence as the Registrar may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a Holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the entire holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Holder upon request.

**(c) *Delivery of New Certificates***

Each new Certificate to be issued pursuant to Condition 3(b) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Registrar



to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the Holder making such delivery or surrender, as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(c), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar.

**(d) *Transfer Free of Charge***

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity as the Registrar may require).

**(e) *Closed Periods***

No Holder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, or (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c), (iii) after the Notes have been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

**(f) *Transfer amounts***

Notes may only be transferred if:

- (i) in the case of Notes to be transferred in, or into, Australia, the offer or invitation giving rise to the transfer:
  - (A) is for a minimum amount payable of at least AUD 500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the Issuer or its associates to the subscriber) or the offer or invitation (including any resulting issue) does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act; and
  - (B) does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act; and
- (ii) at all times, the transfer complies with all applicable laws and directives of the jurisdiction where the transfer takes place.

**(g) *Registration of transfers***

Subject to this Condition 3, the Registrar must register a transfer of Notes as soon as practicable of being notified of it. Upon entry of the name, address and all other required details of the transferee in the Register, the Issuer must recognise the transferee as the Holder entitled to the Notes the subject of the transfer. Except as ordered by a court of competent jurisdiction or as required by law, the entry of such details in the Register constitutes conclusive proof of entitlement by that transferee of those Notes, and the transferor remains the owner of the relevant Notes until the required details of the transferee are entered in the Register in respect of those Notes. Subject to Condition 3(i), the Registrar must register the transfer of a Note whether or not the transfer and acceptance form to which the transfer relates has been marked by the Registrar.

**(h) Destruction**

Any transfer and acceptance form may, with the prior written approval of the Issuer, be destroyed by the Registrar after the entry in the Register of the particulars set out in the form. On receipt of such approval, the Registrar must destroy the transfer and acceptance form as soon as reasonably practicable and promptly notify the Issuer in writing of its destruction.

**(i) Deceased persons**

The Registrar may decline to give effect to a transfer of any Notes entered in the Register in the name of a deceased person who has two or more personal representatives unless the transfer and acceptance form is executed by all of them.

**(j) Stamp Duty**

The Issuer will bear any stamp duty payable on the issue and subscription of the Notes. The relevant Holder is responsible for any stamp duties or other similar taxes which are payable in any jurisdiction in connection with any transfer, assignment or any other dealing with its Notes.

**4 Status and Subordination**

**(a) Status**

The Notes 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 are subordinated as described in Condition 4(b).

**(b) Subordination**

Subject to exceptions provided by mandatory applicable law, the payment obligations under the Notes constitute unsecured obligations of the Issuer and shall, in the case of (a) the bankruptcy of the Issuer, (b) a Moratorium or (c) dissolution (*ontbinding*) as a result of the insolvency of the Issuer, rank:

- (i) subordinated and junior only to present or future unsubordinated indebtedness of the Issuer;
- (ii) *pari passu* with Parity Securities and any other present or future indebtedness of the Issuer which ranks by or under its own terms or otherwise *pari passu* with the Notes; and
- (iii) senior to any other present or future obligation of the Issuer which constitutes or is eligible to constitute Tier 1 Capital or which otherwise ranks by or under its own terms or otherwise, subordinate or junior to the Notes.

By virtue of such subordination, payments to the Holders will, in the case of the bankruptcy or dissolution as a result of the insolvency of the Issuer or in the event of a Moratorium, only be made after all payment obligations of the Issuer ranking senior to the Notes have been satisfied in full. In addition, any right of set-off by the Holder in respect of any amount owed to such Holder by the Issuer under or in connection with such Note shall be excluded and each Holder shall, by virtue of being the Holder of any Note, be deemed to have waived all such rights of set-off in full.

*In respect of this Condition 4, reference is made to statutory loss absorption as more fully described in the risk factors entitled "Change of law" and "Statutory loss absorption" in the Information Memorandum relating to the Notes.*

## 5 Interest

### (a) *Floating Interest Rate*

The Notes bear Interest on their principal amount from (and including) the Issue Date in accordance with the provisions of this Condition 5.

Interest shall be payable on the Notes quarterly in arrear on each Interest Payment Date at a floating rate of interest (the “**Floating Interest Rate**”). The Floating Interest Rate in respect of each Interest Period will be determined by the Agent Bank on the basis of the following provisions:

- (i) On each Interest Determination Date, the Agent Bank will determine the applicable Floating Interest Rate for the relevant Interest Period by adding:
  - (A) the Australian Bank Bill Swap Reference Rate administered by the Australian Financial Markets Association (or any other person which takes over the administration of that rate) for the relevant 3 month period and displayed on page BBSW of the Thomson Reuters Screen (or any replacement Thomson Reuters page which displays that rate) at approximately 10.10 a.m. (Sydney Time) on the Interest Determination Date; and
  - (B) the Margin.
- (ii) If such rate specified in Condition 5(i)(A) does not so appear, or if the relevant page is unavailable, the Agent Bank will, on such date, request the principal Sydney office of the Reference Banks to provide the Agent Bank with its 3 month Bank Bill Rate on the Interest Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such Bank Bill Rate, the Floating Interest Rate for the relevant Interest Period shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of such offered quotations plus the Margin.

“**Bank Bill Rate**” means the rate determined by the Agent Bank in good faith at approximately 11 a.m. on that day, having regard, to the extent possible, to the rates otherwise bid and offered for bank accepted Bills of that tenor at or around that time (including any displayed on the “BBSW” page of the Reuters Monitor System). The rate must be expressed as a percentage per annum; and

“**Bill**” has the meaning it has in the Bills of Exchange Act 1909 of Australia and a reference to the acceptance of a Bill is to be interpreted in accordance with that act.

- (iii) If on any Interest Determination Date to which the provisions of paragraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation of the 3 month Bank Bill Rate, the Floating Interest Rate for the relevant Interest Period shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the Australian dollar lending rates which leading banks in Sydney selected by the Agent Bank are quoting, on the relevant Interest Determination Date, to leading banks in Sydney for a period of three months.

### (b) *Interest Accrual, Calculation and Rounding*

The Notes will cease to bear Interest from (and including) the date of redemption thereof pursuant to Condition 6 unless payment of all amounts due in respect of the Notes is not properly and duly made,

in which event Interest shall continue to accrue, both before and after judgment, at the Floating Interest Rate and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Note shall be calculated per Calculation Amount and shall be equal to the product of the Calculation Amount, the Floating 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).

**(c) *Determination of Floating Interest Rate and Calculation of Floating Interest Amounts***

The Agent Bank will, on each Interest Determination Date, determine the Floating Interest Rate in respect of the relevant Interest Period and calculate the amount of interest payable in respect of a Calculation Amount on the Interest Payment Date for that Interest Period (the “**Floating Interest Amounts**”). The determination of the Floating Interest Rate and the amount of interest payable per Calculation Amount by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

**(d) *Floating Interest Rate and Floating Interest Amounts***

The Agent Bank shall cause notice of the Floating Interest Rate determined in accordance with this Condition 5 in respect of each relevant Interest Period, the Floating Interest Amount per Calculation Amount and the relevant date scheduled for payment to be given to the Issuing and Paying Agent, the Registrar, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 13, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The Floating Interest Amount and the date scheduled for payment so notified may subsequently be amended without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions. If the Notes become due and payable under Condition 8, the accrued interest per Calculation Amount and the Floating Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 5 but no publication of the Floating Interest Rate or the amount of interest payable per Calculation Amount so calculated need be made.

**(e) *Maintenance of the Agent Bank***

The Issuer will maintain an Agent Bank and the number of Reference Banks provided above where the Floating Interest Rate is to be calculated by reference to them.

The Issuer may, from time to time replace the Agent Bank or any Reference Bank with another leading financial institution in Sydney. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Floating Interest Rate as provided in Condition 5(a) or calculate the Floating Interest Amount, the Issuer shall forthwith appoint another leading financial institution in Sydney to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

**(f) *Determinations of Agent Bank binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Agent Bank shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Issuing and Paying Agent, the Registrar and all Holders and (in the absence as aforesaid) no liability to

the Issuing and Paying Agent, the Holders, the Registrar or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

## **6 Redemption and Purchase**

### **(a) Final Redemption**

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 2 July 2025.

### **(b) Conditions to Redemption and Purchase**

Any redemption or purchase of the Notes in accordance with Condition 6(c), (d), (e) or (f) 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 Notes in accordance with Condition 6(f), the Issuer giving not less than 30 nor more than 60 calendar days' notice to the Holders, the Issuing and Paying Agent and the Registrar in accordance with Condition 13, which notice shall be irrevocable;
- (iv) if and to the extent then required under prevailing Capital Regulations, either: (A) the Issuer having replaced the Notes 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; and
- (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 applicable tax treatment is material and was not reasonably foreseeable at the Issue Date, 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 Notes was not reasonably foreseeable as at the Issue Date.

Notwithstanding the above conditions, if, at the time of such redemption 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 6(b), the Issuer having complied with such other and/or (as appropriate) additional pre-condition(s).

Prior to the publication of any notice of redemption pursuant to this Condition 6 (other than redemption pursuant to Condition 6(c)), the Issuer shall deliver to the Issuing and Paying Agent a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied.

**(c) Issuer's Call Option**

Subject to the first paragraph of Condition 6(b), the Issuer may elect, in its sole discretion, to redeem all, but not some only, of the Notes on the Call Date at their principal amount together with any accrued and unpaid interest.

**(d) Redemption due to Taxation**

If as a result of a Tax Law Change:

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

then the Issuer may, subject to Condition 6(b), having delivered to the Issuing and Paying 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 sub-paragraph (a) or, as applicable, (b) above, and having given the notice required by Condition 6(b) specifying the date fixed for redemption, at any time, redeem all, but not some only, of the Notes at their principal amount together with any accrued and unpaid Interest 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 6(b) and having given the notice required by Condition 6(b) specifying the date fixed for redemption, at any time, redeem all, but not some only, of the Notes at their principal amount together with any accrued and unpaid Interest on the relevant date fixed for redemption.

**(f) Purchases**

The Issuer or any other member of the Rabobank Group may, subject to Condition 6(b) and to applicable law and regulation (which at the Issue Date shall include, without limitation, the CRD IV Directive and the CRD IV Regulation), (i) at any time after the fifth anniversary of the Issue Date purchase Notes in any manner and at any price, or (ii) at any time before such anniversary purchase Notes in any manner and at any price, provided that the then applicable law and regulation (including, without limitation, the CRD IV Directive and the CRD IV Regulation) permits such purchase.

**(g) Cancellation**

All Notes redeemed by the Issuer pursuant to this Condition 6 will forthwith be cancelled. All Notes 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 Registrar for cancellation, except as otherwise provided for by applicable laws. Notes so surrendered shall be cancelled forthwith and may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## **7 Payments**

**(a) Payments to Holders**

All payments under a Note must be made by the Issuer or the relevant Issuing Agent on its behalf:

- (i) if the Notes are represented by the Global Certificate and are lodged in the Austraclear System, by crediting, on the relevant date on which a payment is due, the amount then due to:
  - (A) the account of Austraclear (as the Holder), in accordance with the Austraclear Regulations; or
  - (B) if requested by Austraclear, the accounts of the persons in whose Security Record (as defined in the Austraclear Regulations) a Note is recorded, in accordance with the Austraclear Regulations; or
- (ii) if the Notes are not represented by the Global Certificate and are not lodged in the Austraclear System, by transfer to the Australian dollar account maintained by the relevant Holder with a bank in Sydney as previously notified by the Holder to the Issuer and the Issuing and Paying Agent. If the Holder has not notified the Issuer and the Issuing and Paying Agent of such an account by close of business on the fifteenth calendar day, whether or not such fifteenth calendar day is a business day, before the relevant due date of the relevant payment of principal or interest (the “**Record Date**”), payments in respect of the relevant Notes will be made by cheque (drawn on a bank in Australia), mailed on the business day immediately preceding the relevant date for payment, at the Holder’s risk to the registered owner (or to the first named of joint registered owners) of such Notes at the address appearing in the Register as at the close of business on the Record Date. Cheques to be despatched to the nominated address of a Holder will in such cases be deemed to have been received by the Holder on the relevant payment and no further amount will be payable by the Issuer in respect of the relevant Notes as a result of payment not being received by the Holder on the due date, and in any such case, without prejudice to Condition 9.

Payments will be subject to surrender of the relevant Certificates at the specified office of the Register if no further payment falls to be made in respect of the Notes represented by such Certificates.

**(b) Method of payment**

A payment made by electronic transfer is for all purposes taken to be made when the Issuer or the Issuing and Paying Agent gives an irrevocable instruction for the making of that payment by electronic transfer, being an instruction which would be reasonably expected to result, in the ordinary course of banking business, in the relevant funds reaching the account of the Holder on the same day as the day on which the instruction is given.

**(c) Payments Subject to Fiscal Laws**

Without prejudice to the terms of Condition 9, 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 and regulations 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, regulations or agreement, but without prejudice to Condition 9. No commissions or expenses shall be charged to the Holders in respect of such payments.

**(d) Payments on Business Days**

Where payment is to be made by transfer to an account in the relevant currency, payment instructions (for value the due date), or if that date is not a business day, for value the first following day which is a business day) will be initiated on the last day on which the Issuing and Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant

Certificate has not been surrendered at the specified office of the Registrar, on a day on which the Issuing and Paying Agent is open for business and on which the relevant Certificate is surrendered.

**(e) Delay in Payment**

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day or if the Holder is late in surrendering or cannot surrender its Certificate (if required to do so).

**(f) Non-Business Days**

If any date for payment in respect of any Note is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and where payment is to be made by transfer to an account maintained with a bank in Sydney, on which foreign exchange transactions may be carried on in Australian dollars in Sydney.

## **8 Events of Default**

If an Event of Default occurs, the Holder of any Note may by written notice to the Issuer at its specified office declare such Note to be forthwith due and payable, whereupon the principal amount of such Note together with any accrued and unpaid Interest to the date of payment shall become immediately due and payable, provided that repayment will only be effected after the Issuer has obtained the prior written consent of the Relevant Regulator (to the extent that such consent is required at such time pursuant to the Capital Regulations).

## **9 Taxation**

All payments made of principal or Interest by or on behalf of the Issuer in respect of the Notes 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 to a third party on the Holder’s behalf) with respect to any Notes:

- (i) if such Holder 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 Notes by reason of such Holder having some connection with the Netherlands other than by reason only of holding Notes or the receipt of the relevant payment in respect thereof;
- (ii) if such Holder 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.

## **10 Prescription**

Claims for principal and Interest shall become void unless the relevant Note is presented for payment as required by Condition 9 within a period of five years of the appropriate due date.



## 11 Replacement of Notes

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar and notice of which designation is given to Holders, 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 Certificates must be surrendered before replacements will be issued.

## 12 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 Notes 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 Notes for the time being outstanding, or at any adjourned meeting two or more persons holding or representing whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration or proposals, *inter alia*, (i) to modify the provisions for redemption of the Notes or the dates on which Interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or amounts payable on redemption of, the Notes, (iii) to reduce the Floating Interest Rate, (iv) to change the currency of payment of the Notes, (v) to modify the provisions concerning the quorum required at any meeting of Holders or (vi) to modify the provisions regarding the status or subordination of the Notes referred to in Condition 4, 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 Notes 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 Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Holders (whether or not they were present at the meeting at which such resolution was passed).

The Agency Agreement provides that a resolution in writing signed by or on behalf of the Holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

### (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.

The Agency Agreement may be amended by the Issuer and the Issuing and Paying Agent, without the consent of the Registrar or any Holder, 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 Issuing and Paying Agent may mutually deem necessary or desirable and which does not adversely affect the interests of the Holders.

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).

### **13 Notices**

Notices to the Holders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of the mailing. 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 Notes are for the time being listed.

### **14 Further Issues**

The Issuer may from time to time, without the consent of the Holders, 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 Notes.

### **15 Agents**

The Issuing and Paying Agent and Registrar initially appointed by the Issuer and their respective specified offices are listed below. They 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 Issuing and Paying Agent and the Registrar and to appoint additional or other agents, provided that it will at all times maintain (i) an Issuing and Paying Agent, (ii) for so long as required by the Austraclear Regulations of Austraclear Limited, a paying agent which has been and remains accepted by the Reserve Bank of Australia as a participant of the Reserve Bank Information and Transfer System and meets such other conditions as are imposed by Austraclear from time to time, (iv) a Registrar and (v) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank.

Notice of any such termination or appointment and of any change in the specified office of the Issuing and Paying Agent, the Registrar or the Agent Bank will be given to the Holders in accordance with Condition 13. If the Issuing and Paying Agent, the Agent Bank or the Registrar 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 Issuing and Paying Agent, the Agent Bank and the Registrar may not resign their duties or be removed without a successor having been appointed as aforesaid.

### **16 Governing Law**

The Notes 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.

### **17 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 Notes and, accordingly, any Proceedings may be brought in such courts. This submission is made for the benefit of each of the Holders and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction.

## **PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM**

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Austraclear System currently in effect. The information in this section concerning the Austraclear System has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Joint Lead Manager takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of the Austraclear System are advised to confirm the continued applicability of the rules, regulations and procedures of the Austraclear System. Neither the Issuer nor the Issuing and Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of the Austraclear System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

### **The Austraclear System**

On issue of any Notes, the Issuer will procure that the Notes are lodged with the Austraclear System. On lodgement, Austraclear will become the sole registered holder and legal owner of the Notes. Subject to the Austraclear Regulations, participants of the Austraclear System (“**Accountholders**”) may acquire rights against Austraclear in relation to those Notes as beneficial owners and Austraclear is required to deal with the Notes in accordance with the directions and instructions of the Accountholders. Any potential investors who are not Accountholders would need to hold their interest in the relevant Notes through a nominee who is an Accountholder. All payments by the Issuer in respect of Notes entered in the Austraclear System will be made directly to an account agreed with Austraclear or as it directs in accordance with the Austraclear Regulations.

### **Holding of Notes through Euroclear and Clearstream, Luxembourg**

Once lodged with the Austraclear System, interests in the Notes may be held through Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in the Notes in Euroclear would be held in the Austraclear System by HSBC Custody Nominees (Australia) Limited as nominee of Euroclear, while entitlements in respect of holdings of interests in the Notes in Clearstream, Luxembourg would be held in the Austraclear System by a nominee of J.P. Morgan Chase Bank N.A., as custodian for Clearstream, Luxembourg.

The rights of a holder of interests in Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations of Euroclear and Clearstream, Luxembourg, the arrangements between Euroclear and Clearstream, Luxembourg and their respective nominees and the Austraclear Regulations.

### **Transfers**

Any transfer of Notes will be subject to the Corporations Act and the other requirements set out in the terms and conditions of the Notes and, where the Notes are entered in the Austraclear System, the Austraclear Regulations.

Secondary market sales of Notes settled in the Austraclear System will be settled in accordance with the Austraclear Regulations.

### **Relationship of Accountholders with Austraclear System**

Accountholders who acquire an interest in Notes lodged with the Austraclear System must look solely to Austraclear for their rights in relation to such Notes and will have no claim directly against the Issuer in respect of such Notes although under the Austraclear Regulations, Austraclear may direct the Issuer to make payments direct to the relevant Accountholders.

Where Austraclear is registered as the holder of any Notes that is lodged with the Austraclear System, Austraclear may, where specified in the Austraclear Regulations, transfer the Notes to the person in whose Security Record (as defined in the Austraclear Regulations) those Notes are recorded and, as a consequence, remove those Notes from the Austraclear System.

Potential investors in Notes should inform themselves of, and satisfy themselves with, the Austraclear Regulations and (where applicable) the rules of Euroclear and Clearstream, Luxembourg and the arrangements between them and their nominees in the Austraclear System.

Notes lodged with the Austraclear System will be transferable only in accordance with the rules and regulations (in force from time to time) of the Austraclear System. The transferor of an Note is deemed to remain the holder of such Note until the name of the transferee is entered in the Australian Register in respect of such Note.

## **DESCRIPTION OF BUSINESS OF RABOBANK GROUP**

### **General**

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. At 31 December 2014, it comprised 113 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 8.8 million clients around the world. In the Netherlands, its focus is on maintaining Rabobank Group's position in the Dutch market and, internationally, on food and 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 Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (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 547 branches and 2,305 cash-dispensing machines at 31 December 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. Rabobank International, now known as Rabobank and internally referred to as "Wholesale, Rural & Retail", 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 31 December 2014, Rabobank Group had total assets of €681.1 billion, a private sector loan portfolio of €430.4 billion, amounts due to customers of €326.5 billion (of which savings deposits total €142.6 billion) and equity of €38.9 billion. Of the private sector loan portfolio, €210.8 billion, virtually all of which were mortgages, consisted of loans to private individuals, €127.3 billion of loans to the trade, industry and services sector and €92.3 billion of loans to the food and agri sector. At 31 December 2014, its common equity Tier 1 ratio, which is the ratio between common equity Tier 1 capital and total risk-weighted assets, was 13.6 per cent. and its Capital ratio (BIS ratio), which is the ratio between qualifying capital and total risk-weighted assets, was 21.3 per cent. For the year ended 31 December 2014, Rabobank Group's efficiency ratio, which is the ratio between total operating expenses and total income, was 62.7 per cent., and the return on Tier 1 capital, or net profit related to the Tier 1 capital as at 31 December of the previous financial year, was 5.2 per cent. For the year ended 31 December 2014, Rabobank Group realised a net profit of €1,842 million and a risk-adjusted return on capital ("**RAROC**"), which is the ratio between net profit and average economic capital, of 7.8 per cent. after tax. At 31 December 2014, Rabobank Group had 48,254 full-time employees.

**Rabobank Group**

Situation at 31 December 2014


**8.8 million customers**  
of which 7.6 million are customers in the Netherlands

**Members**  
Two million of the total of 7.6 million customers in the Netherlands are actively involved with Rabobank and members of our local Rabobanks.



**Mission**  
Rabobank is dedicated to being a leading customer-centric cooperative bank in the Netherlands and a leading food and agri bank in the world.

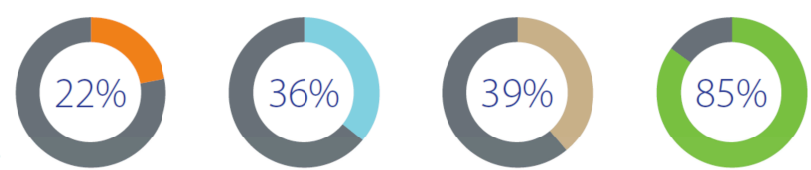
**113 local Rabobanks**  
with 547 branch offices



**Density of network per region**

- **North Netherlands**  
28 local Rabobanks
- **Central Netherlands**  
31 local Rabobanks
- **South Netherlands**  
26 local Rabobanks
- **West Netherlands**  
28 local Rabobanks

**Rabobank Nederland**  
**Market share in the Netherlands**



- Mortgages: 22%
- Savings: 36%
- Trade, industry and services (TIS): 39%
- Food and agri: 85%

**Subsidiaries and associates**

<p><b>Payment transactions</b></p> <ul style="list-style-type: none"> <li>• MyOrder (80%)</li> </ul>	<p><b>Mortgages</b></p> <ul style="list-style-type: none"> <li>• Obvion</li> </ul>	<p><b>Insurance</b></p> <ul style="list-style-type: none"> <li>• Achmea (29%)</li> </ul>	<p><b>Asset management</b></p> <ul style="list-style-type: none"> <li>• Robeco (11%)</li> <li>• Schretlen &amp; Co</li> </ul>	<p><b>Partner banks</b></p> <ul style="list-style-type: none"> <li>• Banco Terra (45%)</li> <li>• Banco Regional (39%)</li> <li>• BPR (38%)</li> <li>• NMB (35%)</li> <li>• Zanaco (46%)</li> <li>• URCB (9%)</li> <li>• Banco Sicredi (20%)</li> <li>• FDCU (28%)</li> <li>• Finterra (20%)</li> <li>• LAAD (8%)</li> </ul>
<p><b>Wholesale</b></p> <ul style="list-style-type: none"> <li>• Rembrandt (51%)</li> </ul>	<p><b>Leasing</b></p> <ul style="list-style-type: none"> <li>• DLL (Athlon, Freo)</li> </ul>	<p><b>Real estate</b></p> <ul style="list-style-type: none"> <li>• Bouwfonds Property Development</li> <li>• MAB Development</li> <li>• FGH Bank</li> <li>• Bouwfonds Investment Management</li> <li>• Fondsenbeheer Nederland</li> </ul>	<p><b>International retail</b></p> <ul style="list-style-type: none"> <li>• ACC Loan Management</li> <li>• Bank BGZ (10%)</li> </ul>	

## **Business activities of Rabobank Group**

Through the local Rabobanks, Rabobank 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 31 December 2014, Rabobank Group’s domestic retail banking operations had total assets of €354.3 billion, a private sector loan portfolio of €290.5 billion, amounts due to customers of €209.1 billion (of which savings deposits total €119.9 billion). For the year ended 31 December 2014, Rabobank Group’s domestic retail banking operations accounted for 58 per cent., or €7,450 million, of Rabobank Group’s total income and 41 per cent., or €751 million, of Rabobank Group’s net profit. At 31 December 2014, Rabobank Group’s domestic retail banking operations employed approximately 24,000 full-time employees.

### ***Local Rabobanks***

The 113 (at 31 December 2014) local Rabobanks are independent cooperative entities, each with their own operating areas. With 547 branches and 2,305 cash-dispensing machines at 31 December 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 2014 (*AM Jaarboek 2014*)).

### ***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.

### ***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 Nederland as at 31 December 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 Nederland and by the issuance of mortgage bonds. Rabohypotheekbank does not engage in the financing of real estate development. At 31 December 2014, Rabohypotheekbank had assets of €6.6 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 27 countries. Its activities are subdivided into the following regions: the Netherlands, Europe outside the Netherlands, North and South America, Australia, 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 and New Zealand.

In addition, Wholesale, Rural & Retail has interests in private equity. Rabo Private Equity is the investment arm of Rabobank that acquires equity interests in businesses via specialised labels on the basis of specialist sector knowledge. Rabo Private Equity is active in the Dutch market with its units Rabo Participaties and Phoenix Recovery Capital. Rabo Private Equity also invests in various private equity funds, both in the Netherlands and in food and agri funds outside the Netherlands.

Rabobank's retail activities are performed under the Rabobank label, with the exception of an Irish bank, ACC Loan Management, which is a wholly owned subsidiary. ACC Loan Management underwent a reorganisation in 2013 and 2014 in order to focus exclusively on the management of the existing loan portfolio. The number of offices in Ireland has been reduced further, the number of employees has been sharply reduced and commercial activities (payment services and savings accounts) have also mostly been terminated. In line with this focus and reorganisation, the retail banking licence has been returned, and the name has been changed from ACC Bank plc to ACC Loan Management Limited.

In December 2013, Rabobank reached an agreement on the sale of its 98.5 per cent. equity interest in Bank Gospodarki Zywnosciowej SA ("**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. The sale was completed on 23 September 2014.

At 31 December 2014, Rabobank Group's wholesale banking and international retail banking operations had total assets of €495.1 billion and a private sector loan portfolio of €95.2 billion. For the year ended 31 December 2014, Rabobank Group's wholesale banking and international retail banking operations accounted for 29.3 per cent., or €3,767 million, of Rabobank Group's total income and 41 per cent., or €758 million, of Rabobank Group's net profit. At 31 December 2014, Rabobank Group's wholesale banking and international retail banking operations had approximately 9,500 full-time employees.

### ***Leasing***

#### *DLL International B.V.*

DLL International B.V. ("**DLL**") 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, DLL 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, DLL operates in ten countries in Europe. In the Netherlands, DLL strengthens Rabobank Group's position in the Dutch consumer credit market, in part through the Freo online brand.

Rabobank Nederland owned a 100 per cent. equity interest in DLL at 31 December 2014. DLL has its statutory seat in Eindhoven, the Netherlands. Its issued share capital amounts to €98,470,307 all of which is owned by Rabobank Nederland. At 31 December 2014, Rabobank Nederland's liabilities to DLL amounted to €2,171 million. At 31 December 2014, Rabobank Nederland's claims on DLL amounted to €28,241 million (loans, current accounts, financial assets and derivatives). All liabilities of DLL are guaranteed (through the cross guarantee system) by Rabobank Nederland and the other participants of this system.

At 31 December 2014, DLL had a lease portfolio of €33.0 billion. For the year ended 31 December 2014, DLL accounted for 12.3 per cent., or €1,578 million, of Rabobank Group's total income and 23.7 per cent., or €436 million, of Rabobank Group's net profit. At 31 December 2014, Rabobank Group's leasing operations employed approximately 5,200 full-time employees.

### ***Real estate***

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

Rabo Real Estate Group (Rabo Vastgoedgroep 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.

In early 2015 it was announced that FGH Bank would be integrated into Rabobank as the expertise centre for the funding of commercial real estate. Rabobank continues to be an important player in the field of commercial real estate.

For the year ended 31 December 2014, the Rabo Real Estate Group sold 7,064 houses. At 31 December 2014, Rabo Real Estate Group managed €6.4 billion of real estate assets and its loan portfolio amounted to €16.7 billion. For the year ended 31 December 2014, the real estate operations accounted for 5 per cent., or €610 million, of Rabobank Group's total income and (14) per cent., or €(263) million, of Rabobank Group's net profit. At 31 December 2014, Rabobank Group's real estate operations had approximately 1,500 full-time employees.

### **Participations**

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

At 31 December 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 2014, Achmea had a workforce of approximately 16,600 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 six other European countries and Australia. 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, OZF Achmea, Pro Life Zorgverzekeringen, Staalbankiers, Syntrus Achmea 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.

## **Recent developments**

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

On 11 March 2015, it was announced that Mr. Bert Bruggink will step down from the executive board (*raad van bestuur*) of Rabobank (the “**Executive Board**”) in late 2015. Rabobank is extending its Executive Board to include the function of Chief Risk Officer who will be responsible for the risk management of the bank. The existing function of Chief Financial & Risk Officer will be split. Bert Bruggink has decided to step down when the function splits but will continue to carry out the combined tasks until suitable candidates are found and appointed for both new functions.

### ***Rabobank Central Delegates Assembly positive on proposal outlining new governance***

On 11 March 2015, Rabobank announced that the Central Delegates Assembly of Rabobank issued a positive advice on a proposal outlining the new governance structure for Rabobank. It is proposed that local Rabobanks will work together from a single cooperative with a combined banking licence. The proposal includes a decentralised organisation of local Rabobanks based on cooperative principles. A final decision is expected before the end of 2015.

## ***Ratings***

The credit ratings assigned to the Notes 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 Information Memorandum, or any other factors, on the market value of the Notes. A rating reflects only the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Notes. Accordingly, prospective investors should consult their own financial and legal advisers as to the risks entailed by an investment in such Notes and the suitability of such Notes in light of their particular circumstances.

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

On 20 May 2015, DBRS placed the senior debt and deposit ratings of a number of banking groups in Europe that currently benefit from some uplift for systemic support “under review with negative implications”. Also Rabobank’s “AA (high)” long-term deposits and senior debt rating was placed “under review with negative implications”.

On 28 May 2015, Moody’s confirmed Rabobank’s long term debt and deposit ratings at “Aa2” with a “stable” outlook.

On 9 June 2015, Fitch confirmed Rabobank Group’s long-term issuer default rating at “AA-”; the outlook was revised to “stable” from “negative”.

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 Notes. There is no assurance that a rating will remain unchanged during the term of the Notes of any series.

The ratings represent the relevant rating agency’s assessment of Rabobank’s financial condition and ability to pay its obligations, and do not reflect the potential impact of all risks relating to the Notes. Any

rating assigned to the long-term unsecured debt of Rabobank does not affect or address the likely performance of the Notes other than Rabobank's ability to meet its obligations.

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

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

## **Strategy of Rabobank Group**

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

Rabobank aims for maximum customer focus and seeks to be a meaningful and reliable cooperative bank. Rabobank's ambition in the Netherlands is to provide its customers with suitable products from a position of strength and to be a leading and customer-centric cooperative bank. Outside the Netherlands, Rabobank aims to strengthen its position as a leading food and agri bank.

Through its cooperative structure, Rabobank wants to strengthen its customers' position and their living and working environment. This basic principle has been transposed into five customer promises: reliability, growing stronger together, personal service, active participation and a focus on today and tomorrow. Becoming the bank that Rabobank wants to be for its customers and society calls for a new way of working with each other. Rabobank gives priority to attracting and developing talent. The ambition is to be the bank that customers as well as employees can rely on.

We seek to maintain solid capital and liquidity buffers. To safeguard strong buffers in the future, reserves will have to continue to grow, and amounts due to customers need to grow faster than Rabobank's lending.

The ambitions for the local Rabobanks and Rabobank are detailed in the Vision 2016 Programme. This programme focuses on providing improved customer service at lower cost. The cooperative model is and remains the foundation of the Rabobank organisation. A review of the governance of Rabobank was launched in 2014. Rabobank expects that it will modify the governance model and begin updating its Strategic Framework in 2015.

### ***Customer focus***

Owing to its origins, Rabobank feels it shares some responsibility for the socio-economic development of its customers' environment and networks. That is Rabobank's mission. Rabobank is committed to strengthening its customers' position and their living and working environment through cooperation. We refer to this mission as being 'Invested in each other'.

The customer is the basis for the existence of the cooperative Rabobank. Further intensifying the customer focus in each of Rabobank's employees the aim of at putting the interests of its customers at the heart of everything Rabobank says and does. In doing so, Rabobank is aiming to achieve concrete results and demonstrable benefits for its customers.

### ***Vision 2016***

Rabobank is faced with far-reaching changes in its environment. Customers want straightforward, transparent and readily available financial services. At the same time, limited economic growth in the Netherlands means that earnings are stagnating and bad debt costs remain high. Responding to these

developments, Rabobank established the Vision 2016 Programme in 2013. Rabobank is committed to five changes that will help it achieve its goals:

1. Rabobank strengthens its cooperative identity in its day-to-day conduct.
2. Rabobank focuses on providing advice to existing customers and specific target groups.
3. Rabobank increases its impact in society.
4. Rabobank virtualises its services.
5. Rabobank reduces its costs and hold each other accountable for this.

### ***Empowering employees***

Rabobank aims to have an appealing corporate culture in which it can take pride and that manifests itself in its day-to-day conduct. Rabobank launched a group-wide culture programme in 2013. This programme is aimed at the attitude and behaviour of employees in their daily conduct. Rabobank firmly believes that the values of respect, integrity, sustainability and professionalism must be endorsed by and embedded in all employees.

Strong leadership and motivated employees are necessary to support and shape the changes within the bank. It is above all its employees who make Rabobank what it is and can make an exceptionally important contribution towards this.

### ***Rock-solid bank***

Ample capital and liquidity buffers determine financial solidity. These buffers are necessary conditions and essential for retaining a high rating and good access to professional funding. As a result of the introduction of the CRD IV, capital and liquidity buffers are subject to more stringent requirements. In the past 25 years, lending growth outpaced that of amounts due to customers and reserves. Rabobank consequently relied in part on capital market funding. In the future, the growth of amounts due to customers and the annual addition from net profit to reserves will determine the scope for growth. Rabobank want to target its lending at the food and agri sector throughout the world and at a broader customer group in the Netherlands.

Rabobank's capital buffer consists of retained earnings, Rabobank Certificates, supplementary Tier 1 capital and Tier 2 capital. Rabobank's capital strategy is focused on increasing the relative proportion of retained earnings and Tier 2 capital. The share of retained earnings increases as a result of profit appropriation. To that end Rabobank must focus throughout the Group on restraint and cost control. Although Rabobank does not seek to maximise profit, healthy profit growth is necessary for ensuring continuity, security and selective growth. By expanding total capital with Tier 2 capital by means of new issues, the relative proportion of Rabobank Certificates and supplementary Tier 1 capital in total capital will automatically be reduced. Increasingly, the supplementary Tier 1 instruments issued in the past are excluded in determining capital ratios. Therefore Rabobank intends to issue new instruments in the years ahead that is expected to qualify as Tier 1 capital.

The Rabobank Group aims to achieve the following concrete financial targets by the end of 2016 in the areas of profitability, solvency and liquidity:

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

### ***Meaningful cooperative***

The cooperative model is the foundation of the Rabobank organisation. Almost two million customers in the Netherlands are members of their local Rabobank. They have the opportunity to voice their views and participate in decision-making regarding the policy of the local Rabobank through a members council, thereby ensuring that the local Rabobanks remain in touch with the community of which they are a part. ‘Cooperative banking’ is based on four focus areas that are connected with the financial products and services of Rabobank: long-term relationship, commitment to a better world, participation and solidity.

Rabobank puts the customer’s interests at the heart of its service provision, with a focus on the long-term. On the basis of its cooperative principles, Rabobank always strives to help its customers 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. Rabobank wants to link its cooperative mission more explicitly with banking services. This starts with the financial services provided to customers on a daily basis, but also encompasses stepping up participation in local and virtual networks.

### ***Food and agri***

Rabobank is the leading bank in agriculture and food production internationally (measured by Rabobank’s own surveys), with financing of €92.3 billion in the entire chain and in the principal agri-business countries. As a global food and agri bank, Rabobank published the Banking for Food programme which outlines its vision on food security in the long-term, and its role in it, in 2014. Rabobank supports its food and agri customers by providing access to financing, knowledge and networks.

### ***Banking for Food***

In its Banking for Food vision, Rabobank emphasises that Rabobank has a role in addressing the global food issue, i.e. sustainably feeding more than 9 billion people in 2050. Rabobank has an excellent starting position owing to its presence in the key food-producing and food-consuming countries and in the food chain. In Banking for Food, Rabobank defines specific targets and priorities for a joint and integrated approach and maps out the road by which they can be reached.

### ***Renewing the governance structure and updating the Strategic Framework***

The local Rabobanks in the Netherlands are all individual cooperatives. The same applies to Rabobank, their centralised organisation. In the 1990s, Rabobank witnessed the start of a debate within the bank on its status as a cooperative. A key outcome at that time was that every generation has to reinvent the cooperative for itself. The time has now arrived to re-evaluate the cooperative again.

There are various internal and external reasons to review the existing governance structure of Rabobank, including developments in the financial markets, the shift of supervision to the European Central Bank and new European laws and regulations that place additional demands on the organisation of the bank. In addition, the cost base will continue to be a focus area in the years ahead.

In light of this background, the Executive Board has decided to establish an advisory committee on governance (the “**Governance Committee**”). The Governance Committee is tasked with advising the Executive Board on the organisation and governance of Rabobank. The goal is to put in place a structure and culture that are robust and future-proof and at the same time contribute to restoring trust in Rabobank.

As a first step, the Governance Committee formulated a number of basic principles before developing proposals for specific changes. The basic principles were endorsed by the Central Delegates Assembly in September 2014:

The continued existence of the cooperative

Nearby services to customers

Financial power of the collective and efficient businesses operations

Trustworthy management

Social involvement

Independent supervision

Various scenarios have an influence on the future structure of the organisation. The Governance Committee discusses the proposals for adapting the structure intensively with the local Rabobanks. The Governance Committee then makes a recommendation to the Executive Board. The formulation of views and decision-making concerning the governance model are expected to take place in the first half of 2015.

In 2015, further to the governance discussion, Rabobank will examine what the shape of the future Strategic Framework should be. In addition to the outcomes of the debate on governance, Rabobank will also take account of several other important topics in this process. One of these is the question of the choices Rabobank will make in lending in order to maintain healthy capital ratios. Rabobank will continue to lend to its core customers, a broad customer group in the Netherlands and international food and agri customers. Rabobank will also review strategic choices concerning capital allocation. In addition, the development of the environment in which Rabobank operates as a bank will affect the future design of the Strategic Framework. It is important to take not only regulatory developments, but also technological developments as well as innovation into account.

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

Rabobank's core mission is to be a lifelong, personal financial partner. Rabobank strives to win customer loyalty and thus create ambassadors for its services. Rabobank builds long-lasting customer relationships. It is Rabobank's ambition to be the bank of choice in the Netherlands for all the common financial products and services. This is shown by market leadership.

Rabobank is one of the largest savings institutions in the Netherlands, as well as one of the largest institutions in the markets for the funding of small and medium enterprises and food and agri. The bank intends to maintain these leading positions and seeks to strengthen its position selectively in areas where its ambitions have not yet been realised. Although Rabobank's market share declined 4.5 per cent to 21.5 per cent in 2014, with the local Rabobanks and Obvion, Rabobank still has a strong position in the mortgage market.

The future local Rabobank is based on three pillars: participation, advice and virtualisation. The local Rabobanks participate in initiatives that contribute to local social and economic development. Many of the employees at the local Rabobanks work as advisors and maintain regular contact with customers through physical and virtual networks.

Customer needs have changed in recent years; they arrange most of their banking business through online and mobile channels. Rabobank is thus fully committed to the further virtualisation of its services. This allows Rabobank to serve its customers better, faster and at a lower cost at a time of their choosing. If a customer needs an advisor, one is always nearby. In addition, Rabobank strives to keep its costs in line with the market. Rabobank puts its customers first and wants to offer its services at fair rates, both today and in future. This change process at the local Rabobanks and Rabobank was put in motion in 2013, under the name of Vision 2016.

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

Wholesale, Rural & Retail and Rabobank have been managed as one unit since mid-2014. The strategy for Wholesale, Rural & Retail has not changed: the main objectives are to strengthen its market leading position in the Netherlands and to continue to play a leading role in the international food and agri sector for its customers. In the context of the provision of services to its Dutch and international customers, wholesale offers a number of specialist products and services that seek to provide optimal service to its customers.

Rural & Retail banking also focuses mainly on food and agri. The aim of the rural banks is to have a portfolio consisting of at least 95% food and agri. In the case of the retail banks, this target is set at 40-50% for Rabobank, N.A., while a strategic reorientation has been introduced at Rabobank Indonesia whereby the food and agri focus will be increased to 80% of the portfolio over time.

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

DLL is a globally operating financial services provider. With its operations in the Netherlands, DLL supports the Group strategy of wide-ranging financial services provision. It is a major company in the leasing market in the Netherlands. Its support for Rabobank's global food and agri strategy is reflected in the large proportion of food and agri in DLL's lease portfolio. In 2014, food and agri accounted for 32 per cent of the total lease portfolio. DLL intends to further increase this proportion. Apart from food and agri, DLL specialises in the following industries: healthcare, clean technology, mobility, transportation, construction, industrial equipment and office technology.

The financial solutions provided by DLL can be divided into vendor finance, commercial finance, (car) leasing, factoring and consumer finance. DLL wants to offer the right financial solutions to its customers in these industries so that they can attain their goals.

Long-term relationships and anticipating customer needs are central features of DLL's strategy. This is expressed in the cooperation with customers and the dialogue initiated with customers on how DLL can most effectively add value. DLL is continually searching for ways in which new business models, technologies and digital opportunities can be of assistance to its customers.

DLL facilitates its partners in embracing the circular economy with its Life Cycle Asset Management programme. This programme firstly achieves the transition from ownership to payment for service, and secondly from new to used operating assets. Manufacturers can thus increase the life of their products through intake, remanufacturing, re-use and recycling at the end of their useful lives.

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

FGH Bank is to be integrated into Rabobank. The phase-out of MAB Development and KP Investments is also planned. Clear decisions will be made with regard to the strategic reorientation of Bouwfonds Investment Management and Fondsenbeheer Nederland in the first half of 2015. Bouwfonds Property Development (operating under the name BPD since 1 January 2015) continues to be an important activity for Rabo Real Estate Group and Rabobank. Rabo Real Estate Group will continue to adapt to developments in the coming period, within the context of Rabobank as a shareholder.

### ***Competition***

Rabobank Group competes in the Netherlands with several other large commercial banks such as ABN AMRO, ING Group and SNS Reaal, with insurance companies and pension funds and also with smaller financial institutions in specific markets. 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. The local Rabobanks and Obvion have a balanced mortgage loan portfolio with a weighted loan-to-value of approximately 78 per cent. Historically, mortgage lending in the Netherlands has been relatively low risk and all mortgage loans are collateralised. Mortgage loan defaults do not occur frequently, either in Rabobank Group's mortgage-lending operations or in the Netherlands generally. Almost all mortgages in the Netherlands have a maturity of 30 years. Generally, mortgages have a long-term (greater than five years) fixed interest rate, after which period the rate is reset at the current market rate. Customers generally only have the option to prepay a certain percentage on the principal amount on their mortgage loan without incurring a penalty fee, thus reducing the interest rate risks related to mortgage loan refinancing for Rabobank Group.

### ***Market shares in the Netherlands***

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:* For the year ended 31 December 2014, Rabobank Group had a market share of 21.5 per cent. of the total amount of new home mortgages in the Dutch mortgage market by value (16.3 per cent. by local Rabobanks and 5.2 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 31 December 2014, Rabobank Group had a market share of 36.3 per cent. of the Dutch savings market (source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*)). Rabobank Group is one of the largest savings institution in the Netherlands measured as a percentage of the amount of saving deposits (source: Statistics Netherlands). Of the total saving deposits in the Netherlands, 35.4 per cent. are held by the local Rabobanks and 0.9 per cent. are held by Robeco Direct's savings bank Roparco.

*Lending to small and medium-sized enterprises:* At 31 December 2014, Rabobank Group had a market share of 39 per cent. of domestic loans to the trade, industry and services sector (i.e. enterprises with a turnover of less than €250 million; measured by Rabobank's own surveys).

*Agricultural loans:* At 31 December 2014, 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 Nederland 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 and arbitration proceedings***

Rabobank Group is involved in several legal and arbitration proceedings in the Netherlands and other countries, including the United States, in connection with claims brought by and against the Rabobank Group



and arising from its business operations. Although it is not possible to predict or determine the eventual outcome of all pending or imminent proceedings and processes, Rabobank Group is of the view that the final outcomes of the various pending and/or future legal proceedings are not expected to have a materially adverse effect on the Rabobank Group's financial position.

See the Rabobank Group consolidated financial statements 2014, under note 4.10 "Legal and arbitration proceedings" for further information.

## RABOBANK GROUP STRUCTURE

Rabobank Group is comprised of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), its members being the local Rabobanks in the Netherlands and its subsidiaries and participations in the Netherlands and abroad. The Issuer uses the trade names Rabobank Nederland and Rabobank.

The central institution of Rabobank Group is Rabobank, with its executive office 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 is a licensed bank, in the legal form of a cooperative. 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, under number 30046259.

The object of Rabobank Nederland, 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 (a), (b), (c), (d) and (e).

Rabobank Nederland 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 operates not only from Utrecht, but also from branches and representative offices all over the world. These branches and 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, Nairobi 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 113 local Rabobanks in the Netherlands as at 31 December 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 2014 a dividend of €218 million was distributed to the local Rabobanks and in 2015 a dividend of €264 million is expected to be distributed to the local Rabobanks. In previous years, such distributed dividends to the local Rabobanks amounted to €0 million in 2013, €493 million in 2012, €483 million in 2011 and €438 million in 2010. At Rabobank Group level, these dividend distributions did not have, and are not expected to 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 Nederland'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 Nederland'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 European 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 31 December 2014, the 113 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 1,000 subsidiaries and participations.

Rabobank Group companies focus on retail banking (Rabobank Australia, Rabobank, N.A., vendor leasing (DLL) and real estate services (Rabo Vastgoedgroep and FGH Bank).

Rabobank has assumed liability for debts arising from legal transactions for approximately 27 of its Dutch subsidiaries under article 2:403 of the Dutch Civil Code.

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

*The following discussion should be read in conjunction with the financial statements and the notes thereto of Rabobank Group incorporated by reference into this Information Memorandum. Certain figures for Rabobank Group at and for the year ended 31 December 2013 included in the following discussion have been restated as a result of changes in accounting policies and presentation. See "Change in accounting policies and presentations" below for further information. The financial statements have been prepared in accordance with IFRS as adopted by the European Union and comply with Part 9 of Book 2 of the Dutch Civil Code. The financial data in the (sub) paragraphs in this chapter marked with an asterisk (\*) has not been directly extracted from the audited financial statements 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 31 December 2014, it comprised 113 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 31 December 2014, Rabobank Group had total assets of €681.1 billion and 48,254 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 547 branches and 2,305 cash-dispensing machines at 31 December 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 0.8 million 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.

### **Factors affecting results of operations**

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

Rabobank Group's results of operations are affected by a variety of market conditions, including economic cycles, fluctuations in stock markets, interest rates and exchange rates, and increased competition. Competition for mortgages and savings is likely to continue in 2015.

In 2014, 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 of the Netherlands, the markets Rabobank Group focuses on, i.e. principally food and agri, have historically been impacted by business cycles only in a limited way.

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

### ***Interest rates***

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) can materially affect Rabobank Group's results. For example, a 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 notes to the audited consolidated financial statements incorporated by reference into this Information Memorandum 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 twelve 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 CFRO 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 2013 in this Information Memorandum have been restated (see the Consolidated Financial Statements 2014 Rabobank Group, under note 2.1, "Changes in accounting policies and presentation as a result of new guidelines"). Where the year ended 31 December 2014 is compared with the year ended 31 December 2013, the restated figures for 2013 are discussed.

### **Results of operations**

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

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Interest.....	9,118	9,095	9,171
Commission .....	1,879	2,001	2,228

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Other income.....	1,860	1,934	2,217
<b>Total income.....</b>	<b>12,857</b>	<b>13,030</b>	<b>13,616</b>
Staff costs.....	5,086	5,322	5,494
Other administrative expenses .....	2,532	3,910	2,982
Depreciation .....	437	528	527
<b>Operating expenses .....</b>	<b>8,055</b>	<b>9,760</b>	<b>9,003</b>
<b>Gross result.....</b>	<b>4,802</b>	<b>3,270</b>	<b>4,613</b>
Value adjustments.....	2,633	2,643	2,350
Bank tax expense and resolution levy .....	488	197	196
<b>Operating profit before taxation.....</b>	<b>1,681</b>	<b>430</b>	<b>2,067</b>
Taxation.....	(161)	88	158
Net profit from continuing operations.....	1,842	342	1,909
Net profit from discontinued operations .....	—	1,665	149
<b>Net profit.....</b>	<b>1,842</b>	<b>2,007</b>	<b>2,058</b>

**Year ended 31 December 2014 compared to year ended 31 December 2013**

*Total income.* Rabobank Group's total income decreased 1 per cent. in 2014, falling to €12,857 million compared to €13,030 million in 2013. The decrease was mainly due to a decrease in commission income resulting from lower commission profit on insurance and investments products at the domestic retail banking business.

*Interest.* Interest income rose by €23 million to €9,118 million in 2014 compared to €9,095 million in 2013. Interest profit in the domestic retail banking business rose due to a modest restoration of the margin on savings. This increase was partly offset by the decline in interest profit at the wholesale banking and international retail banking business, which was partly due to the sale of Bank BGZ.

*Commission.* Commission income fell by €122 million to €1,879 million in 2014 compared to €2,001 million in 2013, mainly due to lower commission profit on insurance and investment products at the domestic retail banking business.

*Other income.* In 2013, other income was affected by impairments on land holdings and negative revaluations of real estate. The result on hedge accounting improved in 2014 due to the development in the yield curve. On the other hand, the result on structured notes was down due to a narrowing of the credit spread. Moreover and in 2013 only, pension income arising from the transition to a new pension scheme was recognised under other income. On balance, other income was down €74 million in 2014 at €1,860 million compared to €1,934 million in 2013.

*Operating expenses.* Rabobank Group's operating expenses were down by 17 per cent. in 2014 to €8,055 million compared to €9,760 million in 2013, mainly due to a decrease in other administrative expenses. This decrease is related to the settlement in 2013 following the LIBOR investigations.

*Staff costs.* Staff costs fell by €236 million to €5,086 million in 2014 compared to €5,322 million in 2013. The number of employees at Rabobank Group declined by 15 per cent. or 8,616 full time employees ("FTE") in 2014 to 48,254 FTE compared to 56,870 FTE in 2013. 5,276 FTE of the decline was due to the



sale of Bank BGZ. The workforce at the local Rabobanks also declined further due to the implementation of Vision 2016 Programme.

*Other administrative expenses.* Other administrative expenses declined by €1,378 million to €2,532 million in 2014 compared to €3,910 million in 2013. In 2013, the settlement amount of €774 million following the LIBOR investigations was recognised under other administrative expenses. Reorganisation expenses were also lower in 2014 at both the local Rabobanks and at Rabo Real Estate Group. Furthermore, in 2014 Rabobank released a part of the provision made in connection with the bankruptcy of DSB Bank N.V. This release also contributed to the lower administrative expenses.

*Depreciation.* Depreciation fell by €91 million to €437 million in 2014 compared to €528 million in 2013 due in part to the sale of Bank BGZ.

*Value adjustments.* Value adjustments were down €10 million at Group level, declining to €2,633 million in 2014 compared to €2,643 million in 2013. At 60 basis points of average lending in 2014 compared to 59 basis points in 2013, bad debt costs were 28 basis points above the long-term average of 32 basis points (based on the period from 2004 to 2013). The asset quality review (“AQR”) led to an expense of €448 million. This expense was mainly expressed in the figures for the domestic retail banking business (the local Rabobanks) and in the figures for Rabo Real Estate Group (FGH Bank). At the local Rabobanks, sectors such as manufacturing and wholesale benefited from the increase in exports. Other sectors such as commercial real estate and greenhouse horticulture continued to experience difficulties in 2014. The total bad debt costs at the domestic retail banking business rose slightly on balance. At Wholesale, Rural & Retail, bad debt costs at Rural & Retail declined, mainly due to lower bad debt costs at ACC Loan Management. Bad debt costs also declined at DLL. Bad debt costs on commercial real estate at Rabo Real Estate Group remained at a high level in 2014 and were higher than in 2013.

*Bank tax expense and resolution levy.* The bank tax expense and the resolution levy led to an expense item for Rabobank Group of €488 million in 2014, compared to €197 million in 2013. The increase was the result of the resolution levy, which had an adverse effect on Rabobank Group's results of operations in 2014.

*Taxation.* The recognised tax expense was minus €161 million in 2014 compared to €88 million in 2013, which corresponds to an effective tax rate of minus 9.6 per cent. in 2014 compared to 20.5 per cent. in 2013. The low tax rate in 2014 was mainly due to deferred tax assets as a result of the past losses incurred at ACC Loan Management.

*Net profit.* Net profit decreased by 8 per cent. to €1,842 million in 2014 compared to €2,007 million in 2013. The result in 2014 was negatively affected by €321 million as a result of the resolution levy, a non-recurring levy by the government on the Dutch banking sector in connection with the nationalisation of SNS Reaal. There were also positive effects on the result in 2013, notably due to the sale of Robeco. Without these non-recurring items, there was a strong improvement in the result. The net profit from continuing operations, which does not account for the profit from discontinued operations such as the sale of Robeco in 2013, was up €1,500 million, increasing to €1,842 million in 2014 compared to €342 million in 2013.

### ***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 €13,030 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 €9,095 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 €2,001 million in 2013 compared to €2,228 million in 2012.

*Other income.* Other income was down €283 million in 2013 at €1,934 million compared to €2,217 million in 2012. Other income 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 income.

*Operating expenses.* Rabobank Group's operating expenses rose by 8 per cent. in 2013 to €9,760 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 €5,322 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 €3,910 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 and arbitration proceedings*". At Rabobank Nederland, 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 Programme. Moreover, both the local Rabobanks and Rabo Real Estate Group faced higher costs of reorganisation. The implementation of Vision 2016 Programme 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 bad debt costs at the domestic retail banking division were slightly above the high level seen in 2012. At Wholesale, Rural & Retail, which has a more internationally diversified portfolio, the level of value adjustments fell. At DLL, value adjustments rose slightly.

*Bank tax expense and resolution levy.* 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 €88 million in 2013 compared to €158 million in 2012, which corresponds to an effective tax rate of 20.5 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 €2,007 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.

## 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:

	Year ended 31 December		
(in millions of euros)	2014	2013	2012
Interest.....	5,783	5,605	5,180
Commission .....	1,318	1,319	1,344
Other income.....	349	616	765
<b>Total income</b> .....	<b>7,450</b>	<b>7,540</b>	<b>7,289</b>
Staff costs.....	2,302	2,463	2,454
Other administrative expenses .....	2,233	2,408	1,755
Depreciation.....	127	144	151
<b>Operating expenses</b> .....	<b>4,662</b>	<b>5,015</b>	<b>4,360</b>
<b>Gross result</b> .....	<b>2,788</b>	<b>2,525</b>	<b>2,929</b>
Value adjustments.....	1,422	1,384	1,329
Bank tax expense and resolution levy .....	354	90	91
<b>Operating profit before taxation</b> .....	<b>1,012</b>	<b>1,051</b>	<b>1,509</b>
Taxation.....	261	270	205
<b>Net profit</b> .....	<b>751</b>	<b>781</b>	<b>1,304</b>

### Year ended 31 December 2014 compared to year ended 31 December 2013

*Total income.* Domestic retail banking total income decreased by 1 per cent., falling to €7,450 million in 2014, compared to €7,540 million in 2013. This decrease was mainly due to a decrease in other income.

*Interest.* Interest income increased 3 per cent. to €5,783 million in 2014, compared to €5,605 million in 2013, which was due to a slight recovery in margins on private savings.

*Commission.* Commission was more or less stable at €1,318 million in 2014, compared to €1,319 million in 2013. Commission profit on insurance and investment products was lower in 2014 than in 2013, but was compensated for by higher commission profit on payment services.

*Other income.* Other income decreased by 43 per cent. to €349 million in 2014, compared to €616 million in 2013. The transition to the new pension scheme positively affected other income in 2013. Unlike in

2013, Rabobank Nederland once again distributed dividends to the local Rabobanks in 2014. On balance, there was a net decline in other income.

*Operating expenses.* Total operating expenses for domestic retail banking decreased 7 per cent., declining to €4,662 million in 2014, compared to €5,015 million in 2013, principally as a result of a decrease in staff costs and other administrative expenses.

*Staff costs.* Staff costs were down 7 per cent. to €2,233 million in 2014, compared to €2,408 million in 2013. The number of staff at the local Rabobanks declined due to the implementation of Vision 2016. The transfer of customers from Friesland Bank to Rabobank was completed on 1 August 2014. There have been no employees at Friesland Bank since 1 October 2014. As a result of these developments, staff costs fell in 2014.

*Other administrative expenses.* Other administrative expenses were affected by reorganisation costs, costs of innovation and group costs. Reorganisation costs were much lower in 2014 than in 2013, although costs of innovation due to the process of automating services and moving them online in 2014 remained at a similarly high level as 2013. With effect from 2014, the costs incurred by Rabobank Nederland associated with Group activities are recharged to the local Rabobanks, in addition to the normal amounts recharged. On balance, other administrative expenses decreased 7 per cent. to €2,233 million in 2014, compared to €2,408 million in 2013.

*Depreciation.* Depreciation fell by 12 per cent. to €127 million in 2014, compared to €144 million in 2013, as a result of lower depreciation on software.

*Value adjustments.* Value adjustments rose by €38 million to reach €1,422 million in 2014, compared to €1,384 million in 2013. At 48 basis points in 2014, compared to 45 basis points in 2013, of average lending, bad debt costs were above the long-term average of 19 basis points, based on the period from 2004 to 2013. Of total lending, 71 per cent. is comprised of residential mortgage loans. Bad debt costs on residential mortgage loans stood at 5 basis points in 2014 compared to 6 basis points in 2013.

*Bank tax expense and resolution levy.* The bank tax and resolution levy led to an additional expense item of €354 million in 2014 compared to €90 million in 2013.

*Taxation.* Taxation decreased in 2014 by €9 million to €261 million compared to €270 million in 2013.

*Net profit.* Net profit decreased by 4 per cent. to €751 million in 2014 compared to €781 million in 2013. The net result was negatively affected by the non-recurring resolution levy of €274 million. In 2013, the transition to the new pension scheme positively affected net profit.

### ***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 income.* Other income 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 Nederland should not pay a dividend to the local Rabobanks. The transition to the new pension scheme positively affected other income.

*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 Nederland, 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 expense and resolution levy.* 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 Nederland, which are fully recharged to the local Rabobanks, contributed to the decrease.

### **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:

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Interest.....	2,416	2,606	2,775
Commission .....	552	641	618
Other income.....	799	793	612
<b>Total income</b> .....	<b>3,767</b>	<b>4,040</b>	<b>4,005</b>
Staff costs.....	1,164	1,270	1,320
Other administrative expenses .....	1,166	1,736	976
Depreciation.....	87	126	120
<b>Operating expenses</b> .....	<b>2,417</b>	<b>3,132</b>	<b>2,416</b>
<b>Gross result</b> .....	<b>1,350</b>	<b>908</b>	<b>1,589</b>

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Value adjustments.....	420	568	621
Bank tax expense.....	67	75	60
<b>Operating profit before taxation.....</b>	<b>863</b>	<b>265</b>	<b>908</b>
Taxation.....	105	219	204
<b>Net profit.....</b>	<b>758</b>	<b>46</b>	<b>704</b>

**Year ended 31 December 2014 compared to year ended 31 December 2013**

*Total income.* Total income at Wholesale banking and international retail banking decreased by 7 per cent. to €3,767 million in 2014 compared to €4,040 million in 2013. This decrease was mainly attributable to a decline in interest income.

*Interest.* Interest income declined by 7 per cent. to €2,416 million in 2014, compared to €2,606 million in 2013. The lower level of activity as a result of the sale of Bank BGZ and the reduction of the high-risk activities contributed to this decline.

*Commission.* Commission decreased by 14 per cent. to €552 million in 2014, compared to €641 million in 2013, driven by lower level of commission generating activity as a result of the sale of Bank BGZ.

*Other income.* A further reduction and a positive revaluation of illiquid assets contributed positively to the other income in 2014. In 2014, other income rose by 1 per cent. to €799 million, compared to €793 million in 2013.

*Operating expenses.* Total operating expenses of Wholesale banking and international retail banking decreased by 23 per cent. to €2,417 million in 2014, compared to €3,132 million in 2013, principally as a result of a decrease in other administrative expenses.

*Staff costs.* Staff costs decreased by 8 per cent. to €1,164 million in 2014, compared to €1,270 in 2013. The sale of Bank BGZ led to a decline in the number of employees of 5,289 FTE. The reduction in staff in combination with the lower level of activity contributed to a decline in staff costs.

*Other administrative expenses.* Other administrative expenses were down 31 per cent. to €1,166 million in 2014, compared to €1,736 million in 2013. This item was high in 2013 because it included the settlements agreed by Rabobank relating to the LIBOR investigations.

*Depreciation.* Lower amortisation of intangible non-current assets and software led to a decline in depreciation by 31 per cent. to €87 million, compared to €126 million in 2013.

*Value adjustments.* Value adjustments at Wholesale banking and international retail banking decreased by 26 per cent. to €420 million in 2014, compared to €568 million in 2013. Bad debt costs amounted to 44 basis points in 2014, compared to 57 basis points in 2013 of average lending, which is lower than the long-term average of 57 basis points (based on the period 2004 to 2013).

*Bank tax expense.* The bank tax expense led to an additional expense item of €67 million in 2014, compared to €75 million in 2013.

*Taxation.* Taxation decreased in 2014 by €114 million to €105 million, compared to €219 million in 2013.

*Net profit.* Net profit increased by €712 million to €758 million in 2014 compared to €46 million in 2013. Lower operating expenses and lower value adjustments at both the international rural and retail banking and the wholesale banking business led to an increase in net profit.

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

*Total income.* Total income at Wholesale banking and international retail banking increased by 1 per cent. to €4,040 million in 2013 compared to €4,005 million in 2012. This increase was attributable in particular to a €181 million rise in other income.

*Interest.* Interest income declined by 6 per cent. to €2,606 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 4 per cent. to €641 million in 2013, compared to €618 million in 2012, driven by higher commission income at Capital Markets.

*Other income.* In 2013, other income 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.* Total operating expenses of Wholesale banking and international retail banking increased by 30 per cent. to €3,132 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 million 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 €1,736 million in 2013, compared to €976 million in 2012.

*Depreciation.* Depreciation grew by 6 per cent. to €126 million, compared to €120 million in 2012, due to increased write-offs on proprietary software.

*Value adjustments.* Value adjustments at Wholesale banking and international retail banking 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 expense.* The bank tax expense led to an additional expense item of €75 million in 2013, compared to €60 million in 2012.

*Taxation.* Taxation increased in 2013 by €15 million to 219 million, compared to €204 million in 2012.

*Net profit.* Net profit decreased by 94 per cent. to €46 million in 2013 compared to €704 million in 2012. This decrease was mainly due to the settlements agreed by Rabobank after the LIBOR investigations.

**Leasing**

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

<i>(in millions of euros)</i>	<i>Year ended 31 December</i>		
	2014	2013	2012
Interest.....	1,000	973	952

Year ended 31 December

<i>(in millions of euros)</i>	2014	2013	2012
Commission .....	30	52	63
Other income.....	548	545	442
<b>Total income</b> .....	<u>1,578</u>	<u>1,570</u>	<u>1,457</u>
Staff costs.....	535	517	526
Other administrative expenses .....	251	198	223
Depreciation.....	48	49	47
<b>Operating expenses</b> .....	<u>834</u>	<u>764</u>	<u>796</u>
<b>Gross result</b> .....	744	806	661
Value adjustments.....	131	170	147
Bank tax expense.....	9	9	9
<b>Operating profit before taxation</b> .....	<u>604</u>	<u>627</u>	<u>505</u>
Taxation.....	168	205	138
<b>Net profit</b> .....	<u>436</u>	<u>422</u>	<u>367</u>

**Year ended 31 December 2014 compared to year ended 31 December 2013**

*Total income.* DLL's total income increased by 1 per cent., rising to €1,578 million in 2014, compared to €1,570 million in 2013. The increase was in particular attributable to a 3 per cent. increase in interest income.

*Interest.* Interest income was up by 3 per cent. to €1,000 million in 2014, compared to €973 million in 2013. Growth of the average lease portfolio contributed to the increase.

*Commission.* Commission income fell by €22 million to €30 million in 2014, compared to €52 million in 2013. Commissions were relatively high in 2013 as a result of the strong growth of the portfolio in Brazil. Commission profit returned to a more normal level in 2014 mainly due to the decline of the portfolio in Brazil.

*Other income.* Other incomes increased by 1 per cent. to €548 million, compared to €545 million in 2013. Other income consists mainly of the result from sales of leased products and income from operational lease contracts. Both these items showed a limited increase compared to 2013.

*Operating expenses.* Total operating expenses at DLL were up 9 per cent. to €834 million in 2014, compared to €764 million in 2013, principally due to higher other administrative expenses.

*Staff costs.* Staff costs were up 3 per cent., reaching €535 million in 2014, compared to €517 million in 2013, due to the increase in workforce.

*Other administrative expenses.* With effect from 2014, the costs incurred by Rabobank Nederland for Group activities are recognised at the segments under other administrative expenses. Primarily due to this change, other administrative expenses rose 27 per cent. to €251 million, compared to €198 million in 2013.

*Depreciation.* Depreciation was more or less stable at €48 million, compared to €49 million in 2013.

*Value adjustments.* DLL's value adjustments decreased by 23 per cent. to €131 million, compared to €170 million in 2013. Expressed in basis points of average lending, value adjustments stood at 43 basis points in 2014 compared to 59 basis points in 2013. Value adjustments are now 25 basis points below the long-term



average of 68 basis points (based on the period 2004 to 2013). The diversification of the lease portfolio across countries and sectors in combination with the economic recovery and strict risk management contributed to the lower level of value adjustments.

*Bank tax expense.* The bank tax expense led to an additional expense item of €9 million in 2014, compared to €9 million in 2013.

*Taxation.* Taxation decreased in 2014 by €37 million to €168 million compared to €205 million in 2013.

*Net profit.* Net profit increased 3 per cent. to €436 million in 2014 compared to €422 million in 2013. The increase was mainly due to the decrease in value adjustments.

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

*Total income.* DLL'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 income.

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

*Operating expenses.* Total operating expenses at DLL 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.* Depreciation was slightly higher at €49 million, compared to €47 million in 2012, mainly due to higher depreciation of inventory.

*Value adjustments.* DLL'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, value adjustments stood at 59 basis points in 2013 compared to 53 basis points in 2012. Value adjustments 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.

**Real estate**

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

<i>(in millions of euros)</i>	<b>Year ended 31 December</b>		
	2014	2013 (restated)	2012
Interest.....	313	335	312
Commission .....	36	29	35
Other income.....	261	(556)	104
<b>Total income</b> .....	<u>610</u>	<u>(192)</u>	<u>451</u>
Staff costs.....	198	193	193
Other administrative expenses .....	104	119	89
Depreciation .....	9	27	19
<b>Operating expenses</b> .....	<u>311</u>	<u>339</u>	<u>301</u>
<b>Gross result</b> .....	299	(531)	150
Value adjustments.....	656	513	237
Bank tax expense.....	8	8	8
<b>Operating profit before taxation</b> .....	<u>(365)</u>	<u>(1,052)</u>	<u>(95)</u>
Taxation.....	(102)	(238)	12
<b>Net profit</b> .....	<u>(263)</u>	<u>(814)</u>	<u>(107)</u>

**Year ended 31 December 2014 compared to year ended 31 December 2013**

*Total income.* Total income in Rabobank Group's real estate business increased by €802 million to €610 million in 2014 compared to minus €192 million in 2013 due to higher other income.

*Interest.* Interest income decreased by 7 per cent. to €313 million in 2014 compared to €335 million in 2013, due to the contraction of the loan portfolio.

*Commission.* Commission increased by 24 per cent. to €36 million, compared to €29 million in 2013, as a result of certain non-recurring income items.

*Other income.* Contrary to 2013, there were only limited downward valuations of land positions and revaluations of land operations in 2014. Downward valuations of commercial real estate holdings were also down and the sale of the PalaisQuartier was achieved with a book profit in 2014. Residential property sales also rose. Due to these developments other income rose by €817 million to €261 million in 2014, compared to minus €556 million in 2013.

*Operating expenses.* Total operating expenses in Rabobank Group's real estate business decreased by 8 per cent. in 2014, reaching €311 million, compared to €339 million in 2013, mainly due to lower administrative expenses.

*Staff costs.* Staff costs rose by 2 per cent. to €198 million compared to €195 million in 2013, due to the hiring of temporary personnel and higher pension expenses.

*Other administrative expenses.* A reorganisation provision was formed in 2013 as a result of the phase-out of the activities of MAB Development. The expense associated with this was recognised under other administrative expenses. It was mainly the absence of this item that caused other administrative expenses to decrease by 13 per cent. to €104 million in 2014, compared to €119 million in 2013.

*Depreciation.* Depreciation decreased by €18 million to €9 million in 2014 compared to €27 million in 2013, primarily because the intangible non-current assets of Bouwfonds Holding had already largely been amortised in 2013.

*Value adjustments.* Value adjustments were €656 million in 2014, compared to €513 million in 2013, which corresponds to 364 basis points in 2014 compared to 278 basis points in 2013 of average lending. Value adjustments are now 311 basis points above the long-term average of 53 basis points (based on the period 2004 to 2013). Value adjustments rose due to the poor state of the Dutch real estate market in 2013 that impacted value adjustments in 2014 because the market for real estate finance is late-cyclical in nature meaning that it takes longer for an economic recovery to be reflected in the figures. Furthermore, the market is still dealing with long-term developments that have led to an excess of supply.

*Bank tax expense.* The bank tax expense led to an additional expense item of €8 million in 2014, compared to €8 million in 2013.

*Taxation.* Taxation increased by €136 to minus €102 million in 2014 compared to minus €238 million in 2013.

*Net profit.* Net profit increased by €551 million to minus €263 million in 2014 compared to minus €814 million in 2013. Contrary to 2013, there were no heavy downward valuations on land positions and land operations.

#### ***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 143 per cent. to minus 192 million in 2013 compared to €451 million in 2012 due to lower other income.

*Interest.* Interest income increased by €23 million to €335 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 €29 million, compared to €35 million in 2012.

*Other income.* 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 income by 635 per cent. to minus €556 million in 2013, compared to €104 million in 2012.

*Operating expenses.* Total operating expenses in Rabobank Group's real estate business increased by 13 per cent. in 2013, reaching €339 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 3 per cent. to €198 million, compared to €193 million in 2012.

*Other administrative expenses.* Other administrative expenses increased by 34 per cent. to €119 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 €250 to minus €238 million in 2013 compared to €12 million in 2012.

*Net profit.* Net profit decreased by €707 million to minus €814 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.

### **Loan portfolio**

The Dutch economy grew in 2014 due to a cautious increase in exports and investment. Exports grew due to economic growth in the eurozone. Residential property sales rose, which contributed to an increase in investment. Consumers remained cautious, due to the continuing high level of unemployment. Many households chose to restore their balance sheets by repaying debt. These developments put a brake on growth in consumption. The effects of these domestic economic conditions were visible in the development of the loan portfolio. Due to these developments, the loans to customers item increased by 1 per cent., or €6.5 billion, to €462.4 billion at 31 December 2014 from €455.9 billion at 31 December 2013. The private sector loan portfolio decreased by €4.3 billion to €430.4 billion at 31 December 2014, a decrease of 1 per cent. from €434.7 billion at 31 December 2013. Loans to private individuals, primarily for mortgage finance, were down €5.6 billion, or 3 per cent., to €210.8 billion at 31 December 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 €4.0 billion to €127.3 billion at 31 December 2014. Lending to the food and agri sector increased by €5.3 billion to €92.3 billion at 31 December 2014, a 6 per cent. increase.

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

<b>At 31 December</b>				
<i>(in millions of euros and as percentage of total private sector lending)</i>	2014		2013 (restated)	
Private individuals	210,788	49%	216,351	50%
Trade, industry and services sector	127,287	30%	131,364	30%
Food and agri sector	92,316	21%	86,976	20%
<b>Total private sector lending</b>	<u>430,391</u>	<u>100%</u>	<u>434,691</u>	<u>100%</u>

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 2014 and 31 December 2013:

At 31 December

<i>(in millions of euros and as percentage of total loans to customers)</i>	2014		2013 (restated)	
Less than 1 year .....	108,121	23%	94,921	21%
More than 1 year .....	354,326	77%	360,988	79%
<b>Total loans to customers</b> .....	<b>462,447</b>	<b>100%</b>	<b>455,909</b>	<b>100%</b>

**Funding**

At 31 December 2014, amounts due to customers of Rabobank Group were €326.5 billion, more or less stable compared to 31 December 2013. The balance held in savings deposits decreased by €8.9 billion to €142.6 billion, a decrease of 6 per cent. Other amounts due to customers (including current accounts, repurchase agreements and time deposits) increased by €9.1 billion to €183.8 billion at 31 December 2014, largely due to an increase in wholesale banking and international retail banking. Time deposits increased by €13.2 billion to €69.6 billion. At 31 December 2014, debt securities in issue (including certificates of deposit, commercial paper and bonds) totalled €189.1 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 31 December 2014, 31 December 2013 and 31 December 2012:

At 31 December

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Savings deposits .....	142,622	151,516	149,661
Other due to customers .....	183,849	174,706	184,610
Debt securities in issue .....	189,060	195,361	223,336
Other financial liabilities at fair value through profit or loss .....	19,744	19,069	24,091
<b>Total</b> .....	<b>535,275</b>	<b>540,652</b>	<b>581,698</b>

Rabobank Group also receives funds from the inter-bank and institutional market. Rabobank Group's total due to other banks was €17.9 billion at 31 December 2014, a 22 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.

**Other financial assets at 31 December 2014**

<i>(in millions of euros)</i>	Trading	Other at fair value through profit or loss	Available-for-sale	Total
Purchased loans .....	712	—	—	712
Short-term government securities .....	123	—	2,297	2,420
Government bonds .....	950	12	31,456	32,418
Other debt securities .....	2,117	2,494	4,740	9,351
<b>Loans.....</b>	<b>—</b>	<b>1,090</b>	<b>—</b>	<b>1,090</b>
<b>Total debt securities.....</b>	<b>3,902</b>	<b>3,596</b>	<b>38,493</b>	<b>45,991</b>
Venture capital.....	—	274	—	274
Equity instruments .....	377	455	1,277	2,109
<b>Total other assets .....</b>	<b>377</b>	<b>729</b>	<b>1,277</b>	<b>2,383</b>
<b>Total.....</b>	<b>4,279</b>	<b>4,325</b>	<b>39,770</b>	<b>48,374</b>
Category 1 <sup>(1)</sup> .....	3,059	318	36,974	40,351
Category 2 <sup>(1)</sup> .....	1,091	2,274	1,805	5,170
Category 3 <sup>(1)</sup> .....	129	1,733	991	2,853

**Other financial assets at 31 December 2013 (restated)**

<i>(in millions of euros)</i>	Trading	Other at fair value through profit or loss	Available-for-sale	Total
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	2,885	8,170	13,164
<b>Loans.....</b>	<b>—</b>	<b>1,056</b>	<b>—</b>	<b>1,056</b>
<b>Total debt securities.....</b>	<b>4,570</b>	<b>4,004</b>	<b>45,594</b>	<b>54,168</b>
Venture capital.....	—	549	—	549
Equity instruments .....	719	386	958	2,063
<b>Total other assets .....</b>	<b>719</b>	<b>935</b>	<b>958</b>	<b>2,612</b>
<b>Total.....</b>	<b>5,289</b>	<b>4,939</b>	<b>46,552</b>	<b>56,780</b>
Category 1 <sup>(1)</sup> .....	2,959	371	42,597	45,927
Category 2 <sup>(1)</sup> .....	2,155	2,962	3,645	8,762
Category 3 <sup>(1)</sup> .....	175	1,606	310	2,091

Note:

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>		
<i>(in millions of euros)</i>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Financial guarantees	11,826	11,429	14,904
Letters of credit	5,392	5,919	5,583
Credit granting liabilities	35,432	32,126	33,061
Other contingent liabilities	—	82	—
<b>Total credit related and contingent liabilities</b>	<b>52,650</b>	<b>49,556</b>	<b>53,548</b>
Revocable credit facilities	51,327	45,031	45,083
<b>Total credit related commitments</b>	<b>103,977</b>	<b>94,587</b>	<b>98,631</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) and the equity capital ratio. Rabobank's internal targets exceed the regulators' minimum requirements as it anticipates market expectations and developments in laws and regulations. Rabobank seeks to stand out from other financial institutions, managing its solvency position based on policy documents. The Balance Sheet and Risk Management Committee Rabobank Group (effective 1 January 2015, this was divided into the Risk Management Committee and the Asset and Liability Committee), 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. The minimum required percentages under the CRD IV are 8 per cent. and 4 per cent. of the risk-weighted assets, respectively.

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 31 December 2014, Rabobank Group's common equity Tier 1 ratio stood at 13.6 per cent. (year-end 2013; 13.5 per cent.).

Risk-weighted assets were up €1.1 billion to €211.9 billion at 31 December 2014 compared to €210.8 billion at 31 December 2013. The addition of profits was a contributing factor in the €0.1 billion increase in common equity Tier 1 capital to €28.7 billion at 31 December 2014 compared to €28.6 billion at 31 December 2013. See "Regulation of Rabobank Group" for further discussion of the Basel standards.

The Tier 1 ratio expresses the relationship between Tier 1 capital and total risk-weighted assets. As at 31 December 2014, Rabobank Group's Tier 1 ratio stood at 16.0 per cent. (year-end 2013: 16.6 per cent.). The minimum requirement set by external supervisors under the CRDIV is 6.0 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 31 December 2014, the BIS ratio stood at 21.3 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 following table sets forth the development in capital and solvency ratios of Rabobank Group at 31 December 2014, 31 December 2013 and 31 December 2012:

**Development in capital and solvency ratios**

<i>(in millions of euros, except percentages)</i>	<b>At 31 December</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Common equity Tier 1 capital	28,714	28,551	29,253
Common equity Tier 1 ratio	13.6%	13.5%	13.1%
Tier 1 capital	33,874	35,092	38,358
Tier 1 ratio	16.0%	16.6%	17.2%
Qualifying capital	45,139	41,650	42,321
BIS ratio	21.3%	19.8%	19.0%

**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 past five years:

<i>(in percentages)</i>	2014	2013	2012	2011	2010
Return on assets <sup>(1)</sup>	0.27	0.29	0.28	0.38	0.42
Return on equity <sup>(2)</sup>	4.69	4.88	4.70	6.17	7.00
Equity to assets ratio <sup>(3)</sup>	5.80	5.82	5.96	6.19	4.84



Notes:

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

Net profit as a percentage of average equity, based on quarter-end balances.

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 past five years:

<i>(in millions of euros, except percentages)</i>	2014	2013	2012	2011	2010
Outstanding Rabobank (Member) Certificates <sup>(1)</sup>	5,910	6,219	6,587	6,551	6,368
Payments	385	309	328	315	303
Average yield	6.52%	4.96%	4.98%	4.81%	4.76%

Note:

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 2014, 31 December 2013 and 31 December 2012:

<i>(in millions of euros)</i>	At 31 December		
	2014	2013 (restated)	2012
Private sector lending	430,391	434,691	458,091
Government clients	2,135	2,661	3,764
Securities transactions due from private sector lending	18,295	10,697	11,410
Interest rate hedges (hedge accounting)	11,626	7,860	12,034
<b>Total loans to customers</b>	<b>462,447</b>	<b>455,909</b>	<b>485,299</b>
Value adjustments in loans to customers	(9,348)	(8,581)	(3,715)
Reclassified assets	1,295	2,806	4,224
<b>Gross loans to customers</b>	<b>454,394</b>	<b>450,134</b>	<b>484,790</b>

The following table sets forth a geographic breakdown of Rabobank Group's loan portfolio at 31 December 2014, 31 December 2013 and 31 December 2012:

<i>(in millions of euros)</i>	At 31 December		
	2014	2013 (restated)	2012
The Netherlands	1,850	1,541	2,584
Other countries in the EU zone	36	336	408

At 31 December

<i>(in millions of euros)</i>	<b>2014</b>	<b>2013</b> <i>(restated)</i>	<b>2012</b>
North America	235	390	444
Latin America	—	40	5
Asia	—	2	256
Australia and New Zealand	14	288	5
Other countries	—	73	61
<b>Total government clients</b>	<b>2,135</b>	<b>2,670</b>	<b>3,764</b>
The Netherlands	322,089	335,046	341,614
Other countries in the EU zone	27,312	26,972	35,737
North America	40,198	36,569	42,010
Latin America	11,273	10,635	11,414
Asia	9,230	6,631	6,284
Australia	19,948	18,698	20,812
Other countries	341	140	220
<b>Total private sector lending</b>	<b>430,391</b>	<b>434,691</b>	<b>458,091</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.

At 31 December 2014

<i>Payments due by period</i> <i>(in millions of euros)</i>	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and cash equivalents	41,992	1,377	40	—	—	43,039
Due from other banks	14,373	26,813	2,626	1,206	284	45,302
Trading financial assets	26	839	503	2,214	697	4,279
Other financial assets at fair value through profit or loss	35	752	128	1,122	2,288	4,325
Derivative financial instruments	22	4,375	3,404	12,086	36,602	56,489
Loans to customers	30,380	39,258	38,483	83,696	270,630	462,447
Available-for-sale financial assets	4	3,858	3,090	16,369	16,449	39,770
Deferred tax assets	747	—	—	—	1,754	2,501
Other assets (excluding employee benefits)	744	4,194	1,528	1,539	549	8,554
<b>Total financial assets</b>	<b>88,323</b>	<b>81,466</b>	<b>49,802</b>	<b>118,232</b>	<b>329,253</b>	<b>667,076</b>
Due to other banks	2,287	8,781	1,263	4,953	599	17,883

At 31 December 2014

<i>Payments due by period (in millions of euros)</i>	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Due to customers	236,154	45,062	9,728	14,295	21,232	326,471
Debt securities in issue	229	32,318	59,470	63,839	33,204	189,060
Derivative financial instruments and other trade liabilities	176	4,477	3,830	15,421	43,656	67,560
Other debts (excluding employee benefits)	1,715	4,386	713	791	57	7,662
Other financial liabilities at fair value through profit or loss	40	695	1,494	5,611	11,904	19,744
Deferred tax liabilities	473	—	—	—	—	473
Subordinated debt	—	—	3	1,077	10,848	11,928
<b>Total financial liabilities</b>	<u>241,074</u>	<u>95,719</u>	<u>76,501</u>	<u>105,987</u>	<u>121,500</u>	<u>640,781</u>
<b>Net liquidity surplus/(deficit)</b>	<u>(152,751)</u>	<u>(14,253)</u>	<u>(26,699)</u>	<u>12,245</u>	<u>207,753</u>	<u>26,295</u>

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 2014 and throughout 2014. The average liquidity surplus was 26 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 2014, the BPV did not exceed €8 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 0.4 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 2 basis points over a one-year period, net interest income would decrease at the most by €55 million in 2014.

### **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 2014, 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:

<i>(in millions of euros)</i>	Banks	Public authorities	Private sector	Total
<b>At 31 December 2014</b>				
France	8,522	3,484	3,343	15,349
United Kingdom	13,641	1	13,245	26,887
Switzerland	382	5,433	1,596	7,411
United States	2,851	1,640	4,411	8,902
<b>At 31 December 2013</b>				
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

***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 2014:

At 31 December 2014

<i>(in millions of euros)</i>	On balance	Off balance	Total
Grain and oilseeds	17,474	595	18,069
Animal protein	22,977	405	23,382
Dairy	14,031	79	14,110
Fruit and vegetables	9,933	188	10,121
Farm inputs	7,249	428	7,677
Food retail	4,276	255	4,531
Beverages	3,823	137	3,960
Flowers	1,792	3	1,795
Sugar	2,285	50	2,336
Miscellaneous crop farming	1,772	20	1,792
Other	6,704	245	6,949
<b>Total private sector lending to food and agri</b>	<b>92,316</b>	<b>2,405</b>	<b>94,722</b>
Lessors of real estate	26,202	53	26,255
Finance and insurance (except banks)	14,091	818	14,909
Wholesale	11,194	6,679	17,873
Activities related to real estate	6,253	1,299	7,552
Manufacturing	10,752	1,094	11,846
Transportation and warehousing	6,103	318	6,421
Construction	5,343	1,206	6,549
Healthcare and social assistance	5,968	43	6,011
Professional, scientific and technical services	9,478	458	9,936
Retail (except food and beverages)	4,718	446	5,164
Utilities	2,364	758	3,123
Information and communication	823	60	883
Arts, entertainment and recreation	1,340	13	1,353
Other services	22,657	953	23,611
<b>Total private sector lending to trade, industry and services</b>	<b>127,287</b>	<b>14,199</b>	<b>141,486</b>
Private individuals	210,789	48	210,837
<b>Total private sector lending</b>	<b>430,392</b>	<b>16,653</b>	<b>447,044</b>

Apart from due from other banks (€45.3 billion at 31 December 2014 which is 6.7 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 2014. 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 21 per cent. in 2014. The proportion of the total loan

portfolio attributable to trade, industry and services was 30 per cent. at 31 December 2014. 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 31 December 2014, these loans amounted to €16,122 million (2013: €16,171 million). The allowance for loan losses covered 59 per cent. (2013: 54 per cent.) of the impaired loans. It should be noted that the application of the write-off in prior years at group level of the allowance for portfolios to which a very low probability of recovery is assigned has ended and accordingly, the reduction of impaired loans by the same amount has ended. This explains the restatement of the figures of the impaired loans and loan loss allowance for 2012 and 2013. Over and above the loan loss allowance, additional coverage is raised through collateral and other securities. Rabobank applies the one-obligor principle for the corporate portfolio, which means that the exposure to all counterparties belonging to the same group is taken into account. In addition, the full exposure to a client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of security or collateral. At 31 December 2014, impaired loans corresponded to 3.8 per cent. (2013: 3.7 per cent.) of the private sector loan portfolio.

The following table provides an analysis of Rabobank Group's impaired loans by business at 31 December 2014, 31 December 2013 and 31 December 2012:

	<b>At 31 December</b>		
<i>(in millions of euros)</i>	<b>2014</b>	<b>2013</b> <i>(restated)</i>	<b>2012</b> <i>(restated)</i>
Domestic retail banking	8,696	8,987	7,209
Wholesale banking and international retail banking	3,636	3,697	4,670
Leasing	643	721	905
Real estate	3,148	2,767	1,525
Other	—	—	—
<b>Rabobank Group</b>	<u>16,122</u>	<u>16,171</u>	<u>14,308</u>

### 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 past three years:

<i>(in millions of euros)</i>	<b>2014</b>	<b>2013</b> <i>(restated)</i>	<b>2012</b> <i>(restated)</i>
Domestic retail banking	4,561	3,866	2,637
Wholesale banking and international retail banking	2,672	2,893	2,680
Asset management	—	—	1
Leasing	455	467	451
Real estate	842	376	205
Other	51	53	42
<b>Total balance at 1 January</b>	<u>8,581</u>	<u>7,655</u>	<u>6,016</u>
Domestic retail banking	1,923	1,979	1,757

<i>(in millions of euros)</i>	<b>2014</b>	<b>2013</b> <i>(restated)</i>	<b>2012</b> <i>(restated)</i>
Wholesale banking and international retail banking	785	1,000	1,214
Asset management	—	—	—
Leasing	252	276	264
Real estate	678	520	240
Other	10	16	26
<b>Total additions</b>	<u>3,648</u>	<u>3,791</u>	<u>3,501</u>
Domestic retail banking	(454)	(582)	(416)
Wholesale banking and international retail banking	(337)	(408)	(572)
Asset management	—	—	(2)
Leasing	(67)	(40)	(64)
Real estate	(21)	(6)	(2)
Other	(7)	(9)	(8)
<b>Total reversal of impairments</b>	<u>(886)</u>	<u>(1,045)</u>	<u>(1,064)</u>
Domestic retail banking	(1,263)	(826)	(614)
Wholesale banking and international retail banking	(355)	(467)	(400)
Asset management	—	—	—
Leasing	(268)	(223)	(196)
Real estate	(335)	(34)	(67)
Other	(6)	(10)	(6)
<b>Total written off</b>	<u>(2,227)</u>	<u>(1,560)</u>	<u>(1,284)</u>
Domestic retail banking	69	124	502
Wholesale banking and international retail banking	(51)	(346)	(28)
Asset management	—	—	1
Leasing	6	(25)	12
Real estate	106	(14)	—
Other	—	1	(1)
<b>Total other</b>	<u>(232)</u>	<u>(260)</u>	<u>486</u>
Domestic retail banking	4,836	4,561	3,866
Wholesale banking and international retail banking	2,816	2,672	2,893
Asset management	—	—	—
Leasing	378	455	467
Real estate	1,270	842	376
Other	48	51	53
<b>Total other balance at 31 December</b>	<u>9,348</u>	<u>8,581</u>	<u>7,655</u>

**Due to customers\***

The following table presents a breakdown of due to customers at 31 December 2014, 31 December 2013 and 31 December 2012. Interest rates paid on time deposits and savings deposits reflect market conditions and not all current accounts/settlement accounts earn interest.

At 31 December

<i>(in millions of euros)</i>	<b>2014</b>	<b>2013 (restated)</b>	<b>2012</b>
Time deposits	69,614	56,418	56,006
Current accounts/settlement accounts	83,243	82,991	81,640
Repurchase agreements	1,220	1,474	2,299
Other	8,579	9,535	21,525
<b>Total due to customers by businesses</b>	<b>162,656</b>	<b>150,418</b>	<b>161,470</b>
Savings deposits	142,622	151,516	149,661
Current accounts/settlement accounts	20,388	14,470	15,122
Other	805	9,818	8,018
<b>Total due to customers by individuals</b>	<b>163,815</b>	<b>175,804</b>	<b>172,801</b>
<b>Total due to customers</b>	<b>326,471</b>	<b>326,222</b>	<b>334,271</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 2014, 31 December 2013 and 31 December 2012 is provided below.

<i>(in millions of euros)</i>	2014	2013	2012
Year-end balance	55,065	54,416	61,476
Average balance	56,434	53,389	72,290
Maximum month-end balance	59,842	63,765	82,795

**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 2014, 31 December 2013 and 31 December 2012 is provided below.

<i>(in millions of euros)</i>	2014	2013	2012
Year-end balance	153,739	160,015	185,952
Average balance	156,859	172,906	184,554
Maximum month-end balance	160,014	185,952	191,074



## SELECTED FINANCIAL INFORMATION

The following selected financial data are derived 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. The data should be read in conjunction with the consolidated financial statements (and related notes), incorporated by reference herein and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Information Memorandum. The Rabobank Group audited consolidated financial statements for the year ended 31 December 2014 and 31 December 2013 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.

### Consolidated statement of financial position

	<b>At 31 December</b>	
<i>(in millions of euros)</i>	<b>2014</b>	<b>2013</b> <i>(restated)</i>
<b>Assets</b>		
Cash and cash equivalents	43,409	43,039
Due from other banks	45,302	40,787
Financial assets held for trading	4,279	5,289
Other financial assets at fair value through profit or loss	4,325	4,939
Derivative financial instruments	56,489	39,703
Loans to customers	462,447	455,909
Available-for-sale financial assets	39,770	46,552
Investments in associates and joint ventures	3,807	3,747
Intangible assets	2,059	1,991
Property and equipment	7,148	6,901
Investment properties	452	1,055
Current tax assets	211	170
Deferred tax assets	2,501	1,910
Other assets	8,560	8,030
Non-current assets held for sale and discontinued operations	327	9,073
<b>Total assets</b>	<b>681,086</b>	<b>669,095</b>

	<b>At 31 December</b>	
<i>(in millions of euros)</i>	<b>2014</b>	<b>2013</b> <i>(restated)</i>
<b>Liabilities</b>		

Selected Financial Information

	<b>At 31 December</b>	
<i>(in millions of euros)</i>	<b>2014</b>	<b>2013</b> <i>(restated)</i>
Due to other banks	17,883	14,745
Due to customers	326,471	326,222
Debt securities in issue	189,060	195,361
Derivative financial instruments and other trade liabilities	67,560	50,171
Other debts	8,047	7,749
Other financial liabilities at fair value through profit or loss	19,744	19,069
Provisions	794	1,050
Current tax liabilities	255	266
Deferred tax liabilities	473	288
Subordinated debt	11,928	7,815
Liabilities held for sale and discontinued operations	—	7,825
<b>Total liabilities</b>	<b>642,215</b>	<b>630,561</b>

	<b>At 31 December</b>	
<i>(in millions of euros)</i>	<b>2014</b>	<b>2013</b> <i>(restated)</i>
<b>Equity</b>		
Equity of Rabobank Nederland and local Rabobanks	24,894	23,731
Equity instruments issued directly		
Rabobank Certificates	5,931	5,823
Capital Securities	6,349	7,029
	<u>12,280</u>	<u>12,852</u>
Equity instruments issued by subsidiaries		
Capital Securities	181	236
Trust Preferred Securities III to VI	1,043	1,269
	<u>1,224</u>	<u>1,505</u>
Other non-controlling interests	473	446
<b>Total equity</b>	<b>38,871</b>	<b>38,534</b>
<b>Total equity and liabilities</b>	<b>681,086</b>	<b>669,095</b>

**Consolidated statement of income**

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2013</b>
<i>(in millions of euros)</i>		<i>(restated)</i>
Interest income	18,638	19,707
Interest expense	9,520	10,612
<b>Interest</b>	<b>9,118</b>	<b>9,095</b>
Commission income	2,075	2,189
Commission expense	196	188
<b>Commission</b>	<b>1,879</b>	<b>2,001</b>
Income from associates	81	79
Net income from financial assets and liabilities at fair value through profit or loss	219	232
Gains/(losses) on available-for-sale financial assets	418	56
Other income	1,142	1,567
<b>Income</b>	<b>12,857</b>	<b>13,030</b>
Staff costs	5,086	5,322
Other administrative expenses	2,532	3,910
Depreciation	437	528
<b>Operating expenses</b>	<b>8,055</b>	<b>9,760</b>
Value adjustments	2,633	2,643
Bank tax and resolution levy	488	197
<b>Operating profit before taxation</b>	<b>1,681</b>	<b>430</b>
Taxation	(161)	88
Net profit from continuing operations	1,842	342
Net profit from discontinued operations	—	1,665
<b>Net profit</b>	<b>1,842</b>	<b>2,007</b>
Of which allocable to Rabobank Nederland and local Rabobanks	620	929
Of which allocable to holders of Rabobank Certificates	385	309
Of which allocable to Capital Securities	705	655
Of which allocable to Trust Preferred Securities III to VI	74	67
Of which allocable to non-controlling interests	58	47
<b>Net profit for the year</b>	<b>1,842</b>	<b>2,007</b>

**Financial ratios:**

	2014	2013
Capital ratio (BIS ratio)	21.3%	19.8%
Tier 1 ratio	16.0%	16.6%
Common equity Tier 1 ratio	13.6%	13.5%
Equity capital ratio <sup>(1)</sup>	14.4%	16.1%
Bad debt costs (in basis points of average lending)	60	59

Note:

The equity capital ratio is calculated by dividing retained earnings and Rabobank 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 Risk Management Committee Rabobank Group (“**RMC**”) in cooperation with the Risk Management department. The RMC is responsible for financial and non-financial risk management, establishing risk policy, setting risk measurement standards, broadly determining limits and monitoring developments, and advising the Executive Board on all relevant issues regarding risk management.

The principal risks faced by Rabobank Group are credit risk, country risk, interest rate risk, liquidity risk, market risk, operational risk, 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 year ended 31 December 2014, Rabobank realised a RAROC, which is the ratio between net profit and average economic capital, after tax of 7.8 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 31 December 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 Basel II 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 year-end 2014, the EAD of the total Advanced IRB loan portfolio was €582 billion (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 1.05 per cent. (2013: 1.12 per cent.). This slight improvement 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) of 31 December 2014, 2013 and 2012 per business unit as a percentage of private sector loans:

**Impaired loans/private sector lending per business unit**

	<b>At 31 December</b>		
<i>(in percentages)</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
Domestic retail banking	3.0	3.0	2.4
Wholesale banking and international retail banking	3.9	4.1	4.5
Leasing	2.3	2.9	3.6
Real Estate	18.8	15.1	8.2
<b>Rabobank Group</b>	<u>3.8</u>	<u>3.7</u>	<u>3.2</u>

**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 three years ended 31 December 2014, 2013 and 2012 per business unit as a percentage of private sector lending:

**Bad debt costs/average private sector lending per business unit**

	<b>Year ended 31 December</b>		
<i>(in percentages)</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
Domestic retail	0.48	0.45	0.44
Wholesale banking and international retail banking	0.44	0.57	0.59
Leasing	0.43	0.59	0.53
Real estate	3.64	2.78	1.24
<b>Rabobank Group</b>	<u>0.60</u>	<u>0.59</u>	<u>0.52</u>

**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 2014, the ultimate collective debtor risk for non-OECD countries was €26.9 billion and the net ultimate transfer risk before provisions for non-OECD countries was €18.2 billion, which corresponds to 2.7 per cent. of total assets (2013: 2.1 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

(in millions of euros)

31 December 2014

Regions	Europe	Africa	Latin America	Asia/Pacific	Total	In % of total assets
Ultimate country risk (excluding derivatives)	430	493	10,187	15,749	26,860	3.9%
- of which in local currency exposure	157	195	4,554	3,768	8,675	
<i>Net ultimate country risk before allowance</i>	273	298	5,633	11,981	18,185	2.7%
						In % of total allowance
<i>Total allowance for ultimate country risk</i>	3	—	146	84	233	2.5%

Since concerns about the euro increased, the outstanding country risk, including the sovereign risk for relevant countries, has been reported on a monthly basis. Compared to exposures to Dutch, German and French government bonds, exposures to government bonds issued by other European countries are relatively low.

### Interest rate risk

Rabobank Group is exposed to structural interest rate risk in its balance sheet. Interest rate risk can result from, among other things, mismatches in assets and liabilities; for example, mismatches between the periods for which interest rates are fixed on loans and funds entrusted. Rabobank Group uses three indicators for managing, controlling and limiting short- and long-term interest rate risk: Basis Point Value, 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 10 basis points in 2013 and 2 basis points in 2014. 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 2014, the Income at Risk ("**IatR**") and Equity at Risk ("**EatR**") for Rabobank Group were as follows:

<i>(in millions of euros, except percentages)</i>	2014	2013
	2 bp decline	10 bp decline
Income at Risk	(15)	(50)
Equity at Risk	0.4%	2.3%

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. 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 2014 given low lending demand. Retail savings declined due to prepayments on mortgages.

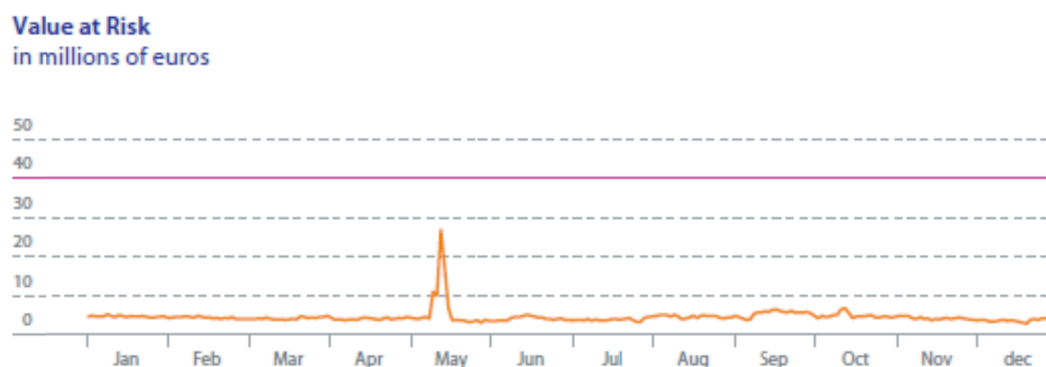
Liquidity risk is an organisation-wide matter and managed by Treasury Rabobank Group. Rabobank has developed several methods to measure and manage liquidity risk, including a method for calculating the survival period, i.e. the period that the liquidity buffer will hold up under severe market-specific 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 2014, 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 RMC-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 2014, the Value at Risk, based on a one-day holding period and 97.5 per cent. confidence level, fluctuated between €2.4 million (2013: €3.5 million) and €22.5 million (2013: €8.9 million), with an average of €3.8 million (2013: €6.4 million). The decrease of the average Value at Risk compared to 2013 follows from changes in positions and activities. The Value at Risk of €22.5 million was caused by a number of larger benchmark transactions and the issuance of tier 2 bonds in a short period of low liquidity and adverse market circumstances. The subsequent market position was brought to normal levels within days.

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 RMC-RG, in evaluating Rabobank Group's market positions.



Source: Rabobank Group Annual Report 2014

## 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 part and parcel of the strategic and day-to-day decision-making process. The objective of operational risk management is to identify, measure, mitigate and monitor operational risk. The management of each Rabobank Group entity is responsible for developing policies and procedures to manage their specific operational risks in line with the Rabobank Group Operational Risk Management policy. Group Risk Management – Operational Risk Management (“**RM-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 €0.1 million at 31 December 2014 (2013: €0.6 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. For the monitoring and management of translation risk, Rabobank uses a policy designed to protect the CET1 ratio against the effects of exchange rate movements. Unhedged translation risks are measured using the Value at Risk method. Translation risks are measured using a confidence interval of 99.99% and an assumed horizon of one year. The Value at Risk for translation risk amounted to €471 million as at year-end.

## 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 of 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 and was amended in 2014.

### Executive Board

The Executive Board (*raad van bestuur*) of Rabobank Nederland is responsible for the management of Rabobank Nederland and, indirectly, its affiliated entities. This includes responsibility for defining and achieving the targets of Rabobank Nederland, 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 Nederland 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 Nederland, 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 Nederland. This means that the Supervisory Board supervises the policy pursued by the Executive Board and the general conduct of affairs of Rabobank Nederland 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 six committees: the Audit Committee, the 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 Nederland 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 Nederland.

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 Nederland. 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 Rabobank'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 Rabobank 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 Nederland are handled by Rabobank Nederland's Works Council. Subsidiaries such as DLL, 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 Nederland

The following persons, all of whom are resident in the Netherlands, are appointed as members of the Supervisory Board:

Name	Born	Year Appointed	Term Expires	Nationality
Wout (W.) Dekker, Chairman	1956	2010	2016	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
Arian (A.A.J.M.) Kamp	1963	2014	2018	Dutch
Leo (S.L.J.) Graafsma	1949	2010	2014	Dutch
Erik (E.A.J.) van de Merwe	1950	2010	2016	Dutch
Ron. (R.) Teerlink	1961	2013	2017	Dutch

#### Mr. W. Dekker (Wout)

<i>Date of birth</i>	10 November 1956
<i>Former profession</i>	Professional supervisory director
<i>Main position</i>	Chairman of the Supervisory Board of Rabobank Nederland
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <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>
<i>Date of first appointment to the Supervisory Board</i>	June 2010
<i>Current term of appointment to the Supervisory Board</i>	June 2012 - June 2016

#### Mrs. I.P. Asscher-Vonk (Irene)

<i>Date of birth</i>	5 September 1944
<i>Profession</i>	Professional supervisory director
<i>Main position</i>	None
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u>

- Member of the Supervisory Board of Rabobank Nederland
- Member of the Supervisory Board of KLM
- Member of the Supervisory Board of Arriva Nederland
- Member of the Supervisory Board of Philip Morris Holland

Other auxiliary positions:

- Chair of the National Arbitration Board for Schools (*Landelijke Geschillencommissie Scholen*)
- Chair of The Dutch Museum Association (*Museumvereniging*)

*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*

- Professional director/supervisory director
- Advisor

*Main position*

Director of Avenue Business Consulting B.V.

*Nationality*

Dutch

*Auxiliary positions*

Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland
- Chairman of the Supervisory Board of Macintosh Retail Group N.V.
- Member of the Supervisory Board and Chairman of the Audit Committee of Brabantse Ontwikkelingsmaatschappij (BOM)
- Member of the Supervisory Board of AVEBE
- Member of the Board of Supervision of Erasmus MC

Other auxiliary positions:

- Member of the Advisory Board of the Netherlands Association for Investment Relations (NEVIR)
- 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

<i>Date of first appointment to the Supervisory Board</i>	September 2013
<i>Current term of appointment to the Supervisory Board</i>	September 2013 - June 2017
<b>Mr. L.N. Degle (Leo)</b>	
<i>Date of birth</i>	15 August 1948
<i>Profession</i>	Professional director/supervisory director
<i>Main position</i>	None
<i>Nationality</i>	German
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none"> <li>– Member of the Supervisory Board of Rabobank Nederland</li> <li>– Member of the Supervisory Board of Berlage B.V.</li> <li>– Member of the Supervisory Board of Ten Kate B.V.</li> </ul>
<i>Date of first appointment to the Supervisory Board</i>	June 2012
<i>Current term of appointment to the Supervisory Board</i>	June 2012 - June 2016
<b>Mr. A. Kamp (Arian)</b>	
<i>Date of birth</i>	12 June 1963
<i>Profession</i>	Entrepreneur, owner of a cattle farm
<i>Main position</i>	Cattle farmer and professional supervisory director
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<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>
<i>Date of first appointment to the Supervisory Board</i>	December 2014
<i>Current term of appointment to the Supervisory Board</i>	December 2014 – December 2018
<b>Mr. S.L.J. Graafsma RA (Leo)</b>	
<i>Date of birth</i>	29 March 1949
<i>Former profession</i>	Public accountant/partner of audit, tax and advisory firm KPMG
<i>Main position</i>	None
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<ul style="list-style-type: none"> <li>– Member of the Supervisory Board of Rabobank Nederland</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 2014

**Mr. E.A.J. van de Merwe (Erik)**

*Date of birth* 30 December 1950

*Profession*

- Advisor
- Professional director/supervisory director

*Nationality* Dutch

*Auxiliary positions*

Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland
- 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:

- 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)
- Jurymember Henri Sijthoff Award
- Chairman Governing Board De Nieuwe Commissaris

*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

*Profession* Management Consultant

*Main position* Independent Management Consultant

<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> – Member of the Supervisory Board of Rabobank Nederland
<i>Date of first appointment to the Supervisory Board</i>	September 2013
<i>Current term of appointment to the Supervisory Board</i>	September 2013 – June 2017

The following persons, all of whom are resident in the Netherlands, are appointed as members of the Executive Board of Rabobank Nederland:

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

Name	Born	Year Appointed	Nationality
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 from 2012 to 2014. Prior to that, he held several positions within management-consulting firm McKinsey & Company 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. He is also the chairmen of the Avond van de Wetenschap & Maatschappij Foundation.

#### ***Bert (A.) Bruggink***

Mr. Bruggink was appointed to Rabobank Nederland'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 Nederland as of November 1, 2013. As COO Mr. Dekker is responsible for Operations, Group ICT and IT Operations Rabobank International. 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.) Martin***

Mr. Martin was appointed to Rabobank Nederland's Executive Board as of July 1, 2009. Mr. Martin joined Rabobank in 1990. Within the Executive Board, Mr. Martin 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 Nederland's Executive Board, he was Chairman of the board of directors of Rabobank Amsterdam. Within Rabobank Group Mr. Martin (a.o.) is a member of the supervisory boards of DLL 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. Martin 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 Nederland'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 Nederland 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 Nederland'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 BV.

**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 Nederland” and “Executive Board of Rabobank Nederland”.

**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 AFM and the Dutch Ministry of Finance (*Ministerie van Financiën*). Further, as of 4 November 2014, the ECB assumed certain supervisory tasks from the Dutch Central Bank (De Nederlandsche Bank N.V.) and is now the competent authority responsible for supervising Rabobank Group's compliance with prudential requirements. Rabobank and the various Rabobank Group entities are also subject to certain 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 to the regulation and supervision of local supervisory authorities of the various countries in which Rabobank Group does business.

### Basel standards

#### *Introduction*

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 ("Basel I"). A revision 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.

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.

#### *Credit Risk*

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.

In December 2014, the Basel Committee issued two consultation papers entitled "Revisions to the Standardised Approach for credit risk" and "Capital floors: the design of a framework based on standardised approaches". The consultation papers set out the Basel Committee's proposals to reduce reliance on external credit ratings and internal models and aims to enhance the comparability of risk weighted assets and capital ratios. The biggest potential impact of the Basel Committee's proposals for the Rabobank Group is the proposal to integrate 'capital floors' into capital calculations. While most (large) banks currently calculate



capital with advanced risk sensitive models, the Basel Committee proposes to use ‘capital floors’ as part of the ‘standardised method’. The proposals are in the consultation and impact study phase. The Basel Committee intends to publish its final guidance, including its calibration and implementation arrangements, towards the end of 2015. The date for implementation is not yet known.

#### *Market Risk*

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 its supervisor to calculate the general and specific exposures using its internal Value-at-Risk (VaR) models.

#### *Operational Risk*

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.

#### *Basel III Reforms*

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 introduced 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 Basel III framework, which is implemented in the EU by means of the CRD IV Directive and CRR (see “*European Union Standards – The CRD IV Directive and CRR*” below) sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. 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, under CRD IV, are gradually phased in from 1 January 2014 until 1 January 2018)). The total tier 1 capital requirement has increased from 4 per cent. to 6 per cent. under CRD IV. 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.

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 monitors 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 is being 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. 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 ECB and 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 “European Union Standards - The CRD IV Directive and CRR” below).

## **European Union legislation**

### ***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 has established a single set of harmonised prudential rules which apply directly to all banks in the EEA as of 1 January 2014, but with particular requirements being phased in over a period of time, to be fully applicable by various dates up to 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 yet 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 capital instruments meet the criteria set out in the CRR. The CRR also includes the obligation to report on a bank’s leverage ratio (this requirement is similar to the leverage ratio requirement set out in Basel III, however, the CRR does not yet 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). 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 Dutch Central Bank 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***

The BRRD entered into force in July 2014. The bail-in tool with respect to eligible liabilities and the other measures set out in the BRRD (outlined below) are expected to be implemented into Dutch law on or prior to 1 January 2016. 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 (not including senior debt 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.

### ***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.

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.

However, as part of the European Banking Union two regulations have been enacted, (i) a regulation for the creation of a single supervisory mechanism (“SSM”) on the basis of which specific tasks relating to the prudential supervision of the most significant banks in the Euro area are conferred to the ECB; and (ii) the amendment of the regulation setting up the EBA. Regulation 1024/2013 for the setting up of the 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 AQR and stress tests, of the banks in respect of which it took on responsibility for formal supervision. The ECB is now the competent authority responsible for supervising Rabobank Group’s compliance with 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 applied 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 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 before engaging in any banking activities. Now that the ECB has assumed its supervisory tasks under the SSM, the ECB is the formal supervisory authority to grant and revoke a banking licence for banks in the Euro area including The Netherlands. The 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 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 concerning a qualified holding. 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 (see “- *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 on or prior to 1 January 2016.

### **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.

Utrecht-America Holdings, Inc. 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 hedge, private equity or other similar funds or enter into certain covered transactions with certain covered funds, subject to certain exceptions and exemptions. However, certain non-U.S. banking organisations, such as certain non-U.S. banking entities within the Rabobank Group, may be exempt from such limitation with respect to 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 transitional conformance period for the Volcker Rule generally ends on 21 July 2015, although the Federal Reserve has effectively granted a two-year extension for certain legacy funds. 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, Rabobank will continue to analyse the final rule, assess how it will affect its 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. For example, under the Dodd-Frank Act, with certain exceptions, 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 if such entities are registered swap dealers, major swap participants, security-based swap dealers or major security-based swap participants.

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 31 December 2014 and at 31 December 2013:

	<b>At 31 December</b>	
<i>(in millions of euros)</i>	2014	2013
<b>Capitalisation of Rabobank Group</b>		
Equity of Rabobank Nederland and local Rabobanks	24,894	23,731
<i>Equity instruments issued directly</i>		
Rabobank Certificates	5,931	5,823
Capital Securities	6,349	7,029
	12,280	12,852
<i>Equity instruments issued by subsidiaries</i>		
Capital Securities	181	236
Trust Preferred Securities III to VI	1,043	1,269
	1,224	1,505
Other non-controlling interests	473	446
<b>Total equity</b>	<b>38,871</b>	<b>38,534</b>
Subordinated debt	11,928	7,815
Long-term debt securities in issue	133,995	140,946
Short-term debt securities in issue	55,065	54,415
<b>Total capitalisation</b>	<b>239,859</b>	<b>241,710</b>
<b>Breakdown of reserves and retained earnings</b>		
Revaluation reserve – available-for-sale financial assets	643	282
Revaluation reserve – pensions	(196)	(3,251)
Other reserves	(81)	(497)
Retained earnings	24,528	27,197
<b>Total reserves and retained earnings</b>	<b>24,894</b>	<b>23,731</b>

In January 2015 Rabobank issued EUR 1.5 billion Additional Tier 1 securities. There has been no other material change in the capitalisation of Rabobank Group since 31 December 2014.

### **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, expected to amount to approximately AUD 695,046,750, will be used to fund the general banking business and commercial activities of the Rabobank Group, and to strengthen its capital base.

## TAXATION

### Netherlands Taxation

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 a Holder. Prospective Holders should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Notes.

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 document. 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 Notes 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 Notes 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:

- a Holder who is an individual and for whom the income or capital gains derived from the Notes are attributable to employment activities, the income from which is taxable in the Netherlands; and
- a Holder which is a corporate entity and a resident of Aruba, Curaçao or Sint-Maarten.

A Holder will not be subject to any Dutch Taxes on any payment made to the Holder under the Notes or on any capital gain made by the Holder from the disposal, or deemed disposal, or redemption of, the Notes, except if:

- the Holder is, or is deemed to be, resident in the Netherlands; or
- the Holder 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 Notes are attributable; or
- the Holder is an individual and derives benefits from miscellaneous activities (*overige werkzaamheden*) carried out in the Netherlands in respect of the Notes, including (without limitation) activities which are beyond the scope of active portfolio investment activities; or

- the Holder 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 Notes are attributable; or
- the Holder 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 Notes 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 Notes by way of a gift by, or on the death of, a Holder, except if the Holder 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 Notes.

### ***Residency***

Subject to the exceptions above, a Holder will not become resident, or deemed resident, in the Netherlands for tax purposes, or become subject to Dutch Taxes, by reason only of Rabobank Nederland's performance, or the Holder's acquisition (by way of issue or transfer to it), holding and/or disposal of the Notes.

### **Australia**

*The following is a general summary of the Australian tax implications of holding Notes based on the tax laws in force in Australia at the date of this Information Memorandum. The following comments relate to the position of persons who are beneficial owners of Notes. The comments are not exhaustive. Other than as expressly stated, the comments only address the position of (a) Australian resident Holders who do not hold Notes at or through a permanent establishment outside of Australia and (b) Holders who are not residents of Australia and who hold their Notes in the course of carrying on business at or through a permanent establishment in Australia (collectively referred to as "**Australian Holders**").*

*Other than as expressly stated, the comments do not address the position of custodians and other persons who hold Notes on behalf of others. Prospective Holders should consult their own professional adviser in relation to the Australian taxation implications of acquiring, holding or disposing of Notes in their particular circumstances.*

### ***Withholding Tax***

Provided that the Notes are not issued by the Issuer as part of a business carried on by it through an Australian branch (which is not expected to occur) then Interest on the Notes will not be subject to Australian interest withholding tax.

While the Notes are lodged in the Austraclear system the Austraclear regulations may require Australian Holders to provide their Australian tax file number or, if applicable, their Australian Business Number, to

Austraclear or else suffer tax withholdings on payments made to them by Austraclear at a rate that is currently 49 per cent. of the gross payment.

However, such withholdings will not apply in respect of payments on Notes held through Euroclear and Clearstream, Luxembourg where entitlements in respect of holdings of interests in the Notes in Euroclear or Clearstream, Luxembourg are held through a nominee or custodian on behalf of Euroclear or Clearstream, Luxembourg and where such nominee or custodian is located outside of Australia, or is located within Australia and quotes its Australian tax file number or Australian Business Number to Austraclear (as any Australian nominee or custodian entity would be expected to do).

***Taxes on income and capital gains***

Australian Holders will be required to include the amount of interest derived by them from the Notes in their taxable income when they lodge their Australian income tax returns for the relevant period.

Where Notes are issued at a discount to their face value, and the amount of that original issue discount exceeds a statutory threshold, Australian resident Holders will be required to include the amount of the discount in their taxable income on an accruals basis over the term of the Notes. This will be the case notwithstanding that they will only receive the amount of the discount upon redemption of the Notes by the Issuer.

Where an Australian Holder disposes of Notes (including as a result of their redemption) for an amount greater than the amount paid to acquire them, the resulting gain will be included in the taxable income of that Holder. Where the disposal is for an amount less than the amount paid to acquire the Notes, the resulting loss will in certain circumstances be an allowable deduction.

Where the Taxation of Financial Arrangements (“**TOFA**”) provisions apply to the Holder:

- (a) the amount of a gain from holding the Notes will generally be included in its taxable income and subject to tax (and the amount of a loss will generally be allowed as a deduction against other taxable income);
- (b) the amount of any such gain (or loss) will generally be determined by reference to Interest (including Additional Amounts, if any) received by the Holder as well proceeds received from a sale or redemption of the Notes;
- (c) the amount and timing of any such gain (or loss) will be determined by reference to one of the methods prescribed in the TOFA provisions.

The TOFA provisions will generally not apply to Holders who are individuals (unless such Holders elect for the TOFA provisions to apply). Nor will the TOFA provisions apply to Holders who are not individuals where certain de minimus thresholds are not exceeded (unless such Holders elect for the TOFA provisions to apply).

In certain circumstances an Australian Holder will be entitled to an Australian tax offset for certain foreign taxes withheld (if any) from payments received on the Notes.

Where a Holder is an Australian resident and holds Notes at or through a permanent establishment outside of Australia there may be circumstances in which amounts received or gains made on the Notes are not subject to Australian tax due to the operation of a double tax agreement (if any) between Australia and the country in which the permanent establishment is situated.

***Gift tax or inheritance tax***

No Australian State or Federal estate duty or other inheritance taxes will be payable in respect of the Notes held at the date of death regardless of the Holder's domicile at date of death.

***Other taxes***

No other Australian Taxes, such as the goods and services tax or ad valorem stamp duty will be due by reason only of the issue, acquisition or transfer of the Notes.



## **SUBSCRIPTION AND SALE**

National Australia Bank Limited (ABN 12 004 044 937), Nomura International plc, UBS AG, Australia Branch (ABN 47 088 129 613; AFSL 231087) and Westpac Banking Corporation (ABN 33 007 457 141) (the “**Joint Lead Managers**”) have, pursuant to a subscription agreement dated 30 June 2015 (the “**Subscription Agreement**”) agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe (i) the Fixed Rate Notes at 99.043 per cent. of the principal amount of the Fixed Rate Notes and (ii) the Floating Rate Notes at 100 per cent. of the principal amount of the Floating Rate Notes, 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 Notes.

### **United States**

The Notes 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**”).

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (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 Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes 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.

The Notes are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Information Memorandum to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Lead Managers; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **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 Notes 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 Notes in, from or otherwise involving the United Kingdom.

### **Australia**

The Information Memorandum has not been, and no prospectus or other disclosure document (as defined in the Corporations Act) in relation to the issue or offer of Notes has been or will be, lodged with ASIC or ASX.

Each Joint Lead Manager has represented and agreed that it:

- (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications for the issue, sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, this Information Memorandum or any other offering material or advertisement relating to any Notes in Australia, unless:
  - (i) (A) the aggregate consideration payable by each offeree is at least AUD500,000 (or its equivalent in an alternate currency, and, in either case, disregarding moneys lent by the offeror or its associates) or (B) the aggregate consideration paid by the relevant subscriber for such Notes is at least AUD 250,000 and the offer or invitation does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act and complies with the terms of any authorities granted under the Banking Act 1959 (Cth);
  - (ii) the offer or invitation does not constitute an offer to a "retail client" as defined in and for the purposes of section 761G of the Corporations Act;
  - (iii) such action complies with all applicable laws, regulations and directives in Australia; and
  - (iv) such action does not require any document to be lodged with ASIC or ASX.

### **The Netherlands**

Each Joint Lead Manager has represented and agreed that the Notes may not be offered to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to

persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) or (ii) standard exemption wording and a logo is disclosed as required by Article 5:20(5) of the Dutch Financial Supervision Act, provided that no such offer of Notes shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

## Japan

The Notes 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 Notes 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 Information Memorandum 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 Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes 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 Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, 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 Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes 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 Notes 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 Notes 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 Notes 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 Notes, 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 Notes 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.

### **Korea**

The Notes 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 Notes 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 Notes 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 Notes, none of the Notes may be divided resulting in an increased number of the Notes. Furthermore, the Notes may not be resold to Korean residents unless the purchaser of the Notes complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the FETL) in connection with the purchase of the Notes.

## **New Zealand**

This Information Memorandum has not been, nor will be, lodged as a product disclosure statement under the New Zealand Financial Markets Conduct Act 2013 (the “Act”). Accordingly, the Notes must not be offered to any person or entity in New Zealand in breach of that Act. Without limitation, no person may (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or buy, or sell the Notes, or distribute this Information Memorandum or any other advertisement or offering material relating to the Notes in New Zealand, or to any resident of New Zealand, except that the Notes may be offered:

- (i) to persons or entities who are wholesale investors as defined clauses 3(2) or 3(3)(b)(iii) of Schedule 1 of the Act; or
- (ii) otherwise as permitted under the Act and any other applicable laws.

## **Malaysia**

Each Joint Lead Manager has acknowledged that no approval from the Securities Commission has been or will be obtained for the offering of the Notes in Malaysia. Each Joint Lead Manager has represented and agreed that the Notes shall not be offered or sold to any person in Malaysia except to non-residents (as defined in the Labuan Trust Companies Act 1990) of Malaysia in Labuan falling within Schedule 4 of the Securities Commission Act of 1993 or as trades effected on the secondary market to a person falling within paragraph 11 of Schedule 2 of the Securities Commission Act of 1993.

Each Joint Lead Manager has acknowledged that no prospectus has been or will be registered under the Securities Commission Act of 1993 in respect of the Notes and the Notes will only be issued, offered for subscription or be the subject matter of an invitation to subscribe, to non-residents (as defined in the Labuan Trust Companies Act 1990) of Malaysia in Labuan falling within Schedule 4 of the Securities Commission Act of 1993 or to persons exclusively outside Malaysia.

Consequently, each Joint Lead Manager has represented and agreed that it has neither offered, sold or made any invitation, and will not offer, sell or make any invitation, in relation to the Notes to any person in Malaysia except to non-residents (as defined in the Labuan Trust Companies Act 1990) of Malaysia in Labuan falling within Schedule 4 of the Securities Commission Act of 1993 or as trades effected on the secondary market to a person falling within paragraph 11 of Schedule 2 of the Securities Commission Act of 1993, nor has it distributed or published nor will it distribute or publish this Information Memorandum or any other offering document or material relating to the Notes, whether directly or indirectly, to any person in Malaysia except to non-residents (as defined in the Labuan Trust Companies Act 1990) of Malaysia in Labuan falling within Schedule 4 of the Securities Commission Act of 1993.

## **Taiwan**

The offering of the Notes has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Notes in Taiwan.

**General**

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Information Memorandum 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 Notes, or has in its possession or distributes the Information Memorandum or any other offering material.

## GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was approved by the Issuer on 25 June 2015 which approval is in accordance with the funding mandate authorised by resolutions of the Executive Board passed on 18 November 2014, 2 December 2014, 17 March 2015 and 20 April 2015 and resolutions of the Supervisory Board passed on 1 December 2014, 23 March 2015 and 13 May 2015, as confirmed by a Secretary's Certificate dated 30 June 2015.
2. In January 2015, Rabobank issued EUR 1.5 billion Additional Tier 1 securities. There has been no other significant change in the financial or trading position of the Issuer or of Rabobank Group, and there has been no material adverse change in the financial position or prospects of the Issuer or of Rabobank Group, since 31 December 2014.
3. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering the 12 months preceding the date of this Information Memorandum 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. Investors should refer to the section entitled "Legal and arbitration proceedings" on page 53 of this Information Memorandum.
4. The Notes have been accepted for clearance through the Austraclear System operated by Austraclear Ltd (ABN 94 002 060 773) ("**Austraclear**") (which is the entity in charge of keeping the records). The International Securities Identification Number (ISIN) of the Fixed Rate Notes is AU3CB0230886 and the Common Code is 125479871. The ISIN of the Floating Rate Notes is AU3FN0027991 and the Common Code is 125479880.
5. 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 Notes being issued.
6. Where information in this Information Memorandum (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.
7. The yield of the Fixed Rate Notes for the period from (and including) the Issue Date to (but excluding) the Maturity Date, is 5.00 per cent. on an annual basis. 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.
8. For so long as the Notes are outstanding, 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 Issuing and Paying Agent:
  - (a) the Agency Agreement which includes the forms of the Global Certificate;
  - (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 2012, 2013 and 2014; and

- (d) a copy of this Information Memorandum.
9. Ernst & Young Accountants LLP, of which the ‘Registeraccountants’ are members of the Royal Dutch Professional Organization for Accountants, has audited, and issued unqualified auditor’s reports on, the consolidated and unconsolidated financial statements of the Issuer and the Rabobank Group for the years ended 31 December 2012, 2013 and 2014. Ernst & Young Accountants LLP has given its consent to the inclusion in this Information Memorandum of its independent auditor’s reports on these financial statements for the years ended 31 December 2012, 2013 and 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. Due to mandatory audit firm rotation requirements in the Netherlands, the Supervisory Board of Rabobank will, at the General Meeting to be held on 18 June 2015, nominate PricewaterhouseCoopers Accountants N.V. as its new external auditor with effect from 1 January 2016.
10. 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 Notes. Any such short positions could adversely affect future trading prices of the Notes. 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.



**PRINCIPAL OFFICE OF THE ISSUER**

**Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.  
(Rabobank)**  
Croeselaan 18  
3521 CB Utrecht  
The Netherlands

**JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS**

**National Australia Bank Limited**  
**(ABN 12 004 044 937)**  
Level 26  
255 George Street  
Sydney NSW 2000  
Australia

**Nomura International plc**  
1 Angel Lane  
London EC4R 3AB  
United Kingdom

**UBS AG, Australia Branch**  
**(ABN 47 088 129 613; AFSL 231087)**  
Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
Australia

**Westpac Banking Corporation**  
**(ABN 33 007 457 141)**  
Level 2  
Westpac Place  
275 Kent Street  
Sydney NSW 2000  
Australia

**ISSUING AND PAYING AGENT AND REGISTRAR**

**Citigroup Pty Limited (ABN 88 004 325 080)**  
Level 16  
120 Collins Street  
Melbourne VIC 3000  
Australia

**LEGAL ADVISERS**

*To the Joint Lead Managers as to Dutch law*

**Linklaters LLP**  
WTC Amsterdam  
Zuidplein 180  
1077 XV Amsterdam  
The Netherlands

*To the Joint Lead Managers as to Australian law*

**Allens**  
Level 37  
101 Collins Street  
Melbourne VIC 3000  
Australia

**AUDITOR OF THE ISSUER**

**Ernst & Young Accountants LLP**  
Cross Towers  
Antonio Vivaldistraat 150  
1083 HP Amsterdam  
The Netherlands