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Offering Circular dated November 25, 2013



**Rabobank Nederland**  
**Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland),**  
**Utrecht Branch**

*(a cooperative with limited liability established under the laws of The Netherlands and having its statutory seat in Amsterdam, The Netherlands)*

**U.S.\$1,750,000,000 4.625% Subordinated Notes due 2023**

**U.S.\$1,250,000,000 5.750% Subordinated Notes due 2043**

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**Issue Price of the 2023 Notes: 99.186%**

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**Issue Price of the 2043 Notes: 98.329%**

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The U.S.\$1,750,000,000 4.625% Subordinated Notes due 2023 (the “2023 Notes”) and the U.S.\$1,250,000,000 5.750% Subordinated Notes due 2043 (the “2043 Notes” and, together with the 2023 Notes, the “Notes”) will be issued by the Utrecht Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), a cooperative entity formed under the laws of The Netherlands with its statutory seat in Amsterdam, The Netherlands (the “Issuer”). The 2023 Notes will bear interest at an interest rate of 4.625% per annum, from (and including) November 29, 2013 (the “Issue Date”) to (but excluding) December 1, 2023, unless previously redeemed, payable semi-annually in arrears and the 2043 Notes will bear interest at an interest rate of 5.750% per annum, from (and including) the Issue Date to (but excluding) December 1, 2043, unless previously redeemed, payable semi-annually in arrears (as more fully described under “Terms and Conditions of the Notes”). Interest on the 2023 Notes and the 2043 Notes will be payable semi-annually on June 1 and December 1 in each year (each, an “Interest Payment Date”), commencing on June 1, 2014.

The 2023 Notes will have a final maturity date of December 1, 2023 and the 2043 Notes will have a final maturity date of December 1, 2043. Upon the occurrence of a Tax Law Change or a Capital Event (each as defined in “Terms and Conditions of the Notes”), 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.

All payments and deliveries of principal and interest on the Notes will be irrevocably and unconditionally guaranteed on a subordinated basis (the “Guarantee”) by the New York Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (the “Guarantor”), a branch duly licensed in the State of New York. Notwithstanding the foregoing, under Dutch law, a branch is not a separate legal entity and, therefore, from a purely Dutch law perspective, the Guarantee provided by the Guarantor for the obligations of the Issuer does not provide a separate means of recourse.

Pursuant to the exercise of any Statutory Loss Absorption (as defined herein) measures, the Notes could become subject to a determination by the Relevant Authority (as defined herein) or the Bank (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 (and the related obligations under the Guarantee) 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.

The denominations of the Notes shall be U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof. The Notes will be represented by one or more global notes (collectively, the “Global Notes,” and individually, the “Global Note”). The Global Notes will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in registered, definitive form. The Notes will be governed by Dutch law. See “Provisions Relating to the Notes in Global Form”.

The Notes are expected upon issue to be rated A2, A and A+ by Moody’s Investors Service Limited (“Moody’s”), Standard & Poor’s Credit Market Services Limited (“Standard & Poor’s”) and Fitch Ratings Limited (“Fitch”), respectively. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**THE NOTES AND THE GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY STATE SECURITIES LAWS AND ARE BEING OFFERED PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF CONTAINED IN SECTION 3(A)(2) OF THE SECURITIES ACT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THE NOTES CONSTITUTE UNCONDITIONAL, SUBORDINATED LIABILITIES OF THE ISSUER, AND THE GUARANTEE CONSTITUTES AN UNCONDITIONAL, SUBORDINATED CONTINGENT OBLIGATION OF THE GUARANTOR. THE NOTES AND THE GUARANTEE ARE NOT BANK DEPOSITS AND ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT**

*Joint Lead Managers*

**Citigroup**  
**Goldman, Sachs & Co.**

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This Offering Circular should be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Important Information - Documents incorporated by reference”) and should be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The Underwriters (as defined herein under “Plan of Distribution”) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Underwriters as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Notes.

No person is or has been authorized by the Issuer to give any information or to make any representation not contained in, or not consistent with, this Offering Circular or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Underwriters.

The information contained in this Offering Circular was obtained from the Issuer and other sources that the Issuer believes to be reliable, but no assurance can be given as to the accuracy or completeness of such information. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and of the terms of such Notes. The contents of this Offering Circular are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorney, business advisor or tax advisor for legal, business or tax advice.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Underwriters expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference herein (as described in “Important Information - Documents incorporated by reference”) when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered with, recommended, approved or disapproved by the United States Securities and Exchange Commission (“SEC”) or any federal or state securities commission or regulatory authority. Rather, the Notes are being offered in reliance upon an exemption provided by Section 3(a)(2) of the Securities Act. Furthermore, the foregoing authorities have not passed upon the accuracy or determined the adequacy of this Offering Circular. Any representation to the contrary is a criminal offense.

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Unless the context otherwise requires, references in this Offering Circular to “**Rabobank Nederland**” or the “**Bank**” are to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., and references to “**Rabobank Group**”, “**Rabobank**” or the “**Group**” are to Rabobank Nederland and its members, subsidiaries and affiliates. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in jurisdictions other than the United States of America (the “**United States**”). The Issuer and the Underwriters do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or any of the Underwriters which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required other than the United States. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any such jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession or control this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes.

Unless otherwise specified or the context requires, all references in this document to “**U.S. dollars**,” “**U.S.\$**”, “**USD**” and “**\$**” refer to the currency of the United States. All references to “**EUR**” and “**€**” are to euro, which means the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community.

All figures in this Offering Circular 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 fulfill its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal 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.*

*Capitalized terms used herein shall, unless otherwise defined, have the same meanings as in the terms and conditions of the Notes. See “Terms and Conditions”.*

### **Factors that may affect the Issuer’s ability to fulfill 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 2013. In 2012, the Dutch economy contracted more than foreseen at the beginning of the year and was characterized by a drop in consumer spending, rising unemployment, falling house prices and a lack of business investment. These factors have resulted in reduced borrowing and interest rates, and increases in impaired loans. 2013 has been, and will be, another difficult year for the Dutch economy, as structural reform in the Dutch economy and throughout Europe has led to higher unemployment, lower household purchasing power and low business investment. Factors such as interest rates, exchange rates, inflation, deflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices can significantly affect the activity level of customers and the profitability of Rabobank Group. In 2012, interest rates declined further to historic lows and have remained low in 2013. Persistent low interest rates, or even negative 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 fees and commissions and interest. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors affecting results of operations—General market conditions”. Continuing volatility in the financial markets or a protracted economic downturn in the Netherlands or Rabobank Group’s other major markets could have a material adverse effect on Rabobank Group’s results of operations.

#### ***Credit risk***

Credit risk is defined as the risk that the bank will suffer economic losses because a counterparty cannot fulfill its financial or other contractual obligations arising from a credit contract. A “**credit**” is each legal

relationship on the basis of which Rabobank, in its role as financial services provider, can or will obtain a claim on a debtor by providing a product. In addition to loans and facilities (with or without commitment), credit as a generic term also includes, among other things, guarantees, letters of credit and derivatives. A further economic downturn or worsening of the European sovereign debt crisis may result in an increase in credit risk and, consequently, loan losses that are above Rabobank Group's long-term average, which could have a material adverse effect on Rabobank Group's results of operations.

### ***Country risk***

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

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

Interest rate risk is the risk, outside the trading environment, of deviations in net interest income and/or the market value of capital as a result of changes in market interest rates. Interest rate risk results mainly from mismatches between the periods for which interest rates are fixed for loans and funds entrusted. If interest rates increase, the rate for Rabobank Group's liabilities, such as savings, can be adjusted immediately. This does not apply to the majority of Rabobank Group's assets, such as mortgages, which have longer interest rate fixation periods. Sudden and substantial changes in interest rates could have a material adverse effect on Rabobank Group's results of operations. Inflation and expected inflation can influence interest rates. An increase in inflation may: (i) decrease the value of certain fixed income instruments which Rabobank Group holds; (ii) result in surrenders of certain savings products with fixed rates below market rates by banking customers of Rabobank Group; (iii) require Rabobank Group to pay higher interest rates on the securities that it issues; and (iv) cause a general decline in financial markets.

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

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

### ***Market risk***

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

### ***Currency risk***

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

### ***Operational risk***

As a risk type, operational risk has acquired its own distinct position in the banking world. It is understood to mean “the risk of losses resulting from inadequate or failed internal processes, people or systems or from external events”. Events of recent decades in modern international banking have shown on several occasions that ineffective control of operational risks can lead to substantial losses. Under the Basel II accord, banks must hold capital for this risk. Examples of operational risk incidents are highly diverse: fraud, claims relating to inadequate products, inadequate documentation, losses due to poor occupational health and safety conditions, errors in transaction processing, non-compliance with the law and system failures. The occurrence of any such incidents could have a material adverse effect on Rabobank Group’s results of operations.

### ***Legal risk***

Rabobank Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, Rabobank Group is exposed to many forms of legal risk, which may arise in a number of ways. Rabobank Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal 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. On October 29, 2013, Rabobank entered into settlements totaling approximately €774 million with the Dutch Central Bank, Dutch Public Prosecutor (“DPP”), United Kingdom Financial Conduct Authority (“FCA”), United States Commodity Futures Trading Commission (“CFTC”), United States Department of Justice (“DOJ”) and Japanese Financial Services Agency (“JFSA”), in connection with their investigations into Rabobank's historical London Interbank Offered Rate (“LIBOR”) and Euro Interbank Offered Rate (“EURIBOR”) submission processes. See “Description of Business of Rabobank Group – Legal Proceedings.” Failure to manage legal 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.

### ***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 materializing, 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.

### ***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, recovery and resolution powers 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; changes and rules in competition and pricing environments; developments in the financial reporting environment; stress-testing exercises to which financial institutions in general, and Rabobank Group in particular, are subject; implementation of conflicting or incompatible regulatory requirements in different jurisdictions relating to the same products or transactions; or unfavorable 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 authorizations to operate.

As of October 1, 2012, the Dutch government introduced a banking tax for all entities that are authorized to conduct banking activities in the Netherlands. The tax is based on the amount of the total liabilities on the balance sheet of the relevant bank as at the end of such bank's preceding financial year, with exemptions for equity, deposits that are covered by a guarantee scheme and for certain liabilities relating to insurance business. The levy on short-term funding liabilities is twice as high as the levy on long-term funding liabilities. In 2012, Rabobank Group was responsible for €196 million of the €600 million tax.

On February 1, 2013, the Dutch state nationalized the Dutch banking and insurance group SNS Reaal. To finance this operation, a special, one-off resolution levy of €1 billion will be imposed on banks based in the Netherlands. Rabobank's share of the resolution levy will be approximately €320 million and will have an adverse effect on Rabobank'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's results of operations.

Moreover, in 2015, a new way of financing 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 fund will be 1% of total guaranteed deposits in the Netherlands, or €4 billion. Each bank will be required to pay a base premium of 0.0167% 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. This was originally planned to be introduced in 2012. However, the introduction of the new financing method was first postponed to July 1, 2013 and, following the nationalization of SNS Reaal, it has been postponed by a further two years. All these factors may have material adverse effects on Rabobank Group's results of operations.

In February 2013, the European Commission issued a proposal for a financial transactions tax. The financial transactions tax would be levied on transactions involving certain financial instruments by financial institutions with an established link to one of the 11 participating member states. These participating member states are Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. The financial transactions tax would be assessed on a transaction either if one of the parties is established in one of the 11 participating member states or if the transaction involves financial instruments issued in one of the 11 participating member states. If the proposal is implemented, Rabobank Group may be required to pay the financial transactions tax on certain transactions in financial instruments. The proposal requires further approval by the European Council, and will require consultation with other European Union institutions before it may be implemented by the participating member states. Currently the proposal is still under discussion, given broad opposition in a number of countries as well as outstanding legal issues. The Dutch

Parliament has not adopted the proposal, but may do so in the future. The financial transactions tax, if implemented, may have a material adverse effect on Rabobank's results of operations.

As of July 1, 2013, a personal mortgage loan may not be higher than €290,000 to be eligible for being secured by the Dutch Homeownership Guarantee Fund (*Stichting Waarborgfonds Eigen Woningen* or "**WEW**"), an institution that was founded by the Dutch government in 1993, through the National Mortgage Guarantee Scheme (*Nationale Hypotheek Garantie* or "**NHG**"). As of July 1, 2014, this maximum will be reduced to €265,000.

In 2013, the tax deductibility of mortgage loan interest payments for Dutch homeowners has been restricted. As of January 1, 2013, interest payments on new mortgage loans can only be deducted, if the loan amortizes within 30 years on a linear or annuity basis. Moreover, the maximum permissible amount of a residential mortgage has been reduced from 106% to 105% of the value of the property. This maximum will be further reduced (by 1% each year) to 100% in 2018. Changes in governmental policy or regulation with respect to the Dutch housing market could have a material adverse effect on Rabobank Group's results of operations.

On July 21, 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 will 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 CFTC and the Financial Stability Oversight Council (the "**FSOC**"), an institution that was established by the Dodd-Frank Act. Many of the implementing rules have been finalized or proposed, but, in general, significant uncertainty remains about the final details, timing and impact of rules. This rulemaking process is still ongoing and will last some more years. Uncertainty remains about the final details, timing and impact of the rules that have not been finalized yet, although implementation of many key aspects of the Dodd-Frank Act is ongoing. The Dodd-Frank Act provides for new or enhanced regulations regarding, among other things: (i) systemic risk oversight, (ii) bank capital standards, (iii) the resolution of failing systemically significant financial institutions, (iv) OTC derivatives, (v) the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity (the so-called "**Volcker Rule**") and (vi) consumer and investor protection. The further implementation of the Dodd-Frank Act and related final regulations 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.

In the United Kingdom, the Independent Commission on Banking, chaired by Mr John Vickers, released its Final Report on September 12, 2011. This report recommends that the retail banking activities of banks in the United Kingdom should be structurally separated, by a "ring-fence", from wholesale banking and investment banking activities. A similar recommendation was made at EU level in the final report (the "**Liikanen Report**"), published on October 2, 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 June 28, 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.

The impact of future regulatory requirements such as Basel III, the Capital Requirements Directive and Regulation, sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**" and such sections of the Code being commonly referred to as "**FATCA**"), the framework recovery plan, the

Volcker Rule and Vickers report 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 our management, employees and information technology.

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

Rabobank Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Under Basel II, capital requirements are inherently more sensitive to market movements than under previous regimes. Capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of Rabobank Group to maintain its minimum regulatory capital ratios 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 for expansion.

In the future, under the Basel III regime ("**Basel III**"), capital and liquidity requirements will increase. On December 17, 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". The Basel Committee published its economic impact assessment on August 18, 2010 and, on September 12, 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 December 16, 2010 and on January 13, 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 reform package will be implemented in the European Economic Area (the "**EEA**") through a regulation and an associated directive ("**CRD IV**"). The regulation establishes a single set of harmonised prudential rules which will apply directly to all credit institutions in the EEA with CRD IV containing less prescriptive provisions which will need to be transposed into national law. Implementation will begin from January 1, 2014, with particular requirements being phased in over a period of time, to be fully effective by 2019.

It is possible that the European Commission and/or the Dutch Central Bank (*De Nederlandsche Bank N.V.*) 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.

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.

#### ***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 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 programs), social unrest (such as the 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 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:

- (a) 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 Offering Circular or any applicable supplement;
- (b) 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;
- (c) 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;
- (d) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and

- (e) 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 and the Guarantee are subordinated obligations***

The Issuer's and the Guarantor's obligations to make payments under the Notes and the Guarantee, respectively, are subordinated. In particular, the payment obligations of the Issuer under the Notes and the Guarantor under the Guarantee rank:

- (i) subordinated and junior to present or future unsubordinated indebtedness of the Bank;
- (ii) *pari passu* with Parity Securities (as defined herein) or any other present or future indebtedness of the Bank which ranks by or under its own terms or otherwise *pari passu* with the Notes or the Guarantee; and
- (iii) senior to any other present or future obligation of the Bank 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 or the Guarantee.

By virtue of this subordination, payments to the Holders will, in the case of (i) a bankruptcy of the Bank, (ii) a Moratorium, or (iii) a dissolution (*ontbinding*) as a result of the insolvency of the Bank, only be made after all payment obligations of the Bank ranking senior to the Notes and the Guarantee 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 Bank under or in connection with such Note shall be excluded and each Holder shall be deemed to have waived all such rights of set-off. See also the risk factors entitled "*Future bank recovery and resolution regimes*", "*The Notes may be subject to statutory loss absorption*" and "*Holders waive protections under the New York Banking Law*".

Moreover, under Dutch law, a branch is not a separate legal entity and, therefore, from a purely Dutch law perspective, the Guarantee provided by the Guarantor for the obligations of the Issuer does not provide a separate means of recourse. See also the risk factors entitled "*Future bank recovery and resolution regimes*" and "*The Notes may be subject to statutory loss absorption*".

***Holders waive protections under the New York Banking Law***

Under Section 606(4)(a) of the New York Banking Law, (a) the Guarantor, as a New York state-licensed branch of Rabobank Nederland, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, including the Guarantee, and the Superintendent of Financial Services of the State of New York (the "**Superintendent**") may increase that percentage, (b) the Superintendent may take possession of such assets and the rest of the property and business of Rabobank Nederland located in New York (which includes but is not limited to assets or other property of the Guarantor, wherever situated) for the benefit of the Guarantor's creditors, including the beneficiaries of the Guarantee, if, among other things, Rabobank Nederland is placed in liquidation or there is reason to doubt Rabobank Nederland's ability to pay its creditors in full, and (c) the Superintendent is authorized not to turn over any such assets or other property to the principal office of Rabobank Nederland or any Dutch liquidator or receiver until all of the claims of the creditors of the Guarantor, including the beneficiaries of the Guarantee, have been satisfied and discharged. Each Holder and beneficial owner of a Note will, by accepting a direct or beneficial interest in such Note, waive its rights to the preferred treatment it would otherwise receive under Section 606(4)(a) of the New York Banking Law and under any other similar law hereafter enacted to the extent necessary to give effect to the subordination provisions of the Notes and the Guarantee. See Condition 4. Investors in the Notes will instead be required to enforce their rights in any bankruptcy, winding-up or liquidation of Rabobank Nederland in the

Netherlands. As a result, the rights of investors in the Notes will, notwithstanding the Guarantee, be determined by Dutch insolvency law applicable to Rabobank Nederland.

***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 (i) a bankruptcy of the Bank, (ii) a Moratorium, or (iii) a dissolution (*ontbinding*) as a result of the insolvency of the Bank. Accordingly, in the event of (i) a bankruptcy of the Bank, (ii) a Moratorium, or (iii) a dissolution (*ontbinding*) as a result of the insolvency of the Bank, 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 Notes will neither be listed on any securities exchange nor included in any automated quotation system.

The Underwriters have advised us that they intend to make a market in the Notes, as permitted by applicable laws and regulations; however, the Underwriters are not obligated to make a market in the Notes, and they may discontinue their market-making activities at any time without notice. Therefore, we 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, our performance and other factors.

***Redemption at maturity***

The 2023 Notes mature on December 1, 2023. The 2043 Notes mature on December 1, 2043. Holders have no ability to require the Issuer to redeem their Notes before then unless an Event of Default occurs. The Events of Default, and Holders' rights following an Event of Default, are set out in Condition 9.

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

Upon the occurrence of a Tax Law Change or a Capital Event, 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 Notes may be subject to statutory loss absorption***

On June 6, 2012, the European Commission proposed a new directive, known as the Bank Recovery and Resolution Directive, on a comprehensive framework for dealing with ailing banks. Subsequent iterations of this proposal include a version published by the Council of the European Union on June 28, 2013. This proposed directive includes proposals 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. It is currently unclear whether measures ultimately adopted in this area will apply to any debt currently in issue, or whether grandfathering rules will apply.

It is possible that pursuant to the Bank Recovery and Resolution Directive or other resolution or recovery rules which may in the future be applicable to the Bank (including CRD IV), 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 Bank (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 (and the related obligations under the Guarantee), 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 (and the related obligations under the Guarantee) will be subject to Statutory Loss Absorption may be inherently unpredictable and may depend on a number of factors which may be outside the Bank’s control. Accordingly, trading behavior in respect of Notes which are subject to Statutory Loss Absorption is not necessarily expected to follow trading behavior associated with other types of securities. Any indication that the Notes (and the related obligations under the Guarantee) will become subject to Statutory Loss Absorption could have an adverse effect on the market price of the 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.

As used in this risk factor, “**Bank Recovery and Resolution Directive**” means any relevant laws and regulations applicable to the Issuer at the relevant time pursuant to, or which implement, or are enacted within the context of, a directive and/or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, the latest draft of which is dated June 28, 2013.

Potential investors should also refer to the risk factors entitled “*Future bank recovery and resolution regimes*”, “*Holders waive protections under the New York Banking Law*”, “*Basel III Reforms – Loss absorbency at the point of non-viability*” and “*Change of law*”.

#### ***Future bank recovery and resolution regimes***

The Dutch legislator has adopted banking legislation dealing with ailing banks (Special Measures Financial Institutions Act, *Wet bijzondere maatregelen financiële ondernemingen*, the “**SMFI**”). The SMFI contains similar legislation to the rules outlined in the draft Bank Recovery and Resolution Directive – see the risk factor entitled “*The Notes may be subject to statutory loss absorption*” above. Pursuant to the SMFI, substantial new powers are granted to the Dutch Central Bank and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks prior to insolvency. The SMFI aims to empower the Dutch Central Bank or the Minister of Finance, as applicable, to commence proceedings leading to: (i) transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) transfer of all or part of the business of the relevant bank to a “bridge bank”; and (iii) public ownership (nationalization) 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. The draft Bank Recovery and Resolution Directive includes similar proposals.

In addition, on July 10, 2013, the European Commission announced plans for a new mechanism to apply the substantive rules of the Bank Recovery and Resolution Directive known as the “Single Resolution Mechanism”. Under the proposed Single Resolution Mechanism, the European Central Bank (the “ECB”), the European Commission and the relevant national authorities would, working together through a Single Resolution Board, have responsibility for managing any resolution of a euro area bank with an aim of minimising costs to taxpayers.

It is possible that under the SMFI, the Bank Recovery and Resolution Directive, 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 the debt instruments of the Issuer, such as the Notes, absorbing losses or otherwise affecting the rights of Noteholders in the course of any resolution of the Issuer.

It is at this stage uncertain whether the Bank Recovery and Resolution Directive will be adopted and if so, when and in what form. However, the SMFI and, if it were to be adopted in its current form, the Bank Recovery and Resolution Directive 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 Bank, 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 “*The Notes may be subject to statutory loss absorption*”, “*Basel III Reforms – Loss absorbency at the point of non-viability*” and “*Change of law*”.

#### ***Basel III Reforms - Loss absorbency at the point of non-viability***

The Basel III Reforms provide that instruments, such as the Notes, which do not contain any contractual terms providing for their writing off or conversion into ordinary shares upon the occurrence of a Non-Viability Event (as defined below), will, subject to implementation of the Basel III Reforms and to applicable transitional provisions, cease to be eligible to count in full as Tier 2 Capital from January 1, 2013 unless, among other things, the jurisdiction of the relevant bank has in place laws that (i) require such instruments to be written down upon the occurrence of a Non-Viability Event, or (ii) otherwise require such instruments fully to absorb losses before tax payers are exposed to loss.

CRD IV contemplates that the concept of a Non-Viability Event will be implemented in the European Economic Area by way of the Bank Recovery and Resolution Directive. If such statutory loss absorption at the point of non-viability is not implemented by December 31, 2015, CRD IV indicates that the European Commission shall review and report on whether provision for such a requirement should be contained in CRD IV and, in light of that review, come forward with appropriate legislative proposals.

In addition, on July 10, 2013, the European Commission announced that it has adapted its temporary state aid rules for assessing public support to financial institutions during the crisis (the “**Revised State Aid Guidelines**”). The Revised State Aid Guidelines provide for strengthened burden-sharing requirements, which require banks with capital needs to obtain shareholders’ and subordinated debt holders’ contribution before resorting to public recapitalisations or asset protection measures. The European Commission will apply the principles set out in the new rules from August 1, 2013. In these guidelines, the European Commission has made it clear that any burden sharing imposed on subordinated debt holders will be made in line with principles and rules set out in the proposed Bank Recovery and Resolution Directive.

The operation of any such future legislation or guidelines, whether implemented through the Bank Recovery and Resolution Directive, CRD IV or otherwise, may have an adverse effect on the position of Holders. See



also the risk factors entitled “*The Notes may be subject to statutory loss absorption*”, “*Future bank recovery and resolution regimes*” and “*Change of law*”.

As used herein, “**Non-Viability Event**” means the earlier of (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, without which the relevant bank would become non-viable, in each case as determined by the relevant authority. This definition is for illustrative purposes only and may not necessarily reflect the meaning ascribed to the term “Non-Viability Event” (or any term equivalent thereto) pursuant to any law or regulation implementing the Basel III Reforms.

See also the risk factors entitled “*The Notes may be subject to statutory loss absorption*”, “*Future bank recovery and resolution regimes*”, and “*Change of law*” for further information.

***Modifications and waiver may apply to the Notes absent consent of all Holders***

The Terms and Conditions of the Notes 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 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 without the consent of Holders (i) for the purposes of curing any ambiguity, or for curing, correcting or supplementing any defective provision contained therein or (ii) in any manner which the Issuer and the Fiscal Agent may mutually deem necessary or desirable and which does not adversely affect the interests of the Holders, or to comply with mandatory provisions of law or to evidence a successor obligor. See Condition 13.

***The Notes will not be registered or listed***

The Notes and the Guarantee are not and will not be registered under the Securities Act or under any state laws. The Notes and the Guarantee are being offered pursuant to an exemption from the registration requirements of the Securities Act contained in Section 3(a)(2) of the Securities Act. Neither the SEC nor any state securities commission or regulatory authority has recommended or approved the Notes or the Guarantee, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Circular. The Notes will not be listed on an organized securities exchange. This may adversely affect the liquidity and, therefore, the value of the Notes.

***Neither the Notes nor the Guarantee are insured by the FDIC***

Neither the Notes nor the Guarantee are deposit liabilities of the Issuer or the Guarantor, respectively, and neither the Notes nor the Guarantee or any investment in the Notes are insured by the United States FDIC, the Bank Insurance Fund or any U.S. or Dutch governmental or deposit insurance agency.

***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***

The 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. This is particularly the case for Notes that are especially sensitive to interest rate, or market risks. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

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

The Notes are expected to be assigned on issue a rating of A2 by Moody's Investors Service Limited, A 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. Credit ratings may not reflect the potential impact of all risks relating to the value of the Notes. Real or anticipated changes in the credit ratings of the Bank will generally affect the market value 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.

### ***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.

### ***EU Savings Directive***

The EU has adopted EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"). The EU Savings Directive requires Member States of the European Union (each an "**EU Member State**") to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person to an individual resident, or to certain other types of entity established, in another EU Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of non-EU countries and territories have adopted similar measures with effect from the same date.

If a payment were to be made or collected through an EU Member State (or a third country or territory which has adopted similar measures) which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of the EU Savings Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### ***Reliance on the procedures of DTC***

The Notes will be represented by one or more Global Notes except in certain limited circumstances described under 'Provisions Relating to the Notes While in Global Form' below. The Global Notes will be deposited with a custodian on behalf of DTC in the name of Cede & Co. as nominee. DTC will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes,

investors will be able to trade their entitlements only through DTC. The Global Notes will be exchangeable in very limited circumstances described herein, in whole but not in part, for Notes in registered, definitive form.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the Fiscal Agent, which then makes payments to DTC or a nominee thereof, for distribution to its account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of DTC to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes may have to rely on DTC and/or their respective custodian bank to exercise voting rights with respect to such Notes in any creditors meeting in relation to the Notes or to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the Notes. Rather, Holders will have to rely upon their limited rights under the Terms and Conditions. See “Provisions Relating to the Notes While in Global Form” below.

***Integral multiples of less than U.S.\$250,000 not permitted***

The Notes are denominated in amounts of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof. Under the Terms and Conditions, a Holder will be required to hold an amount of Notes that is not less than the minimum denomination of U.S.\$250,000.

***Change of law***

The terms and conditions of the Notes are based on Dutch law in effect as at the date of the final Offering Circular. 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 Offering Circular. 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 Bank through the Issuer or otherwise, including the Notes. Such tools may include the ability to write off sums otherwise payable on such securities at a time when the Bank is no longer considered viable by its regulator or upon the occurrence of another trigger (see the risk factors entitled “*The Notes may be subject to statutory loss absorption*”, “*Future bank recovery and resolution regimes*” and “*Basel III Reforms — Loss absorbency at the point of non-viability*” above for further details).

***Enforcement of U.S. laws against the Issuer***

The Issuer is a Dutch branch of a Dutch bank. Many of the Bank’s directors and executive officers are resident outside the United States, and all or a substantial portion of the assets of its directors and executive officers are located outside the United States. As a result, it may be difficult for investors to serve legal process within the United States upon the directors and executive officers of the Bank or to enforce, outside the United States, judgments obtained against the Issuer, the Bank or the Bank’s directors or executive officers in courts in jurisdictions inside the United States in any action, including actions predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

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

The Bank and other non-U.S. financial institutions through which payments on the Notes are made, may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after December 31, 2016 pursuant to FATCA, or similar law implementing an intergovernmental approach to FATCA, or in either case, any agreement entered into by the Bank pursuant thereto. However, such FATCA withholding tax is not expected to apply if the Notes are (i) treated as debt for U.S. federal income tax purposes, (ii) issued prior to the later of July 1, 2014 and the date that is six months after the date on which applicable final regulations are

filed with respect to “foreign passthru payments” and (iii) not materially modified on or after such date. The rules governing FATCA have not yet been fully developed in this regard and the future application of FATCA to the Bank, the Notes and holders of the Notes is uncertain. This withholding by the Bank, and other non-U.S. financial institutions through which payments on the Notes are made, may be required, inter alia, where (i) the Bank or such other non-U.S. financial institution is a foreign financial institution (“**FFI**”) (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service (“**IRS**”) (or an arrangement provided for under a law implementing an intergovernmental approach to FATCA) to provide certain information on its account holders (making the Bank or such other non-U.S. financial institution a “**Participating FFI**”), and (ii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA or (b) an investor (or any entity through which payment on such Notes is made) is an FFI that is not a Participating FFI or otherwise exempt from FATCA withholding. The United States and certain other countries have, and additional other countries may, enter into intergovernmental agreements that modify or supplement these rules.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, neither the Issuer nor any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay any Additional Amount as a result of the deduction or withholding of such tax. Investors should consult their own tax advisors to determine how these rules may apply to payments they will receive under the Notes. FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations and official guidance that is subject to change.

#### ***United States federal income tax characterization***

As discussed above under “*The Notes may be subject to statutory loss absorption*”, in certain circumstances, the amounts payable under the Notes could be reduced or converted into common equity of the Bank by the applicable regulator if certain portions of the Bank Recovery and Resolution Directive were to be adopted and made applicable to the Notes. The U.S. federal income tax treatment of the Notes is unclear as a result of such potential reduction or conversion. If required to do so for U.S. federal income tax purposes, the Issuer intends to take the position that the Notes should be treated as debt for U.S. federal income tax purposes. However, it is possible that the Notes could be treated as equity for U.S. federal income tax purposes, and no ruling from the IRS has been sought and no opinion of counsel has been rendered regarding this issue. There can be no assurances that this characterization will be respected by the IRS, and if the IRS were to successfully challenge the characterization of the Notes as debt for U.S. federal income tax purposes, the tax consequences to holders could be materially and adversely different than those described below under “*Taxation – Certain United States Federal Income Tax Consideration*”, including the possible application of the passive foreign investment company (“**PFIC**”) rules.

**Prospective purchasers of the Notes should consult their tax advisors regarding the characterization of the Notes as debt for U.S. federal income tax purposes and any possible alternative characterizations, including the possible characterization of the Notes as equity of the Bank and the application of the PFIC rules to the purchase, ownership and disposition of the Notes.**

## **IMPORTANT INFORMATION**

### **Documents incorporated by reference**

This Offering Circular should be read and construed in conjunction with the following documents:

- (a) the audited consolidated financial statements of Rabobank Group for the years ended December 31, 2010, 2011 and 2012 (in each case together with the independent auditor's reports thereon and explanatory notes thereto);
- (b) the audited unconsolidated financial statements of Rabobank Nederland for the years ended December 31, 2010, 2011 and 2012 (in each case together with the independent auditor's reports thereon and explanatory notes thereto);
- (c) the unaudited condensed consolidated interim financial information of Rabobank Group for the six months ended June 30, 2013 (together with the review report thereon and explanatory notes thereto); and
- (d) the section titled "LIBOR" on pages 36-38 of the Interim Report 2013 of Rabobank Group.

Such documents shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been 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 Bank at its registered office set out at the end of this Offering Circular, (ii) by telephoning the Bank on +31 (0) 30 216 0000 or (iii) from the Bank's website at:

[http://www.rabobank.com/en/ir/Funding/bank\\_capital.html](http://www.rabobank.com/en/ir/Funding/bank_capital.html)

Except as set forth above, none of the information on any portion of the Bank's website is incorporated by reference into this Offering Circular.

## **FORWARD-LOOKING STATEMENTS**

This Offering Circular includes forward-looking statements. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, 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. Among the 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, the competitive nature of the banking business in the Netherlands; credit and other risks of lending; volatility in Dutch and international equity markets; government regulation and tax matters; the outcome of legal or regulatory disputes and proceedings; and changes in Dutch economic conditions, political events, interest rates, exchange rates and inflation. These forward-looking statements speak only as of the date of this Offering Circular. The Bank 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 Bank'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 Offering Circular and which are incorporated by reference herein — see "Important Information — Documents incorporated by reference".

## SUMMARY

The Summary below describes the principal terms of the Notes. The section of this Offering Circular entitled 'Terms and Conditions of the Notes' contains a more detailed description of the Notes. Capitalized terms used but not defined in this Summary shall bear the respective meanings ascribed to them in 'Terms and Conditions of the Notes'.

**Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.  
(Rabobank Nederland), Utrecht Branch**

**U.S.\$1,750,000,000 4.625% Tier 2 Subordinated Notes due December 1, 2023 (the "2023 Notes")  
U.S.\$ 1,250,000,000 5.750% Tier 2 Subordinated Notes due December 1, 2043 (the "2043 Notes" and,  
together with the 2023 Notes, the "Notes")**

<b>Issuer of the Notes</b>	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) ("Rabobank Nederland" or the "Bank"), Utrecht Branch
<b>Guarantor</b>	Rabobank Nederland, New York Branch
<b>Issue Size</b>	U.S.\$1,750,000,000 for the 2023 Notes. U.S.\$1,250,000,000 for the 2043 Notes.
<b>Maturity Date</b>	The 2023 Notes will mature on December 1, 2023 . The 2043 Notes will mature on December 1, 2043.
<b>Issue Date</b>	November 29, 2013.
<b>Format</b>	Exempt from the registration requirements of the U.S. Securities and Exchange Commission (the "SEC") pursuant to Section 3(a)(2) of the U.S. Securities Act of 1933 (the "Securities Act").
<b>Interest</b>	The 2023 Notes will bear interest at an interest rate of 4.625% per annum, from (and including) November 29, 2013 to (but excluding) December 1, 2023, unless previously redeemed, payable semi-annually in arrears, as more fully described under Condition 6.  The 2043 Notes will bear interest at an interest rate of 5.750% per annum, from (and including) November 29, 2013 to (but excluding) December 1, 2043, unless previously redeemed, payable semi-annually in arrears, as more fully described under Condition 6.
<b>Interest Payment Dates</b>	Interest will be payable on June 1 and December 1 in each year (each, an "Interest Payment Date"), commencing on June 1, 2014.
<b>Ranking</b>	The payment obligations under the Notes and the Guarantee will constitute direct, unsecured and subordinated obligations of the Issuer and the Guarantor, respectively, 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 Bank;

(b) a Moratorium; or (c) dissolution (*ontbinding*) as a result of the insolvency of the Bank, the payment obligations of the Issuer under the Notes and the Guarantor under the Guarantee shall rank:

- (i) subordinated and junior to present or future unsubordinated indebtedness of the Bank;
- (ii) *pari passu* with Parity Securities and any other present or future indebtedness of the Bank which ranks by or under its own terms or otherwise *pari passu* with the Notes or the Guarantee; and
- (iii) senior to any other present or future obligation of the Bank 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 or the Guarantee.

By virtue of this subordination, payments to the Holders will, in the case of (i) a bankruptcy of the Bank, (ii) a Moratorium, or (iii) a dissolution (*ontbinding*) as a result of the insolvency of the Bank, only be made after all payment obligations of the Bank ranking senior to the Notes and the Guarantee have been satisfied in full.

## **Guarantee**

All payments of principal, Interest or other amounts payable on the Notes in accordance with the terms of the Notes will be irrevocably and unconditionally guaranteed by the Guarantor on a subordinated basis pursuant to the Guarantee.

The Guarantee will be governed by and construed in accordance with the laws of the Netherlands. Under such law, the Guarantor is not a separate legal entity from the Bank or the Issuer and, therefore, from a Dutch law perspective, the Guarantee provided by the Guarantor for the obligations of the Issuer will not provide a separate means of recourse. See Condition 4.

The obligations of the Guarantor under the Guarantee will be subordinated, as provided in “Ranking” above. Further, under the terms and conditions of the Notes, by accepting a direct or beneficial interest in a Note, the relevant holder and beneficial owner will irrevocably waive its right to any preference to which it may become entitled under Section 606(4)(a) of the New York Banking Law and under any other similar laws to the extent necessary to give effect to the subordination provisions of the Notes and the Guarantee.

## **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 Dutch



	Central Bank.
<b>Redemption for Taxation Reasons</b>	<p>If as a result of a Tax Law Change:</p> <p>(i) there is more than an insubstantial risk that the Issuer (or, if payments are required to be made under the Guarantee, the Guarantor) will be required to pay Additional Amounts with respect to payments on the Notes (or, if required, by the Guarantor with respect to the Guarantee); or</p> <p>(ii) Interest payable on the Notes (or, if interest payments on the Notes are required to be made under the Guarantee, such sums payable under the Guarantee) when paid would not be deductible by the Issuer (or, as the case may be, the Guarantor) for Netherlands corporate income tax liability purposes,</p> <p>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 7(b).</p>
<b>Redemption for Regulatory Reasons</b>	<p>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 fixed for redemption, as more particularly set out in Condition 7(d).</p>
<b>Withholding Tax and Additional Amounts</b>	<p>Notwithstanding Condition 7(c), 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 10.</p>
<b>Listing</b>	None
<b>Governing Law</b>	The Agency Agreement, the Notes and the Guarantee will be governed by, and construed in accordance with, the laws of the Netherlands.
<b>Form</b>	The Notes will be represented by one or more global certificates in registered form without receipts, interest coupons or talons (each, a “ <b>Global Note</b> ”) deposited with and registered in the name of The Depository Trust Company (“ <b>DTC</b> ”) or its nominee.
<b>Denominations</b>	U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Clearing and Settlement</b>	The Notes will be accepted for clearance through the facilities of DTC and its indirect participants, including Euroclear and Clearstream.
<b>Rating</b>	The Notes are expected to be assigned on issue a rating of A2

by Moody's Investors Service Limited, A by Standard & 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.

**Security Codes**

2023 Notes:

CUSIP: 21684AAA4

ISIN: US21684AAA43

2043 Notes:

CUSIP: 21684AAB2

ISIN: US21684AAB26

**Fiscal Agent and Paying Agent**

Deutsche Bank Trust Company Americas

## TERMS AND CONDITIONS OF THE NOTES

The issue of the Notes and the giving of the Guarantee was authorized by a resolution of the Executive Board passed on November 21, 2013 and a resolution of the Supervisory Board passed on November 21, 2013. 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 offices of each of the Paying Agents. 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 or, as the case may be, the Guarantee 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);

“**Agency Agreement**” means the fiscal agency agreement dated November 29, 2013 entered into between the Issuer, the Fiscal Agent and the Paying Agents;

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

“**Bank**” means Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

“**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 Utrecht, London and New York;

“**Calculation Amount**” means U.S.\$1,000 in principal amount of each Note;

A “**Capital Event**” is deemed to have occurred if the Bank is notified in writing by the Dutch Central Bank to the effect that, as a result only of any amendment to, or change in, the Solvency Rules the whole of the outstanding principal amount of the Notes is fully excluded from Tier 2 Capital and in any such case the relevant amendment or change is one which the Dutch Central Bank is satisfied was not reasonably foreseeable as at the Issue Date;

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended;

“**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**” means, taken together, (i) the CRD IV Directive, (ii) the CRD IV Regulation and (iii) the Future Capital Instruments Regulations;

“**CRD IV Directive**” means Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending 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;

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

“**Day-count Fraction**” means (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, shall be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed;

“**Definitive Notes**” means definitive Notes in registered form;

“**Dutch Central Bank**” means De Nederlandsche Bank N.V., or such other authority having primary supervisory authority with respect to the Rabobank Group;

“**Event of Default**” means the Bank becomes bankrupt or an order is made or an effective resolution is passed for the winding-up or liquidation of the Bank (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 Bank 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 Bank (*liquidatie van het bedrijf van de kredietinstelling*).

For the avoidance of doubt, the taking of possession of the business and property of the Guarantor by the Superintendent pursuant to §606(4)(a) of the New York Banking Law or any appointment of a receiver in respect of the Guarantor pursuant to §634 of the New York Banking Law shall not constitute an Event of Default.

“**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% of the votes cast in respect of each affected series of Notes;

“**Fiscal Agent**” means Deutsche Bank Trust Company Americas in its capacity as fiscal agent, which expression shall include any successor thereto;

“**Future Capital Instruments Regulations**” means any regulatory capital rules implementing the CRD IV Regulation or the CRD IV Directive which may from time to time be introduced after the Issue Date including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Dutch Central Bank, the European Banking Authority or other relevant authority, which are applicable to the Bank (on a solo or consolidated basis) and which lay down the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Bank (on a solo or consolidated basis) to the extent required by (i) the CRD IV Regulation or (ii) the CRD IV Directive;

“**Global Note**” means a global certificate in registered form without receipts, interest coupons or talons;

“**Guarantee**” means the guarantee provided by the Guarantor in respect of the Notes and governed by the laws of the Netherlands;

“**Guarantor**” means Rabobank Nederland, New York Branch;

“**Holder**” means a person or persons in whose name a Note is registered in the Notes Register, from time to time;

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

“**Interest Payment Date**” means June 1 and December 1 of each year commencing June 1, 2014;

“**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 4.625% per annum for the 2023 Notes and 5.750% per annum for the 2043 Notes;

“**Issue Date**” means November 29, 2013, being the date of the initial issue of the Notes;

“**Issuer**” means Rabobank Nederland, Utrecht Branch;

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

“**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 Bank;

“**Notes**” means the U.S.\$1,750,000,000 4.625% Subordinated Notes due 2023 (the “**2023 Notes**”) and the U.S.\$1,250,000,000 5.750% Subordinated Notes due 2043 (the “**2043 Notes**”), which expression shall, unless the context otherwise requires, include any further instruments issued pursuant to Condition 15 and forming a single series with the 2023 Notes or the 2043 Notes, as the case may be;

“**Notes Register**” means the register that the Fiscal Agent will cause to be kept at its offices in the Borough of Manhattan, New York in which, subject to such reasonable regulations as it may prescribe, the Registrar will provide for the registration of the Notes and of registered transfers thereof;

“**Parity Securities**” means the Bank’s EUR 1,000,000,000 5.875% Subordinated Notes 2009 due May 20, 2019 (ISIN: XS0429484891), EUR 1,000,000,000 3.75% Subordinated Notes due November 9, 2020 (ISIN: XS0557252417), EUR 1,000,000,000 4.125% Notes due 2022 (ISIN: XS082663487), GBP 500,000,000 5.25% Subordinated Notes due 2027 (ISIN: XS0827563452), U.S.\$ 1,500,000,000 3.950% Subordinated Notes due November 9, 2022 (ISIN:US21685WDF14) and EUR 1,000,000,000 3.875% Subordinated Notes due July 25, 2023 (ISIN: XS0954910146);

“**Paying Agents**” means Deutsche Bank Trust Company Americas in their capacity as paying agents, which expression includes any successor and additional paying agents appointed from time to time in connection with the Notes;

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

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

“**Rabobank Nederland**” means Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

“**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;

“**Registrar**” means Deutsche Bank Trust Company Americas in its capacity as registrar for the Notes, which expression shall include 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 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;

“**Solvency Rules**” means the solvency rules from time to time pursuant to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (as amended or replaced from time to time) or any other rules or regulations relating to capital to which the Bank and the Rabobank Group are subject;

“**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 related Administrative Action or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the Issue Date and, in each case, which the Dutch Central Bank is satisfied is material and was not reasonably foreseeable at the Issue Date;

“**Tier 1 Capital**” means, at any time, all items classified as Tier 1 Capital (as defined at such time, in the Solvency Rules) of the Rabobank Group;

“**Tier 2 Capital**” means, all items classified as Tier 2 Capital (as defined at such time, in the Solvency Rules) of the Rabobank Group; and

“**U.S. dollar**” “**USD**” or “**U.S.\$**” means the lawful currency of the United States of America

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

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

The Notes are serially numbered and in registered form in the denominations of U.S.\$250,000, and integral multiples of U.S.\$1,000 in excess thereof.

The Notes, and all rights in connection therewith, will be documented in the form of one or more global notes, all of which will be made out to Cede & Co. as nominee of DTC and deposited on the Issue Date by the Fiscal Agent with a custodian on behalf of DTC until the earliest of (x) redemption of the Notes, (y) cancellation of the Global Notes and (z) printing of Definitive Notes. So long as the Notes are represented by more than one Global Note, all rights under the Global Notes will be exercised concurrently.

Pursuant to the terms of any Global Note, the Global Note may not be held by or transferred to any person other than DTC or its nominee or a successor to DTC or its nominee. A Global Note may be transferred without the prior written consent of the Fiscal Agent, but only as described in the Global Note.

The records of DTC will determine the number of Notes held through each participant in DTC.

Neither the Issuer nor any Holder will at any time have the right to effect or demand the conversion of any Global Note into, or the delivery of, uncertificated securities or Notes in definitive form except as provided in Condition 3 below.

All references to DTC include any successor depositary appointed by the Issuer.

### **(b) Title**

Title to the Notes passes by transfer and registration in the Notes Register. The Holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the Holder, as the case may be.

### 3 Definitive Notes

Security entitlements in respect of Notes represented by one or more Global Notes deposited with and registered in the name of DTC or its nominee will be exchangeable for Notes represented by certificates delivered to and registered in the name of the Holders thereof only if such exchange is permitted by applicable law and (i) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Notes or DTC ceases to be a clearing agency registered as such under the Securities Exchange Act of 1934, as amended, (the “**Exchange Act**”) if so required by applicable law or regulation, and, in either case, a successor depository is not appointed by the Issuer within 60 days after receiving such notice or becoming aware that DTC is no longer so registered, or (ii) the Issuer, in its sole discretion, elects to issue Notes in such form. The Notes so issued in exchange for any such Global Note shall be of like tenor and of an equal aggregate principal amount, in authorized denominations. Such Notes shall be registered in the name or names of such person or persons as DTC or any other relevant clearing system shall instruct the Registrar. It is expected that such instructions may be based upon directions received by DTC from its participants with respect to security entitlements in respect of the Notes. Except as provided above, persons holding a security entitlement in respect of the Notes other than DTC will not be entitled to receive physical delivery of certificates representing the Notes and will not be considered the registered Holder or Holders of such Notes for any purpose.

Any security certificate issued under the circumstances described in the preceding paragraph will be transferable in whole or in part in an authorized denomination upon the surrender of such security certificate, together with the form of transfer endorsed thereon duly completed and executed, at the specified office of the Registrar or the specified office of any Transfer Agent. In the case of a transfer of only a part of the Notes represented by a security certificate, a new security certificate in respect of the balance not transferred will be issued to the transferor. Each new security certificate to be issued upon transfer will, within three Business Days of receipt of such form of transfer, be delivered to the transferee at the office of the Registrar or such Transfer Agent or mailed at the risk of the Holder entitled to the Notes in respect of which the relevant security certificate is issued to such address as may be specified in such form of transfer.

### 4 Guarantee

#### (a) *Status*

Pursuant to the Guarantee, the Guarantor irrevocably and unconditionally guarantees to each Holder of Notes the payments of the redemption amount, Interest and any other amounts due and payable on such Notes, if such amounts have not been received by such Holder at the time such payment is due and payable. Under the terms of the Guarantee, the Guarantor has waived presentment, demand, protest and notice of any kind with respect to the Guarantee. The Guarantor has also waived any requirement that the Holder or Holders of any Notes exhaust any rights or take any action under the Notes. The Guarantee provides that in the event of a default in payment, as provided in Condition 8, of any amounts due to the Holder or Holders of any Notes, such Holder or Holders may proceed directly against the Guarantor to enforce the Guarantee without first proceeding against the Issuer.

The Guarantee is (i) a direct, unsecured and subordinated obligation of the Guarantor, (ii) a continuing guarantee, (iii) irrevocable and (iv) a guarantee of payment of the amounts due and payable under the Notes.

The Guarantee shall not be discharged except by the payment of all amounts due and payable under the Notes.

Moreover, under Dutch law, a branch is not a separate legal entity and, therefore, from a Dutch law perspective, the Guarantee provided by the Guarantor for the obligations of the Issuer does not provide a separate means of recourse.

In the event that U.S. withholding taxes are applicable on payments made by the Guarantor, there is no additional gross up for such withholding taxes. In many circumstances, such withholding taxes could be avoided if the beneficial owner of a Note provides the Issuer or its paying agent with a properly completed U.S. IRS Form W-8 or W-9.

**(b) Subordination**

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

- (i) subordinated and junior to present or future unsubordinated indebtedness of the Bank;
- (ii) *pari passu* with Parity Securities or any other present or future indebtedness of the Bank which ranks by or under its own terms or otherwise *pari passu* with the Guarantee; and
- (iii) senior to any other present or future obligation of the Bank 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 Guarantee.

By virtue of such subordination, payments to the Holders under the Guarantee will, in the case of (a) the bankruptcy of the Bank; (b) a Moratorium; or (c) dissolution (*ontbinding*) as a result of the insolvency of the Bank, only be made after all payment obligations of the Guarantor ranking senior to the Guarantee 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 Guarantor under or in connection with the Notes shall be excluded and each Holder shall be deemed to have waived all such rights of set-off in full.

**(c) Waiver of Certain Preference Rights**

- (i) Each Holder and beneficial owner of a Note, waive its rights to the preferred treatment it would otherwise receive under Section 606(4)(a) of New York Banking Law or under any other similar law to the extent necessary to give effect to the subordination provisions described in Condition 5(b).
- (ii) Each Holder and beneficial owner of a Note, agree that, should the Superintendent take possession or be in possession of the business and property of the Bank in New York at a time when proceedings with respect to the bankruptcy of the Bank, a Moratorium, or dissolution of the Bank have occurred and are continuing, then the Superintendent will apply any amounts that would be due to the Holders in the absence of the waiver described in Condition 4(c) and the subordination provisions of the Guarantee:
  - A. first, to the payment in full of all deposit liabilities and all other liabilities of the Guarantor (other than the Guarantee and other obligations of the Guarantor that rank *pari passu* with or that are subordinated to the Guarantee) and to any other claim accorded priority under any U.S. federal law or law of the State of New York that is then due and payable, the priorities to be ascribed among those claims to be determined in accordance with those laws, and
  - B. thereafter, to pay any amount remaining to any receiver or similar official in insolvency of the Bank with similar powers appointed with respect to the Bank or its assets for application (1) first, to payment in full of all claims of depositors and other obligations of the Bank ranking senior in right of payment to the Guarantee and (2) thereafter, to the payment, equally and ratably, of amounts due and owing on the Guarantee (whether



pursuant to the terms of the Guarantee or otherwise) and all obligations of the Bank ranking *pari passu* in right of payment with the Guarantee.

- (iii) Each Holder and beneficial owner of a Note, agree that should the Superintendent take possession or be in possession of the business and property of the Bank in New York at any time when no proceedings with respect to the bankruptcy of the Bank, a Moratorium, or dissolution of the Bank have occurred and are continuing, the Superintendent will apply any amounts that would be due to the Holders in the absence of the waiver described in Condition 4(c) and the subordination provisions of the Notes and the Guarantee in the following order:
- A. first, to the payment in full of all deposit liabilities and all other liabilities of the Guarantor (other than the Guarantee and other obligations of the Guarantor that rank *pari passu* with or that are subordinated to the Guarantee) and to any other claim accorded priority under any U.S. federal law or law of the State of New York that is then due and payable, the priorities to be ascribed among those claims to be determined in accordance with these laws,
  - B. second, to the payment, equally and ratably, of amounts then due and owing on the Guarantee and all obligations of the Guarantor ranking *pari passu* in right of payment with the Guarantee, and
  - C. thereafter, to pay any amount remaining to the Bank.

## 5 Status and Subordination

### (a) Status

The Notes constitute direct, unsecured and subordinated obligations of the Bank 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 5(b).

### (b) Subordination

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

- (i) subordinated and junior to present or future unsubordinated indebtedness of the Bank;
- (ii) *pari passu* with Parity Securities and any other present or future indebtedness of the Bank 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 Bank 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 (a) the bankruptcy of the Bank; (b) a Moratorium; or (c) dissolution (*ontbinding*) as a result of the insolvency of the Bank, only be made after all payment obligations of the Bank 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 Bank under or in connection with such Note shall be excluded and each Holder shall be deemed to have waived all such rights of set-off in full.

*In respect of this Condition 5, reference is made to statutory loss absorption as more fully described in the risk factors entitled "Change of law" and "The Notes may be subject to statutory loss absorption" in this Offering Circular relating to the Notes.*

## **6 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 6.

Interest shall be payable on the Notes semi-annually in arrears on each Interest Payment Date as provided in this Condition 6.

### **(b) Interest Rate**

The Notes bear interest on their principal amount at the Interest Rate.

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 thereof.

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

The Notes will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 7 unless payment of all amounts due in respect of the 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).

## **7 Redemption and Purchase**

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

Unless previously redeemed or purchased and cancelled, the 2023 Notes will be redeemed at their principal amount on December 1, 2023 and the 2043 Notes will be redeemed at their principal amount on December 1, 2043.

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

Any redemption or purchase of the Notes in accordance with Condition 7(c), (d) or (e) is subject to the Issuer (i) obtaining the prior written consent of the Dutch Central Bank, provided that at the relevant time such consent is required to be given; and (ii) except in the case of any purchase of the Notes in accordance with Condition 7(e), giving not less than 30 nor more than 60 calendar days' notice to the Holders, the Fiscal Agent and the Paying Agents, in accordance with Condition 14, which notice shall be irrevocable.

Prior to the publication of any notice of redemption pursuant to this Condition 7, the Issuer shall deliver to the Fiscal Agent a certificate signed by the Authorized Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied.

### **(c) Redemption Due to Taxation**

If as a result of a Tax Law Change:

- (i) there is more than an insubstantial risk that the Issuer (or, if payments are required to be made under the Guarantee, the Guarantor) will be required to pay Additional Amounts with respect to payments on the Notes (or, if required, by the Guarantor with respect to the Guarantee); or

- (ii) Interest payable on the Notes (or, if interest payments on the Notes are required to be made under the Guarantee, such sums payable under the Guarantee) when paid would not be deductible by the Bank (or, as the case may be, the Guarantor) for Netherlands corporate income tax liability purposes,

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

**(d) *Redemption for Regulatory Purposes***

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

**(e) *Purchases***

The Issuer or any other member of the Rabobank Group may, subject to Condition 7(b)(i) and to applicable law and regulation (including CRD IV once it is in effect in the Netherlands and as then in effect), at any time purchase Notes in any manner and at any price .

**(f) *Cancellation***

All Notes redeemed by the Issuer pursuant to this Condition 7, 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 Fiscal Agent for cancellation. 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.

## **8 Payments**

**(a) *Method of Payment***

All payments required to be made under the Notes shall be made in U.S. dollars without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfillment of any other formality, save in respect of taxation; *provided however*, that, in the case of Definitive Notes, such Notes must be presented, and surrendered in the case of redemption, at the specified office of the relevant Paying Agent or the specified office(s) of any other agent(s) appointed for this purpose by the Fiscal Agent and notified to the Holders pursuant to Condition 14, as a condition to receipt of such payment.

The Issuer will remit to the Fiscal Agent, who will, upon receipt, further remit to the Holder the redemption amount, Interest and any other amounts (in cash) payable on such Notes. In the case of Notes represented by a Global Note deposited with and registered in the name of DTC or its nominee, DTC will be considered the exclusive Holder of the entire issue of such Notes. Thus, upon payment in full of any amount due under such Notes to DTC, the Issuer and the Guarantor will be discharged from any further obligation with regard to such payments. No person other than DTC shall have any claim directly against the Issuer or, as the case may be, the Guarantor in respect of any payments due on any Notes represented by a Global Note on deposit with and registered in the name of DTC or its nominee.

*The Issuer understands that it is DTC's ordinary practice to credit payments made on any Notes to the accounts of its participants in accordance with the principal amount of Notes credited to their accounts with DTC, unless DTC has reason to believe that it will not receive payment on the applicable payment date. Payments to persons who have Notes credited to an account with a participant of DTC or another securities intermediary will be governed by the laws and agreements governing such account with such participant or other securities intermediary and will be the responsibility of such participant or other securities intermediary, and not of DTC, the Fiscal Agent, the Issuer or the Guarantor, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the redemption amount (if any), interest (if any) or any other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, any Notes deposited with and registered in the name of DTC or its nominee is the responsibility of the Issuer, the Guarantor, or the Fiscal Agent. Disbursement of such payments to DTC's participants is the responsibility of DTC, and disbursement of such payments to persons who have Notes credited to an account with a participant of DTC or another securities intermediary shall be the responsibility of such participant or other securities intermediary. Payments Subject to Fiscal Laws*

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

**(b) Payments on Business Days**

If the date for payment of any amount in respect of any Note is not a Business Day, the Holder thereof shall be entitled to receive payment on the next following Business Day. In such event, the relevant amount due in respect of such Note shall not be affected by such adjustment and no additional interest will accrue during the period from and after the original maturity for payment.

## **9 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 Dutch Central Bank.

## **10 Taxation**

All payments made 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;

- (iii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iv) if such Holder could lawfully avoid (but has not so avoided) such deduction or withholding by presenting and surrendering the relevant Note (where presentment is required) to another Paying Agent in a Member State of the European Union; or
- (v) where such deduction or withholding is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach with respect thereto.

## **11 Prescription**

Claims for principal and Interest shall become void unless (i) in the case of Definitive Notes, the relevant Note is presented for payment, as required by Condition 10, within a period of five years of the appropriate due date or (ii) in the case of Global Notes, the such claim is made within a period of five years of the appropriate due date.

## **12 Replacement of Notes**

If Definitive Notes are printed, any Definitive Note that is lost, stolen, mutilated, defaced or destroyed may be replaced, subject to applicable laws and regulations, at the specified office of the Fiscal Agent upon payment by the claimant of the fees, costs and expenses incurred by the Fiscal Agent and the Issuer in connection with the loss and replacement. The Holder must agree to such terms as to evidence, security and indemnity as the Issuer may require, which may include, among other things, that if the Definitive Note allegedly or actually lost, stolen or destroyed is subsequently presented for payment, the Holder must pay to the Issuer on demand the amount payable by the Issuer in respect of the Definitive Note that is subsequently presented. Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

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

### **(a) Meetings of Holders**

The Agency Agreement contains provisions for convening meetings of Holders to consider any matter affecting their interests, including sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer or Holders holding not less than 10% 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 in respect of the Notes on the Notes, (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 and/or the Guarantee referred to in Conditions 4 and 5, in which case the necessary quorum shall be two or more persons holding or representing not less than 75% 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% in principal amount of the Notes for the time being outstanding. No modification to these Conditions shall become effective unless the Issuer shall have given (to the extent so required by the Dutch Central Bank at the relevant time) prior written notice of the proposed modification and received the consent of the Dutch Central Bank therefor. For purposes of this Condition 13, whether the requisite percentage of Notes has taken any action shall be determined with reference to the percentage of the principal amount then outstanding of each affected series of Notes.

**(b) Modification and Waiver**

The Issuer shall only permit any modification of, or any waiver or authorization 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 Fiscal Agent without the consent of any Paying Agent or 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 Fiscal Agent may mutually deem necessary or desirable and which does not adversely affect the interests of the Holders, or to comply with mandatory provisions of law, to evidence the succession of another corporation or other entity to the Issuer or Guarantor, and the assumption by any such successor of the covenants of the Issuer or Guarantor or to change the branch or office of Rabobank Nederland that is acting as the Guarantor

## **14 Notices**

So long as the Notes are represented by one or more Global Notes deposited with a custodian on behalf of DTC, notices to Holders will be given by communication through the Fiscal Agent to DTC. Any notice given in this manner will be deemed validly given on the date of delivery to DTC.

If Definitive Notes are printed, as described in Condition 3 above, notices to Holders shall be valid if published in a leading English language daily newspaper having general circulation in New York (which is expected to be *The Wall Street Journal*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in the United States. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

## **15 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 2023 Notes or 2043 Notes, as the case may be.

## **16 Agents**

The Fiscal Agent and Paying Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent and Paying Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and any Paying Agent and to appoint additional or other agents, provided that it will at all times maintain (i) a Fiscal Agent, (ii) a Paying Agent, (iii) paying agents

having specified offices in London, Amsterdam and New York and (iv) a Paying Agent having specified office in a major city in a Member State of the European Union other than the United Kingdom that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of November 26-27, 2000 or any law implementing or complying with, or introduced to conform to such Directive.

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

## **17 Governing Law**

The Agency Agreement, the Notes and the Guarantee are governed by, and shall be construed in accordance with, the laws of the Netherlands.

## **18 Jurisdiction**

The competent courts of Amsterdam, the Netherlands are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement, the Notes or the Guarantee 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 WHILE IN GLOBAL FORM

### Form, Denomination and Title

Unless otherwise provided, the Notes will be represented by one or more Global Notes in registered form without receipts, interest coupons or talons deposited with and registered in the name of DTC or its nominee.

The Fiscal Agent will serve initially as Registrar for the Notes. In such capacity, the Registrar will cause to be kept at its offices in the Borough of Manhattan, New York a register (the “Notes Register”) in which, subject to such reasonable regulations as it may prescribe, the Registrar will provide for the registration of the Notes and of registered transfers thereof. The Issuer reserves the right to transfer such function as to the Notes to another bank or financial institution at any time.

Subject to applicable law and the terms of the Agency Agreement and the Notes, the Issuer and the Fiscal Agent will deem and treat the person or persons in whose name any Notes are registered (i.e., the Holder thereof) as the absolute owner or owners thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments or deliveries to or to the order of the Holder or Holders of such Notes will be valid and effectual to discharge the liability of the Issuer and the Fiscal Agent on such Notes to the extent of the sum or sums so paid or delivered. So long as DTC, its nominee, or a successor of DTC or any such nominee is the registered owner of the issue of Notes represented by one or more Global Notes, DTC, such nominee or such successor of DTC or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by such Global Note(s) for all purposes under the Agency Agreement. Accordingly, holders of security entitlements in respect of any Notes represented by one or more Global Notes deposited with and registered in the name of DTC or its nominee (an “**Entitlement Holder**”) must rely on the procedures of DTC, and, if such person is not a participant in DTC, on the applicable law and contractual arrangements governing its account relationship with its securities intermediary through which such person holds its security entitlement in respect of such Notes, to exercise any rights of a Holder of such Notes. The Issuer understands that, under existing industry practices, in the event that it requests any action of the Holder or Holders or that the Entitlement Holders desire to give or take any action which a Holder is entitled to give or take under the Agency Agreement, DTC, its nominee or a successor of DTC or its nominee, as the Holder of such Notes, would authorize the participants through which the relevant security entitlements are held (or persons holding security entitlements in respect of such Notes directly or indirectly through participants) to give or take such action, and such participants would authorize Entitlement Holders holding their security entitlements through such participants (or such persons holding security entitlements directly or indirectly through participants) to give or take such action and would otherwise act upon the instructions given to such participants (or such persons) by such Entitlement Holders.

DTC may grant proxies or otherwise authorize its participants (or persons holding security entitlements in respect of any Notes directly or indirectly through its participants) to exercise any rights of a Holder or take any other actions which a Holder is entitled to take under the Agency Agreement or in respect of the Notes. Because DTC can act only on behalf of its participants, who in turn act on behalf of indirect participants, the ability of an Entitlement Holder to pledge its interest in the Notes to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be limited by the lack of an individual security certificate for such interest. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive or certificated form. Such limits and such laws may impair the ability to transfer security entitlements in respect of any Notes.

The interest of each Entitlement Holder is to be recorded on the records of its securities intermediary. Entitlement Holders will not receive written confirmation from DTC of their purchase, but Entitlement Holders are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the securities intermediary through which they entered into the transaction. Transfers of interests in the Notes are to be accomplished by entries made on the books of securities intermediaries acting on behalf of Entitlement Holders. DTC has no knowledge of the actual Entitlement Holders of the Notes; DTC’s records reflect only the



identity of the participants to whose accounts security entitlements in respect of such Notes are credited. The participants will remain responsible for keeping account of holdings in favor of their customers.

Security entitlements in respect of Notes represented by one or more Global Notes deposited with and registered in the name of DTC or its nominee will be exchangeable for Notes represented by certificates delivered to and registered in the name of the Holders thereof only if such exchange is permitted by applicable law and (i) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Notes or DTC ceases to be a clearing agency registered as such under the U.S. Securities Exchange Act of 1934, as amended, if so required by applicable law or regulation, and, in either case, a successor depository is not appointed by the Issuer within 60 days after receiving such notice or becoming aware that DTC is no longer so registered, or (ii) the Issuer, in its sole discretion, elects to issue Notes in such form. The Notes so issued in exchange for any such Global Note shall be of like tenor and of an equal aggregate principal amount, in authorized denominations. Such Notes shall be registered in the name or names of such person or persons as DTC or any other relevant clearing system shall instruct the Registrar. It is expected that such instructions may be based upon directions received by DTC from its participants with respect to security entitlements in respect of the Notes. Except as provided above, persons holding a security entitlement in respect of the Notes other than DTC will not be entitled to receive physical delivery of certificates representing the Notes and will not be considered the registered Holder or Holders of such Notes for any purpose.

Any security certificate issued under the circumstances described in the preceding paragraph will be transferable in whole or in part in an authorized denomination upon the surrender of such security certificate, together with the form of transfer endorsed thereon duly completed and executed, at the specified office of the Registrar or the specified office of any Transfer Agent. In the case of a transfer of only a part of the Notes represented by a security certificate, a new security certificate in respect of the balance not transferred will be issued to the transferor. Each new security certificate to be issued upon transfer will, within three Business Days of receipt of such form of transfer, be delivered to the transferee at the office of the Registrar or such Transfer Agent or mailed at the risk of the Holder entitled to the Notes in respect of which the relevant security certificate is issued to such address as may be specified in such form of transfer.

DTC's practice is to credit DTC participants' account, upon DTC's receipt of funds and corresponding detail information from the Issuer or Fiscal Agent on the applicable payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC participants to the Entitlement Holder will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of DTC, the Fiscal Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time.

*Primary Distribution.* Distribution of the Notes may be cleared and settled through DTC.

DTC participants holding Notes through DTC on behalf of investors are expected to follow the settlement practices applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System. Notes will be credited to the securities custody accounts of such DTC participants against payment in same-day funds on the settlement date.

*Secondary Market Trading.* Secondary market trading between DTC participants will be cleared in the ordinary way in accordance with DTC's rules and operating procedures and will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is made in U.S. Dollars, or free of payment if payment is made in a currency other than U.S. Dollars. In the latter case, separate payment arrangements outside of the DTC system are required to be made between DTC participants.

*DTC.* Although DTC has agreed to the procedures described herein in order to facilitate transfers of security entitlements in respect of Notes among participants of DTC, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. Neither the Issuer nor the

Fiscal Agent will have any responsibility for the performance by DTC or its participants or its indirect participants of the respective obligations under the rules and procedures governing its operations.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that DTC participants deposit with DTC. DTC also facilitates the settlement among DTC participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC participants’ accounts, thereby eliminating the need for physical movement of securities certificates and any risk from lack of simultaneous transfers of securities and cash. DTC participants who maintain accounts directly with DTC include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include Dealers (“**participants**”). DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the NYSE Amex LLC and the Financial Industry Regulatory Authority, Inc. Access to DTC’s system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and DTC participants are on file with the SEC.

## DESCRIPTION OF BUSINESS OF RABOBANK GROUP

### General

Rabobank Group is an international financial service provider operating on the basis of cooperative principles. At June 30, 2013, it comprised 136 independent local Rabobanks and their central organization Rabobank Nederland and its subsidiaries. Rabobank Group operates in 42 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, leasing and real estate. It serves approximately 10 million clients around the world. In the Netherlands, its focus is on maintaining Rabobank's leading 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 stability and creditworthiness is reflected in the ratings awarded by several rating agencies (Standard & Poor's, Moody's, Fitch and DBRS Ratings Ltd. ("**DBRS**")). In terms of Tier 1 capital, Rabobank Group is among the world's 30 largest financial institutions (*source: The Banker*).

Rabobank Group's cooperative core business comprises independent local Rabobanks. Clients can become members of their local Rabobank. In turn, the local Rabobanks are members of Rabobank Nederland, the supralocal cooperative organization that advises and supports the banks in their local services. Rabobank Nederland also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 802 branches and 2,735 cash-dispensing machines at June 30, 2013, the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.7 million retail clients, and approximately 0.8 million wholesale clients, offering a comprehensive package of financial services.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) is the holding company of a number of specialized subsidiaries in the Netherlands and abroad. Rabobank International is Rabobank Group's wholesale bank and international retail bank.

Historically, Rabobank Group has engaged primarily in lending to the agricultural and horticultural sectors in the Dutch market. Since the 1990s, Rabobank Group has also offered a wide variety of commercial banking and other financial services not only in the Netherlands but also internationally. As part of an ongoing program, Rabobank Group has increased both the number and type of products and services available to its customers in order to diversify from a traditional savings and mortgage-based business to become a provider of a full range of financial products and services, both in the Netherlands and internationally. Rabobank 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 June 30, 2013, Rabobank Group had total assets of €698.4 billion, a private sector loan portfolio of €454.4 billion, amounts due to customers of €339.8 billion, savings deposits of €156.1 billion and equity of €40.7 billion. Of the private sector loan portfolio, €220.0 billion, virtually all of which were mortgages, consisted of loans to private individuals, €143.8 billion of loans to the trade, industry and services sector and €90.6 billion of loans to the food and agri sector. At June 30, 2013, its core Tier 1 ratio, which is the ratio between core Tier 1 Capital and total risk-weighted assets, was 12.9% and its Tier 1 ratio, which is the ratio between Tier 1 Capital and total risk-weighted assets, was 16.9%. For the six month period ended June 30, 2013, Rabobank Group's efficiency ratio, which is the ratio between total operating expenses and total income, was 65.8%, and the return on equity, or net profit expressed as a percentage of Tier 1 Capital, was 5.8%. For the six month period ended June 30, 2013, Rabobank Group realized a net profit of €1,112 million and a risk-adjusted return on capital ("**RAROC**") of 9.0% after tax. At June 30, 2013, Rabobank Group had 59,506 full-time employees. For the year ended December 31, 2012, the rate of absenteeism was 3.6%.

## Rabobank Group



### Business activities of Rabobank Group

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

#### *Domestic retail banking*

The domestic retail banking business comprises the local Rabobanks, Obvion N.V. (“**Obvion**”), Rabohypotheekbank N.V. (“**Rabohypotheekbank**”), Friesland Bank N.V. (“**Friesland Bank**”) and Roparco. 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 June 30, 2013, Rabobank Group’s domestic retail banking operations had total assets of €379.0 billion, a private sector loan portfolio of €305.1 billion, amounts due to customers of €218.2 billion and savings deposits of €128.7 billion. For the six month period ended June 30, 2013, Rabobank Group’s domestic retail banking operations accounted for 59%, or €3,810 million, of Rabobank Group’s total income and 55%, or €615 million, of Rabobank Group’s net profit. At June 30, 2013, Rabobank Group’s domestic retail banking operations employed 28,523 full-time employees.

### *Local Rabobanks*

The 136 (at June 30, 2013) local Rabobanks are independent cooperative entities, each with their own operating areas. With 802 branches and 2,735 cash dispensing machines at June 30, 2013, 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 clients and approximately 0.8 million wholesale 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 2012 (*AM Jaarboek 2012*)).

### *Obvion N.V.*

Obvion is 100% owned by Rabobank Nederland and is a provider of mortgages and a number of service products, including guarantees and bridging loans. Obvion focuses exclusively on collaboration with independent brokers.

### *Friesland Bank N.V.*

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

### *Rabohypotheekbank*

Rabohypotheekbank, with its statutory seat in Amsterdam, the Netherlands, provides mortgage-lending documentation services to all of the local Rabobanks and was owned 100% by Rabobank Nederland as at December 31, 2012.

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 December 31, 2012, Rabohypotheekbank had assets of €7.0 billion.

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

### *Rabobank International*

Rabobank International, which is the wholesale banking business and international retail banking business, focuses its activities on the food and agri sector. Rabobank International is a division of Rabobank Nederland and has a presence in 30 countries. Its activities are subdivided into the following regions: the Netherlands, Europe outside the Netherlands, North and South America, Australia and New Zealand and Asia. Across these regions, Rabobank International has created a number of units with global operations: Global Financial Markets, Global Client Solutions, Acquisition Finance, Renewable Energy & Infrastructure 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 Renewable Energy & Infrastructure Finance department operates in the sustainable sectors of wind, solar, bio fuels and biomass. The Trade & Commodity Finance department serves clients that operate in the market for agricultural products and, on a limited scale, other commodities as well. This department also offers a large number of export finance products. Direct Banking services clients with saving products in Australia, Belgium, Germany, Ireland, New Zealand and Poland.

Rabobank's retail activities are performed under the Rabobank label, with the exception of the Irish ACCBank, which is a wholly owned subsidiary, and the Polish Bank BGZ, in which Rabobank International had a 98% stake at June 30, 2013.

Over the last few years, Rabobank International has strengthened its position in retail banking. In 2010, Rabobank acquired Napa Community Bank as well as specific assets and liabilities of Butte Community Bank and Pacific State Bank in California.

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

At June 30, 2013, Rabobank Group's wholesale banking and international retail banking operations had total assets of €504.1 billion and a private sector loan portfolio of €105.4 billion. For the six month period ended June 30, 2013, Rabobank Group's wholesale banking and international retail banking operations accounted for 31%, or €1,971 million, of Rabobank Group's total income and 45%, or €496 million, of Rabobank Group's net profit. At June 30, 2013, Rabobank Group's wholesale banking and international retail banking operations had 15,751 full-time employees.

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

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

At December 31, 2012, Rabobank Nederland owned a 100% equity interest in De Lage Landen. De Lage Landen has its statutory seat in Eindhoven, the Netherlands. Its issued share capital amounts to €98,470,307 all of which is owned by Rabobank Nederland. At December 31, 2012, Rabobank Nederland's liabilities to De Lage Landen amounted to €1,029 million. At December 31, 2012, Rabobank Nederland's claims on De Lage Landen amounted to €23,425 million (loans, current accounts, financial assets and derivatives). All liabilities of De Lage Landen are guaranteed (through the cross guarantee system) by Rabobank Nederland and the other participants of this system.

At June 30, 2013, De Lage Landen had a lease portfolio of €30.2 billion. For the six month period ended June 30, 2013, De Lage Landen accounted for 12%, or €791 million, of Rabobank Group's total income and 21%, or €232 million, of Rabobank Group's net profit. At June 30, 2013, Rabobank Group's leasing operations employed approximately 5,122 full-time employees.

#### ***Real estate, Rabo Vastgoedgroep Holding N.V.***

Rabo Real Estate Group (Rabo Vastgoedgroep Holding N.V. ("**Rabo Vastgoedgroep**")) is a prominent real estate enterprise. It operates in the private and corporate markets and has three core activities: residential and commercial real estate development, real estate finance and serving real estate investors. Bouwfonds Property Development 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 Vastgoedgroep contributes to social real estate development and financing through Fondsenbeheer Nederland. Rabo Vastgoedgroep operates mainly in the Netherlands, France and Germany.

For the six month period ended June 30, 2013, the Rabo Vastgoedgroep sold 1,749 houses. At June 30, 2013, Rabo Vastgoedgroep managed €5.7 billion of real estate assets and its loan portfolio amounted to €19.3 billion. For the six month period ended June 30, 2013, the real estate operations accounted for 1%, or €88 million, of Rabobank Group’s total income and negative 17%, or negative €189 million, of Rabobank Group’s net profit. At June 30, 2013, Rabobank Group’s real estate operations had 1,547 full-time employees.

## **Participations**

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

At June 30, 2013, Rabobank has a 29% 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 December 31, 2012, Achmea had a workforce of approximately 18,900 full-time equivalents and Achmea is the market leader in the area of insurance in the Netherlands (source: Achmea Annual Report 2012), where it serves a broad customer base of private individuals as well as government agencies and corporate clients. Achmea occupies a relatively minor position outside the Netherlands, operating in seven other European countries. Rabobank and Achmea work closely together in the area of insurance. Achmea operates in the Dutch domestic market with brands including Centraal Beheer Achmea, InShared, Interpolis, Avéro Achmea, Zilveren Kruis Achmea, Agis Zorgverzekeringen, De Friesland Zorgverzekeraar and Syntrus Achmea. Interpolis is the prime supplier of insurance products to clients of the local Rabobanks, offering a broad range of non-life, health and life insurance policies for both private individuals and enterprises. Serving over a million private individuals and several hundreds of thousands of enterprises, Interpolis is one of the major players in the Dutch insurance market and in the agricultural sector.

## **Recent developments**

### ***Rabobank settles LIBOR and EURIBOR investigations***

On October 29, 2013, Rabobank announced that it has entered into agreements with the Dutch Central Bank, the DPP, FCA, CFTC, DOJ and JFSA, in connection with their investigations into Rabobank’s historical LIBOR and EURIBOR submission processes. Rabobank has agreed to pay settlement amounts to the DPP, FCA, CFTC and DOJ totaling approximately €774 million. See “Description of Business of Rabobank Group – Legal Proceedings.”

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

In light of the findings of the LIBOR and EURIBOR investigations, on October 29, 2013 it was announced that Piet Moerland was resigning as Chairman of the Executive Board of Rabobank Group, effective immediately. While Mr. Moerland was not involved in the events surrounding the LIBOR and EURIBOR investigation, he wanted to send a strong message regarding Rabobank’s involvement. His duties were taken over by Marinus Minderhoud. Mr. Minderhoud had been a member of the Supervisory Board since 2002.

On November 18, 2013, it was announced that Sipko Schat stepped down from the Executive Board of Rabobank Group, effective immediately.

### ***Sale of Robeco***

The sale of 90% of the shares in the subsidiary Robeco Groep N.V. (“**Robeco**”) to Orix Corporation was effected on July 1, 2013. The sale price was approximately €1.9 billion. The transaction will lead to a book profit of approximately €1.5 billion and an increase in the core Tier 1 ratio of around 70 basis points in the

second half of 2013. The banking activities of Robeco, which are exclusively located in the Netherlands, were transferred to Rabobank Nederland on June 21, 2013. As part of the purchase price, Rabobank has received a shareholding in Orix in an amount of €150 million.

### ***Rabobank issues Tier 2 capital***

On July 18, 2013, Rabobank issued €1 billion Subordinated (Tier 2) notes with a maturity of 10 years.

### ***Rabobank Member Certificates developments***

Rabobank has issued participation rights which are represented by depositary receipts called Rabobank Member Certificates (*Rabobank Ledencertificaten*, “**Rabobank Member Certificates**”) and which are predominantly held by members of local Rabobanks and staff of Rabobank. Rabobank maintains an internal market on which the Rabobank Member Certificates can be traded. In function of Rabobank’s customer care program (which includes that Rabobank believes that in principle a holding of no more than 20% of the total net worth of any member or staff member in Rabobank Member Certificates would be considered ‘suitable’, although members should be aware that Rabobank Member Certificates constitute an investment product with related risks), Rabobank has acquired and will continue to acquire on the internal market Rabobank Member Certificates for which no buyers are available on that market. Rabobank has received permission from the Dutch Central Bank (*De Nederlandsche Bank N.V.*) to acquire and hold in treasury Rabobank Member Certificates up to an amount of €1 billion. Once such amount is reached, Rabobank also has permission from the Dutch Central Bank to permanently cancel the Rabobank Member Certificates thus acquired and held in treasury in the amount of €1 billion. As the Rabobank Member Certificates cancelled in line with this permission do not count towards the threshold of €1 billion for acquisitions by Rabobank of Rabobank Member Certificates, the latter permission effectively increases the amount of Rabobank Member Certificates which Rabobank may acquire to €2 billion. On August 22, 2013, Rabobank announced its intention to use this cancellation option to ensure that it could continue acquiring Rabobank Member Certificates in function of its customer care program.

Until recently, the number of Rabobank Member Certificates acquired by Rabobank in function of its customer care program was in line with expectations following the launch of the program. However, an increase in the supply of Rabobank Member Certificates on the internal market occurred following the recent announcement about Rabobank’s settlements as a result of the LIBOR investigations. See “Description of Business of Rabobank Group – Legal Proceedings.” In function of the customer care program, Rabobank has continued and will continue to acquire these Rabobank Member Certificates to the extent that no buyers were or are available on the internal market.

Rabobank Member Certificates acquired and held in treasury by Rabobank (or cancelled as set out above), cease to qualify as core Tier 1 capital of Rabobank. The resulting reduction of the portion of Rabobank's core Tier 1 capital represented by Rabobank Member Certificates compared to Rabobank's total core Tier 1 capital is in line with Rabobank’s capital strategy.

In order to broaden the investor base for the Rabobank Members Certificates, Rabobank may allow parties other than its members and staff to invest in Rabobank Member Certificates. Rabobank is currently investigating the feasibility of such a project and will make announcements if and when this investigation leads to results.

### ***Ratings***

On October 31, 2013, Moody’s affirmed Rabobank Nederland’s long-term debt and deposit ratings of ‘Aa2’ with a negative outlook.

On November 4, 2013, Standard & Poor’s affirmed the long-term counterparty credit rating of Rabobank Nederland of ‘AA-’, but revised the outlook from stable to negative.

On November 11, 2013, DBRS placed the AAA Long-Term Deposits & Senior Debt ratings of Rabobank Nederland under review with negative implications.



On November 22, 2013, Fitch lowered the long-term issuer default rating of Rabobank Group to ‘AA-’ from ‘AA’. The outlook on this rating remains negative.

### **Strategy of Rabobank Group**

Rabobank’s strategy for the period from 2013 to 2016 is outlined in a new strategic framework (the “**Strategic Framework**”). Rabobank wants to be close to its clients, to be at the heart of society and to focus on sustainable development. In Rabobank’s view, products should be as simple as possible and should meet the needs of its clients. Employees have a key part to play in this. Rabobank engages in universal relationship banking in the Netherlands and the rest of the world, and it wants to continue to do so based on its cooperative identity and principles. The Strategic Framework was adopted in September 2012, following which it was translated into policy proposals.

#### ***A more distinctive identity***

Rabobank puts the interests of its clients first. Many clients are currently experiencing tough times. In keeping with its cooperative principles, Rabobank endeavors to help its clients through this difficult period where possible and appropriate. The cooperative identity helps to further maintain a distinctive edge. Rabobank’s aim is to ensure that the cooperative principles are tangible, perceptible and visible to customers and members of Rabobank. In addition, initiatives are being developed to give members greater influence and involvement, since they are the people who keep the bank focused. Rabobank will also be more vigorous in seeking interaction with clients outside the Netherlands, for example, in the form of advisory councils or client panels.

#### ***Focusing on the Dutch market***

Rabobank has the ambition of becoming the market leader in the Netherlands in order to put it in a strong position to offer appropriate products to its clients. Sufficient scale is needed in order to innovate and develop products, and be able to operate efficiently. Rabobank already holds leading positions in the savings and mortgage markets, the SME sector and the wholesale segment. It wants to hold on to these leading positions and also strengthen its position in selected areas where it is still falling short of its targets. As a socially committed bank, Rabobank continues to take the lead in major political and social debates, such as the debates in the Netherlands regarding the housing market and home loans.

Rabobank would like to develop a model in which treating customers fairly is combined with cost levels that are in line with the rest of the market. In keeping with its cooperative principles, attempts are also being made to reduce costs on a structural basis in the Dutch retail banking business. Besides cost considerations, changing client needs in particular are forcing Rabobank to evaluate critically its branch location policy and the entire service chain, which extends from the local Rabobanks to Rabobank Nederland. Standardization and virtualization is expected ultimately to lead to better customer service at lower costs, which, in turn, will lead to a lower employee headcount. Furthermore, the local Rabobanks intend to make the most of any opportunities to introduce a greater focus on the use of cooperative dividends.

#### ***Rabobank International and subsidiaries***

Rabobank International and its subsidiaries have a part to play in maintaining Rabobank’s leading position in the Dutch market. In the rest of the world, Rabobank is aiming to present itself as a cutting-edge and leading food and agri bank. In connection with this aim, Rabobank intends to further improve its services to customers of the local Rabobanks with international operations. Rabobank believes that the activities of Rabobank International and its subsidiaries need to be sufficiently focused on the food and agri sector, serve the real economy and be manageable and responsible from a risk perspective. In addition, the contribution made by different activities to achieving targets at Rabobank Group level will come under greater scrutiny. Moreover, synergies between different Rabobank Group entities will be strengthened further. In the area of investment products, the local Rabobanks have offered their clients the option of choosing between different providers for many years. As a consequence, Robeco’s role within Rabobank Group has gradually changed. The distribution model for

investment funds will also change on a structural basis owing to the ban on commissions due to regulatory adjustments. Partly in the light of these developments, the strategic options for Robeco were explored, resulting in the sale of the asset management subsidiary. The sale of 90% of the shares in Robeco to Orix was effected on July 1, 2013. At June 30, 2013, Rabobank Group had a 29% equity interest in Achmea. Achmea is Rabobank's strategic partner in the area of insurance products.

### ***Rabobank's employees***

The social landscape and banking climate are undergoing rapid change. Rabobank believes that its employees will need to adapt to these developments since they are the face of the bank and are able to make a difference. Rabobank needs, and has, employees who endorse its distinctive cooperative identity, who feel a sense of commitment to customers and who continue to work on their professional, as well as their personal, development. Rabobank intends to implement a more modest pay and benefits package that shows greater restraint in certain areas, is more in-keeping with other sectors and which will gain the support of customers, members and the community.

### ***Sustainability***

Sustainable banking is a core principle in Rabobank's Strategic Framework, which Rabobank seeks to achieve by focusing on the long term and on sustainable economic development. During 2012, a program was launched with the aim of formulating the details of Rabobank's strategy on sustainability for the next few years, in order to facilitate the implementation of the updated Strategic Framework. Four customer promises and three sustainability themes, which serve as the starting points for this strategy, were formulated in 2012. The customer promises are:

- all of Rabobank's products and services make a transparent contribution to sustainable development;
- Rabobank gives priority to sustainable initiatives put forward by members and customers when providing access to capital, and rewards such initiatives with material financial incentives;
- Rabobank makes cutting-edge strategic knowledge available to customers; and
- Rabobank forms networks with customers with the aim of building long-term relationships and accelerating the pace of sustainable development.

These customer promises were used as a basis for defining three specific central themes:

- accelerating the transition towards a global sustainable food and agriculture business;
- promoting a circular economy; and
- strengthening vibrant communities.

These themes were selected on the basis of Rabobank Group's market position, knowledge, ambitions and cooperative roots. They are consistent with the most important local and global environmental, social and economic challenges facing Rabobank and its stakeholders. Rabobank uses these themes as a basis on which it can build a leading position in the area of sustainability. Rabobank intends to expand upon these starting points with a large number of internal and external stakeholders in 2013 to achieve specific goals over the next few years.

### ***Financial frameworks***

Adequate capital and liquidity buffers are the key elements of financial robustness. They are therefore prerequisites for, and are vital to, retaining a high credit rating and good access to professional funding. Although Rabobank does not always seek to maximize profit, healthy profit growth is important for ensuring continuity, certainty and further growth. Earnings will be under pressure in the next few years owing to low asset growth, fierce competition in the savings market, increased legislation and regulations, the costs of the ex-

ante deposit guarantee scheme, the bank tax and the resolution levy. Therefore, a group-wide focus on restraint and cost reduction is necessary to achieve the desired profit growth.

In Rabobank's view, there will be little scope for growth in lending up to, and including, 2016. Demand for loans will be limited in the Netherlands owing to the state of the economy and the housing market. Elsewhere, opportunities for growth will be utilized on a selective basis. For instance, the international rural and retail banking businesses are expected to grow slightly in order to shore up activities in several key countries. However, the wholesale banking business and De Lage Landen have limited scope for growth. As at the date of this Offering Circular, Rabobank's emphasis is on increasing amounts due to customers and on the further diversification of professional funding.

In the new Strategic Framework, Rabobank Group has specifically set itself the following financial targets in the areas of profitability, solvency and liquidity:

- a return on Tier 1 capital of 8%;
- a Core Tier 1 ratio of 14% at year-end 2016; and
- a loan-to-deposit ratio of 1.3 at year-end 2016.

The loan-to-deposit ratio is the ratio of total loans to amounts due to customers. Investments in the workforce and information and communication technology will need to be made over the next few years in order for these ambitious targets to be achieved on schedule. Rabobank expects that it will be difficult to achieve these targets if the low economic growth seen in recent years continues until 2016.

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

Rabobank is a cooperative that puts its customers' interests first and treats customers fairly. Customers are able to come to Rabobank for any mainstream financial product and/or service. Rabobank has the ambition of being the market leader in the Netherlands in order to put it in a strong position to offer customers product excellence. Modern distribution channels such as the internet and mobile phone technology are increasingly important in Rabobank's service provision. The local Rabobanks are aiming to consolidate and shore up their position, particularly in the higher segment of the retail market (private banking), in the wholesale market and in metropolitan areas.

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

Rabobank International focuses on both Dutch and international customers in the food and agri business sectors, and offers these customer groups professional products and services. The two key elements of Rabobank International's strategy are:

- to achieve market leadership in the Netherlands; and
- to play a leading role in the global food and agri business sectors.

A certain level of scale is needed to guarantee the best possible cost price and the highest possible quality of these products. Rabobank seeks to leverage its specialist knowledge in these sectors and its efficiencies of scale to attract and maintain a broader group of customers.

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

De Lage Landen provides services to the real economy. Its operations are in keeping with Rabobank Group strategy to offer a broad range of financial services in the Netherlands. The Vendor Finance division focuses heavily on the food and agri sector and De Lage Landen has the ambition to increase its share of this market. In addition, with a view to diversification, Vendor Finance also targets a number of other sectors. De Lage Landen has extensive experience in the sectors in which it operates as well as thorough knowledge of these sectors and of the appropriate lease products. As it always has been, teamwork with other divisions of Rabobank Group is

the central driving force. In the Netherlands, for instance, De Lage Landen has collaborated closely with the local Rabobanks for many years. The partnership with Rabobank International is also intensifying.

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

Rabo Vastgoedgroep is Rabobank Group's center of expertise in real estate; it is active in the areas of property development, property finance, investment management and community fund management. Being one of the largest real estate enterprises in Europe, Rabo Vastgoedgroep endeavors to strike a healthy balance between the social, economic and ecological effects of its operations. Its ambition is to rank among the top in sustainability in the property sector. Rabo Vastgoedgroep's mission is to help clients achieve their ambitions for living, working, shopping and leisure. Rabo Vastgoedgroep has several divisions. Bouwfonds Property Development develops comprehensive residential areas and small mixed-use projects. MAB Development is one of the leading commercial property developers with a focus on retail and city center development. FGH Bank specializes in property finance and Bouwfonds REIM manages real estate investment funds. Fondsenbeheer Nederland is an independent manager of seven community funds that actively strive to improve the quality of the living environment.

### **Competition**

Rabobank Group competes in the Netherlands with several other large commercial banks and financial institutions, such as ABN AMRO, ING Group and SNS Reaal, and also with smaller financial institutions in specific markets. Over the last few years, banks have increased their emphasis on the credit quality of borrowers. This emphasis, combined with the deregulation of capital markets, has increased competition among banks in the Netherlands significantly. In addition, life insurance companies and pension funds in the Netherlands have become major competitors in the markets for residential mortgage loans and savings deposits. In 2008, several large commercial banks and financial institutions in the Netherlands, including ABN AMRO, ING Group and SNS Reaal, received financial support from the Dutch government. In February 2013, SNS Reaal was nationalized by the Dutch government. These developments may affect the competitive environment in which Rabobank Group operates in the Netherlands. Rabobank expects competition in the Dutch savings market to continue in the remainder of 2013 and in 2014.

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 weighted average loan-to-value of the mortgage portfolio rose slightly to 83% as of June 30, 2013 (year end 2012: 81%) due to the lower houses prices. Historically, mortgage lending in the Netherlands has been relatively low risk and all mortgage loans are collateralized. Mortgage loan defaults do not occur frequently, either in Rabobank Group's mortgage lending operations or in the Netherlands generally. Almost all mortgages in the Netherlands have a maturity of 30 years. Generally, mortgages have a long-term (greater than five years) fixed interest rate, after which period the rate is reset at the current market rate. Customers generally only have the option to prepay a certain percentage on the principal amount on their mortgage loan without incurring a penalty fee, thus reducing the interest rate risks related to mortgage loan refinancing for Rabobank Group.

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

Rabobank Group offers a comprehensive package of financial products and services. 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 six month period ended June 30, 2013, Rabobank Group had a market share of 31.2% of the total amount of new home mortgages in the Dutch mortgage market by value (23.3% by local Rabobanks, 7.7% by

Obvion and 0.2% by Friesland Bank; 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 June 30, 2013, Rabobank Group had a market share of 38.5% of the Dutch savings market (source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*)). Rabobank Group is one of the largest savings institutions in the Netherlands measured as a percentage of the amount of saving deposits (source: Statistics Netherlands). Of the total saving deposits in the Netherlands, 36.4% are held by the local Rabobanks, 1.0% are held by Robeco Direct's savings bank, Roparco, and 1.1% by Friesland Bank.

### ***Lending to small and medium-sized enterprises***

At June 30, 2013, Rabobank Group had a market share of 44% 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 December 31, 2012, Rabobank Group had a market share of 85% 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 proceedings**

Rabobank Group is involved in governmental, litigation and arbitration proceedings in the Netherlands and in foreign jurisdictions, including the United States, involving claims by and against Rabobank Group which arise in the ordinary course of its businesses, including in connection with Rabobank Group's activities as an insurer, lender, employer, investor, financial adviser, underwriter and taxpayer during a period covering at least the previous 12 months. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings and litigation, Rabobank believes that the ultimate outcome of the various proceedings and litigation already commenced, and/or any threatened proceedings and litigation, will not have a material adverse or significant effect on Rabobank Group's financial condition or profitability, given its size, balance sheet, income stream and provisioning policy.

Rabobank received subpoenas and requests for documents and information from various regulatory agencies and competition and criminal authorities in, inter alia, the Netherlands, the United Kingdom, the United States, Japan, Hong Kong, Singapore and Switzerland. The documents and information were requested as part of ongoing investigations conducted by the relevant agencies and authorities and concern the LIBOR submission processes for various currencies and the EURIBOR submission process. Rabobank was at various times a member of eight of the ten LIBOR panels and the EURIBOR panel, and is a member of the LIBOR panels for

three currencies: Pounds Sterling, U.S. Dollar and Euro. Rabobank was never a member of the Tokyo Interbank Offered Rate (“**TIBOR**”) panel.

On October 29, 2013, Rabobank announced that it had entered into agreements with the Dutch Central Bank, the DPP, the FCA, the CFTC, the DOJ and the JFSA, in connection with their investigations into Rabobank's historical LIBOR and EURIBOR submission processes.

Rabobank has agreed to pay settlement amounts to the DPP, FCA, CFTC and DOJ totaling approximately €774 million.<sup>1</sup>

The findings of the investigations were as follows:

- A number of Rabobank employees had inappropriately sought to influence certain LIBOR and EURIBOR submissions between 2005 and 2010.
- Some Rabobank employees also inappropriately communicated with employees at other banks and brokers about certain LIBOR and EURIBOR submissions between 2005 and early 2011.
- In total, 30 employees were involved in, aware of, or should have been aware of the inappropriate conduct. Rabobank employs more than 60,000 people in 42 countries.
- During the period in which such inappropriate conduct occurred, Rabobank did not sufficiently appreciate the risks associated with the LIBOR and EURIBOR submission processes and did not have sufficient systems and controls in place.
- None of the most senior or executive managers were involved in the inappropriate conduct or were aware of it at the time. Nor did Rabobank engage in “lowballing” (*i.e.*, the artificial suppression of LIBOR submissions in order to present a more positive financial picture of the bank).
- Rabobank cooperated fully with all authorities, and the Dutch Central bank, DPP, FCA, CFTC, DOJ and JFSA specifically acknowledged Rabobank’s cooperation.

In response to the findings of the investigations, the measures taken by Rabobank are as follows:

- Rabobank has taken severe disciplinary measures against all of the employees who engaged in inappropriate conduct and who were still at Rabobank during the investigation.
- Those employees who were involved in serious misconduct have had their contracts of employment brought to an end. Other disciplinary action has included, in different combinations, formal warnings, financial sanctions, and the removal of managerial responsibilities. Bonuses have been partly or entirely reclaimed for the period 2009-2012, in the total amount of €4.2 million.
- Rabobank implemented systems and controls to govern its interest rate benchmark submission processes that reflect industry best practices, consistent with the most recent regulatory and banking industry guidance. This includes a requirement that Rabobank’s submission processes be subject to regular internal and external audits.
- A program relating to conduct and culture, designed with the aid of external experts, has been rolled out globally within Rabobank International. This program is aimed at enhancing Rabobank’s client-centered focus and strengthening its emphasis on integrity and compliance. A comparable program relating to conduct and culture will be implemented as soon as possible within Rabobank Nederland.

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<sup>1</sup> Settlements per authority: DPP €70 million, FCA £105 million, CFTC \$475 million and DOJ \$325 million.

- Rabobank International has reviewed, and continues to review, business activities within its Global Financial Markets division with an eye to reducing risks, including compliance risks. As part of this project, Rabobank has already taken significant steps to discontinue certain product lines and exit certain markets where appropriate.
- Rabobank also has made, and continues to make, significant investments to strengthen its compliance, risk management and internal audit functions in order to address certain deficiencies identified by authorities. This effort, also undertaken with the assistance of external experts, includes a focus on improving collaboration between risk management personnel at Rabobank Nederland and Rabobank International, substantial increases in compliance staffing and numerous structural enhancements to Rabobank's compliance function, and a review of its audit function with a focus on ensuring that audit findings are addressed in a timely and effective manner.
- Even though no members of the Executive Board were aware of, or involved in, the inappropriate conduct, members of Rabobank's Executive Board have, as the leaders of Rabobank, voluntarily forfeited their entitlements to remuneration in an aggregate of €2 million.
- Piet Moerland has also resigned as Chairman of the Executive Board with immediate effect. Rinus Minderhoud, a member of the Supervisory Board of the Bank since 2002, and an experienced banker and executive, has today taken over as interim Chairman.
- Rabobank has also revised its approach to remuneration in order to further de-emphasize a focus on financial targets.

Rabobank, along with other panel banks, has been named as a defendant in a number of putative class action lawsuits and private individual civil suits pending in the U.S. that assert federal and state claims relating to USD LIBOR, Japanese Yen LIBOR (“**JPY LIBOR**”), TIBOR, and EURIBOR. See pages 36-38 of Interim Report 2013 of Rabobank Group. Taking into account that these putative class actions and civil lawsuits create uncertainty, Rabobank believes these proceedings that include Rabobank as a defendant to be without merit. Rabobank intends to continue to vigorously defend against these lawsuits.

## RABOBANK GROUP STRUCTURE

Rabobank Group is comprised of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., its members being the local Rabobanks in the Netherlands and its subsidiaries and participations in the Netherlands and abroad.

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

The central institution of Rabobank Group is Rabobank Nederland. Rabobank Nederland 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 Nederland 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 December 22, 1970 and registered with the Trade Register of the Chamber of Commerce in Utrecht under number 30046259.

The Executive Board is responsible for the management of Rabobank Nederland 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 Nederland. Further information regarding the governance of Rabobank Group is set out below under “Governance of the Rabobank Group”.

Rabobank uses the trade names of Rabobank Nederland in the Netherlands and Rabobank International outside of the Netherlands.

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

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

Rabobank branches are located in Sydney, Antwerp, Toronto, Grand Cayman, Beijing, Shanghai, Dublin, Frankfurt, Madrid, Paris, Mumbai, Milan, Tokyo, Labuan, Wellington, New York, Singapore, Hong Kong and London.

Rabobank representative offices are located in Mexico City, Buenos Aires, Moscow, Istanbul, Kuala Lumpur, Atlanta, Chicago, Dallas, San Francisco, Washington and St. Louis.

### **Local Rabobanks**

Membership in Rabobank Nederland is open only to cooperative banks whose articles of association have been approved by Rabobank Nederland. The members of Rabobank Nederland, which comprise 136 local Rabobanks in the Netherlands as at June 30, 2013, are all banking cooperatives in their own right.

Each local Rabobank must hold shares in Rabobank Nederland according to an apportionment formula (the “**Apportionment Formula**”). Since 2010, approximately 6 million shares of €1,000 have been issued by Rabobank Nederland to the local Rabobanks, creating own funds of Rabobank Nederland of approximately €6 billion. In 2013, a dividend of nil, as approved by the General Meeting of Rabobank Nederland was distributed to the local Rabobanks. In previous years, such distributed dividends to the local Rabobanks amounted to €493 million in 2012, €483 million in 2011, €438 million in 2010, €342 million in 2009 and nil in 2008. At Rabobank Group level, these dividend distributions did not have, and are not expected to have, any impact on equity.



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

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 Nederland'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 Nederland 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 their respective last adopted balance sheet totals. 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 three% of its last adopted balance sheet total<sup>2</sup>.
- B. A system of cross-guarantees operates between the local Rabobanks, Rabobank Nederland and a small number of its Dutch subsidiaries, which stipulates that, if a participating institution has insufficient funds to meet its obligations towards its creditors, the other participants must supplement that institution's funds in order to enable it to fulfill those obligations.
- C. The local Rabobanks are also party to several compensation agreements whereby shortfalls of local Rabobanks in respect of equity, profitability, loan loss reserves and financing losses are financed by charging all other local Rabobanks.

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

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

Furthermore, Rabobank Nederland 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 labor agreements on behalf of the local Rabobanks).

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

Notwithstanding the fact that Rabobank Nederland and the local Rabobanks are supervised by the Dutch Central Bank on a consolidated basis, it is based on article 3:111 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) that Rabobank Nederland 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 Nederland, however, are 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 Nederland. In particular, Rabobank Nederland may restrict such local Rabobank's authority to make lending decisions within Rabobank Group's lending limits.

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<sup>2</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.

The local Rabobanks are organized 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 Nederland, in which each local Rabobank has a number of votes according to the Apportionment Formula.

At June 30, 2013, the 136 local Rabobanks (at that time) themselves had approximately 1.9 million members. The members of the local cooperative Rabobanks are their customers, but they do not make capital contributions to the local Rabobanks and are not entitled to the equity of the local Rabobanks. Such members are not liable for any obligations of the local Rabobanks.

### **Subsidiaries**

Rabobank Nederland also conducts business through separate legal entities, not only in the Netherlands but also worldwide. Rabobank Nederland is the (ultimate) shareholder of more than 1,800 subsidiaries and participations.

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

Rabobank Nederland has assumed liability for debts arising from legal transactions for approximately 30 of its Dutch subsidiaries under article 2:403 of the Dutch Civil Code.

## **THE NEW YORK BRANCH**

Rabobank Nederland, New York Branch (the “**New York Branch**”) established in 1981, is a branch licensed by the Superintendent. The New York Branch is responsible for Rabobank Nederland’s North American corporate banking business. The New York Branch also manages Rabobank Nederland’s loan production offices in Atlanta, Georgia, Chicago, Illinois, Dallas, Texas and San Francisco, California. The New York Branch focuses primarily on financing agribusiness companies engaged in the processing, distribution, storage, export and import of agricultural commodities although it also engages in lending activities in other sectors of the United States economy. Additionally, the New York Branch provides banking services in the United States to Rabobank Nederland’s Dutch customers. The New York Branch provides for its own funding needs through transactions in the domestic and international money markets, such as the issuance of certificates of deposit, commercial paper and medium-term deposit notes. The New York Branch is presently located at 245 Park Avenue, New York, NY 10167, United States of America. None of the deposits of the New York Branch, the Notes or the Guarantee are insured by the Federal Deposit Insurance Corporation. See also “Regulation of Rabobank Group – U.S. regulation – Regulation and Supervision in the United States”.

## 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 Offering Circular. Certain figures for Rabobank Group at and for the years ended December 31, 2010 and 2011 included in the following discussion have been restated as a result of changes in accounting policies and presentation. See below "Change in accounting policies" for further information. As of 2005, the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial data in the (sub) paragraphs in this chapter marked with an asterisk (\*) have not been directly extracted from the audited financial statements but instead are unaudited and derived from the condensed consolidated interim financial information 2013 or accounting records of Rabobank Nederland, unless otherwise stated.*

### **Business overview\***

Rabobank Group is an international financial service provider operating on the basis of cooperative principles. At June 30, 2013, it comprised 136 independent local Rabobanks and their central organization Rabobank Nederland and its subsidiaries. Rabobank Group operates in 42 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, leasing and real estate. It serves approximately 10 million clients around the world. In the Netherlands, its focus is on maintaining Rabobank's leading position in the Dutch market and, internationally, on food and agri. Rabobank Group entities have strong relationships due to Rabobank's cooperative structure. At June 30, 2013, Rabobank Group had total assets of €698.4 billion and 59,506 full-time employees.

Rabobank Group's stability and creditworthiness is reflected in the ratings awarded by several rating agencies (Standard & Poor's, Moody's, Fitch and DBRS). In terms of Tier 1 capital, Rabobank Group is among the world's 30 largest financial institutions (source: *The Banker*).

Rabobank Nederland, 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 Nederland, 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. For more details, see "Rabobank Group Structure - Internal liability (cross-guarantee system)".

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 Nederland, the supralocal cooperative organization that advises and supports the banks in their local services. Rabobank Nederland also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 802 branches and 2,735 cash-dispensing machines at June 30, 2013 the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.7 million retail clients 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 Nederland) is the holding company of a number of specialized subsidiaries in the Netherlands and abroad. Rabobank International 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. Banks are still facing persistent turmoil in the financial markets. In the first quarter of 2013, the Dutch state nationalized the bank and insurance group SNS Reaal. This rescue highlights the fragility of European banks and the continued exposure of taxpayers to European banks five years after the financial crisis first erupted. During 2012, the contraction of the Dutch economy negatively impacted Rabobank Group's growth in lending and resulted in loan losses above Rabobank Group's long-term average. It is expected that 2013 will be another difficult year for the Dutch economy. Due to competition for savings in the Netherlands, rates on deposits remained relatively high in 2012. This had a negative impact on the financial results of Rabobank Group. Competition for savings is likely to continue in the second half of 2013 and in 2014.

In 2012, 67% 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 fulfill its obligations under Notes issued - Business and general economic conditions".

### ***Stock market fluctuations***

Since the outbreak of the financial crisis in the second half of 2007, equity markets have been volatile. A decline in the stock markets could adversely affect Rabobank Group's results of operations and its financial assets.

### ***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 the 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 re-price 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 remainder of 2013 and in 2014, 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 is 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 judgments 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 judgments as to future events and are subject to change. Different assumptions or judgments could lead to materially different results. See the footnotes to the audited consolidated financial statements incorporated by reference into this Offering Circular 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 allowance for losses on loans that have been incurred but have not yet been individually identified at the balance sheet date. Non-impaired loans are included in groups with similar risk characteristics and are collectively assessed for the potential losses, based on IFRS-adjusted expected loss parameters. Furthermore, factors are used which assume that within three to six months impairment will be discovered.

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

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

As a result of changes in accounting policies and presentation, certain figures for Rabobank Group and for the segment asset management for the year ended December 31, 2011 in this Offering Circular have been restated (see the Consolidated Financial Statements 2012 Rabobank Group, under note 2.1.1, “Changes in accounting policies and presentation”). Where the year ended December 31, 2012 is compared with the year ended December 31, 2011, the restated figures for 2011 are discussed. Where the year ended December 31, 2011 is compared with the year ended December 31, 2010, the non-restated figures for 2011 are discussed.

### **Results of operations**

The following table sets forth certain summarized financial information for Rabobank Group for the periods indicated:

	<b>Six months ended June 30,*</b>		<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011 (restated)</b>	<b>2011</b>
	<i>(in millions of euro)</i>				
Interest .....	4,455	4,473	9,097	9,174	9,229
Fees and commission .....	1,046	1,169	2,206	2,361	2,981
Other income .....	944	1,241	2,149	1,171	1,168
<b>Total Income .....</b>	<b>6,445</b>	<b>6,883</b>	<b>13,452</b>	<b>12,706</b>	<b>13,378</b>
Staff costs .....	2,634	2,773	5,325	4,862	5,141
Other administrative expenses .....	1,352	1,364	2,979	2,850	3,001
Depreciation and amortization .....	257	254	527	540	578
<b>Operating expenses .....</b>	<b>4,243</b>	<b>4,391</b>	<b>8,831</b>	<b>8,252</b>	<b>8,720</b>
<b>Gross result .....</b>	<b>2,202</b>	<b>2,492</b>	<b>4,621</b>	<b>4,454</b>	<b>4,658</b>
Value adjustments .....	1,106	1,096	2,350	1,606	1,606
Bank tax expense .....	—	—	196	—	—
<b>Operating profit before taxation .....</b>	<b>1,096</b>	<b>1,396</b>	<b>2,075</b>	<b>2,848</b>	<b>3,052</b>
Taxation .....	82	180	160	355	425
Net profit from continued operations .....	1,014	1,216	1,915	2,493	2,627
Net profit from discontinued operations	98	71	197	134	—
<b>Net profit .....</b>	<b>1,112</b>	<b>1,287</b>	<b>2,112</b>	<b>2,627</b>	<b>2,627</b>

### ***Six months ended June 30, 2013 compared to six months ended June 30, 2012\****

#### *Total income*

Rabobank Group’s total income decreased 6% in the first half of 2013, falling to €6,445 million compared to €6,883 million in the first half of 2011.

#### *Interest*

Interest income remained flat in the first half of 2013 at €4,455 million compared to €4,473 million in the first half of 2012.

### *Fees and commission*

Group fees and commission income decreased by 11% in the first half of 2013, falling to €1,046 million compared to €1,169 million in the first half of 2012. This decrease was partly due to the loss of the income of Sarasin, the sale of which was completed in July 2012.

### *Other results*

Other results decreased by 24% in the first half of 2013, falling to €944 million compared to €1,241 million in the first half of 2012. There was an increase in other results as a result of the new pension scheme, which was offset by the formation of a provision for LIBOR, larger impairments on land, the lower result from hedge accounting and developments in the yield curve.

### *Operating expenses*

Operating expenses decreased by 3% in the first half of 2013, falling to €4,243 million compared to €4,391 million in the first half of 2012. While the sale of Sarasin and cost control had the effect of reducing costs, this was offset by a significant investment in innovation in order to achieve the Vision 2016 in the domestic retail banking division and the increased costs of reorganization by the local Rabobanks and Rabo Vastgoedgroep.

### *Staff Costs*

Following the completion of the sale of Sarasin at the end of July 2012, Sarasin's expenses were no longer included in the figures for staff costs. Partly due to this, staff costs decreased by 5% in the first half of 2013, declining to €2,634 million compared to €2,773 million in the first half of 2012.

### *Other administrative expenses*

Other administrative expenses decreased by 1% in the first half of 2013, falling to €1,352 million compared to €1,364 million in the first half of 2012. Other administrative expenses rose due to higher costs of innovation stemming from further development of virtual customer service as part of Vision 2016 and reorganization costs at Rabo Vastgoedgroep as a consequence of the decision to phase out commercial real estate development activities. However, this increase was offset by the sale of Sarasin.

### *Depreciation and amortization*

Depreciation and amortization increased by 1% in the first half of 2013, rising to €257 million compared to €254 million in the first half of 2012.

### *Value adjustments*

The continuing difficult economic situation in the Netherlands led to higher unemployment and increased incidence of payment problems among retail customers. The negative mood in trade, industry and services continued to affect the property sector, and in addition, low domestic spending caused difficulties in sectors focusing on the domestic retail market. The inland shipping sector also continued to experience difficulties. In the food and agri sector, the problems in greenhouse horticulture continued. These developments were particularly visible in the bad debts at the local Rabobanks and Rabo Vastgoedgroep. For Rabobank International, with a more internationally diversified portfolio, the level of bad debts actually declined. On aggregate, value adjustments were up 1% at Group level, rising to €1,106 million in the first half of 2013 compared to €1,096 million in the first half of 2012. At 49 basis points of average lending (in the first half of 2012: 49 basis points), bad debt costs were 21 basis points above the long-term average of 28 (based on the period 2003 to 2012).

### *Taxation*

The recognized tax expense was €82 million compared to €180 million in the first half of 2012, which corresponds to an effective tax rate of 7.5% (first half of 2012: 12.9%). The decrease in tax rate was due, in particular, to a large tax-exempt income item arising from the sale of Robeco in the second half of 2013.



### *Net Profit*

Net profit decreased by 14% in the first half of 2013, falling to €1,112 million compared to €1,287 million in the first half of 2012. Net of payments on Rabobank Member Certificates, hybrid equity instruments and other noncontrolling interests, a profit of €550 million (in the first half of 2012: €660 million) remains. This amount was used to further strengthen Rabobank Group's capital position.

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

#### *Total income*

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

#### *Interest*

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

#### *Fees and commission*

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

#### *Other income*

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

#### *Operating expenses*

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

#### *Staff costs*

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

#### *Other administrative expenses*

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

#### *Depreciation*

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

### *Value adjustments*

Because of the challenging economic climate in the Netherlands and the weak property market, a relatively high number of trade, industry and services customers and customers operating in the property sector experienced financial difficulties. This situation forced Rabobank Group to increase its provisions, particularly at the local Rabobanks and FGH Bank. In the aggregate, value adjustments were up 46% at Group level, rising to €2,350 in 2012 compared to €1,606 million in 2011. At 52 basis points of average lending (2011: 37 basis points), bad debt costs were 27 basis points above the long-term average of 25 basis points (based on the period 2002 to 2011).

### *Bank tax*

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

### *Taxation*

The recognized tax expense was €160 million in 2012 compared to €355 million in 2011, which corresponds to an effective tax rate of 7.7% (2011: 12.5%).

### *Net profit*

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

## ***Year ended December 31, 2011 compared to year ended December 31, 2010***

### *Total income*

Rabobank Group's total income increased 5% in 2011, rising to €13,378 million compared to €12,716 million in 2010.

### *Interest*

Due to an increase in lending and higher margins at De Lage Landen and FGH Bank interest income increased 7% to €9,229 million in 2011 compared to €8,614 million in 2010.

### *Commission*

Commission increased 5% to €2,981 million in 2011 compared to €2,831 million in 2010, as commissions on payment transactions and loans increased.

### *Other results*

Other results fell significantly in 2011 to €1,168 million compared to €1,271 million in 2010. Impairments on land suffered by the real estate business and lower income from the equity interest in Achmea drove the 8% drop in other results.

### *Operating expenses*

Rabobank Group's operating expenses rose by 6% in 2011 to €8,720 million compared to €8,196 million in 2010, due to an increase in other administrative expenses and staff costs.

### *Staff costs*

Staff costs increased by 5% to €5,141 million in 2011 compared to €4,919 million in 2010. Staff costs rose due to a larger employee base, periodic salary increases and higher pension costs.

### *Other administrative expenses*

Other administrative expenses rose by 11% to €3,001 million in 2011 compared to €2,706 million in 2010. The administrative expenses rose, in part, due to higher IT and marketing expenses.

### *Depreciation and amortization*

Depreciation and amortization charges increased 1% to €578 million in 2011 compared to €571 million in 2010.

### *Value adjustments*

Rabobank Group saw its bad debt costs increase in 2011 as a result of the climate of economic adversity. Various customer groups hit suffered the consequences thereof in the second half of 2011 in particular. The continuing poor property market conditions fuelled a rise in bad debt costs in the real estate business. Rabobank International's bad debt costs remained high because of sustained losses suffered by Irish-based ACCBank due to the weak economy and property market. The local Rabobanks were forced to form additional provisions for greenhouse horticulture in 2011 as a result of the EHEC crisis, pursuant to which the EHEC-bacteria caused problems for a part of Rabobank's customers in the Dutch greenhouse horticulture sector. On aggregate, value adjustments were up 30% at Group level, rising to €1,606 million in 2011 compared to €1,234 million in 2010. At 37 basis points of average lending (2010: 29 basis points), bad debt costs were 13 basis points above the long-term average of 24 basis points (based on the period 2001 to 2010).

### *Taxation*

The recognized tax expense was €425 million in 2011 compared to €514 million in 2010, which corresponds to an effective tax rate of 13.9% (2010: 15.6%).

### *Net profit*

Net profit decreased by 5% to €2,627 million in 2011 compared to €2,772 million in 2010. An amount of €1,549 million (in 2010: €1,846 million) remains net of non-controlling interests and payments on Rabobank Member Certificates and hybrid equity instruments. This amount was used to improve Rabobank's capital position.

## **Segment discussion\***

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

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

	<b>Six months ended June 30,</b>		<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		<i>(in millions of euro)</i>		
Interest .....	2,579	2,478	5,180	5,218	4,894
Commission .....	705	690	1,344	1,357	1,321
Other results.....	526	323	765	366	294
<b>Total income</b> .....	<b>3,810</b>	<b>3,491</b>	<b>7,289</b>	<b>6,941</b>	<b>6,509</b>
Staff costs .....	1,206	1,220	2,454	2,258	2,161
Other administrative expenses .....	1,092	828	1,755	1,609	1,553
Depreciation and amortization.....	70	70	151	119	119
<b>Operating expenses</b> .....	<b>2,368</b>	<b>2,118</b>	<b>4,360</b>	<b>3,986</b>	<b>3,833</b>
<b>Gross result</b> .....	<b>1,442</b>	<b>1,373</b>	<b>2,929</b>	<b>2,954</b>	<b>2,676</b>
Value adjustments .....	629	600	1,329	648	358
Bank tax	—	91	91	—	—
<b>Operating profit before taxation ..</b>	<b>813</b>	<b>773</b>	<b>1,509</b>	<b>2,307</b>	<b>2,318</b>
Taxation .....	198	138	205	454	475

	<b>Six months ended June 30,</b>		<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		<i>(in millions of euro)</i>		
<b>Net profit</b> .....	615	635	1,304	1,853	1,843

***Six months ended June 30, 2013 compared to six months ended June 30, 2012***

*Total income*

Domestic retail banking total income increased by 9%, rising to €3,810 million in the first half of 2013, compared to €3,491 million in the first half of 2012.

*Interest*

Interest income increased 4% to €2,579 million in the first half of 2013, compared to €2,478 million in the first half of 2012, driven in part by a partial recovery of margins on customer savings deposits.

*Fees and commission*

Fees and commission income showed a 2% rise to €705 million in the first half of 2013, compared to €690 million in the first half of 2012.

*Other results*

Most of the 63% rise in other income to €526 million in the first half of 2013 from €323 million in the first half of 2012 is attributable to the transition to the new pension scheme.

*Operating expenses*

Total operating expenses in domestic retail banking increased 12%, rising to €2,368 million in the first half of 2013, compared to €2,118 million in the first half of 2012, principally as a result of an increase in other administrative expenses.

*Staff costs*

Routine salary increases were offset by a smaller workforce, which caused staff costs to fall by 1% to €1,206 million in the first half of 2013, compared to €1,220 million in the first half of 2012.

*Other administrative expenses*

Following an increase in innovation costs at Rabobank Nederland, which costs are charged on to the local Rabobanks, and a limited increase in the reorganization costs relating to Vision 2016, other administrative expenses increased 32% to €1,092 million in the first half of 2013, compared to €828 million in the first half of 2012.

*Depreciation and amortization*

Depreciation and amortization charges remain flat at €70 million in the first half of 2013, compared to €70 million in the first half of 2012.

*Value adjustments*

Value adjustments rose to €629 million in the first half of 2013, compared to €600 million in the first half of 2012. In the food and agri sector, credit losses were concentrated in the greenhouse horticulture industry. The trade, industry and services segment, the property sector and the manufacturing industry, in particular, have suffered due to low consumer and business demand. The inland shipping sector has likewise been affected by the economic downturn. Bad debt costs corresponded to 41 basis points of average lending in the first half of 2013, compared to 40 basis points of average lending in the first half of 2012, with the long-term average being

16 basis points (based on the period 2003 to 2012). Of lending, 69% is comprised of home mortgage loans in the first half of 2013, which is stable compared to 69% in the first half of 2012. At 6.4 basis points in the first half of 2013, compared to 5.6 basis points in 2012, bad debt costs on home mortgage loans were limited.

#### *Taxation*

Taxation increased by 43% in the first half of 2013 to €198 million from €138 million in the first half of 2012.

#### *Net profit*

Net profit decreased by 3% to €615 million in the first half of 2013 compared to €635 million in the first half of 2012.

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

#### *Total income*

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

#### *Interest*

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

#### *Fees and commission*

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

#### *Other income*

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

#### *Operating expenses*

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

#### *Staff costs*

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

#### *Other administrative expenses*

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

#### *Depreciation*

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

#### *Value adjustments*

The weak economy led to further increases in value adjustments in 2012. In the food and agri sector, loan losses were incurred mostly in greenhouse horticulture. In the trade, industry and services sector, businesses reliant on domestic spending in particular suffered the consequences of low consumer and business demand. Low investment levels caused problems in the building contracting and real estate-related sectors. The sea and coastal

shipping sector was also negatively affected. Value adjustments rose by €681 million to reach €1,329 million in 2012, compared to €648 million in 2011. At 44 (2011: 22) basis points of average lending, bad debt costs were above the long-term average of 13 basis points, based on the period 2002 to 2011. Of lending, 69% is comprised of residential mortgage loans. Bad debt costs on residential mortgage loans stood at 6 (2011: 3) basis points.

#### *Bank tax*

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

#### *Taxation*

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

#### *Net profit*

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

### ***Year ended December 31, 2011 compared to year ended December 31, 2010***

#### *Total income*

Domestic retail banking total income increased by 7%, rising to €6,941 million in 2011, compared to €6,509 million in 2010.

#### *Interest*

Interest income increased 7% to €5,218 million in 2011, compared to €4,894 million in 2010, due, in part, to growth in lending and amounts due to customers.

#### *Commission*

Commission showed a 3% rise to €1,357 million in 2011, compared to €1,321 million in 2010.

#### *Other results*

An increase in share capital contributed by the local Rabobanks to Rabobank Nederland caused higher dividend distributions by Rabobank Nederland to the local Rabobanks in 2011. This was one of the reasons for the 25% rise of other results to €366 million in 2011, compared to €294 million in 2010.

#### *Operating expenses*

Total operating expenses in domestic retail banking increased 4% in 2011, rising to €3,986 million in 2011, compared to €3,833 million in 2010, principally as a result of an increase in staff costs.

#### *Staff costs*

The costs of hiring external staff were higher than in 2010. Extra staff were needed to implement the measures dictated by new rules and regulations, and to fill temporary vacancies. Another factor contributing to the 4% increase in staff costs to €2,258 million in 2011, compared to €2,161 million in 2010, was the salary increase under the collective bargaining agreement.

#### *Other administrative expenses*

Other administrative expenses increased 4% to €1,609 million in 2011, compared to €1,553 million in 2010.

#### *Depreciation and amortization*

At €119 million in 2011, compared to €119 million in 2010, depreciation and amortization were stable.

#### *Value adjustments*

Due, in part, to the EHEC crisis in greenhouse horticulture, bad debt costs witnessed a slight increase in the first half of 2011 despite economic growth and the reasonable outlook at the time. There was a considerable downturn in the economy, however, in the second half of the year, causing value adjustments to rise further by

81% to reach €648 million in 2011, compared to €358 million in 2010. At 22 (2010: 13) basis points of average lending, bad debt costs were above the long-term average of 12 basis points, based on the period 2001 to 2010. Of lending, 69% is comprised of residential mortgage loans. Bad debt costs on residential mortgage loans stood at 3 (2010: 4) basis points.

#### *Taxation*

Taxation decreased in 2011 by €21 million to €454 million compared to €475 million in 2010.

#### *Net profit*

Net profit increased by 1% to €1,853 million in 2011 compared to €1,843 million in 2010.

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

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

	<b>Six months ended June 30,*</b>		<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		<i>(in millions of euro)</i>		
Interest .....	1,335	1,379	2,775	2,957	2,813
Commission .....	324	290	618	586	460
Other results .....	312	467	612	207	306
<b>Total income</b> .....	<b>1,971</b>	<b>2,136</b>	<b>4,005</b>	<b>3,750</b>	<b>3,579</b>
Staff costs .....	633	647	1,320	1,116	1,020
Other administrative expenses .....	431	439	976	847	811
Depreciation and amortization .....	63	58	120	109	108
<b>Operating expenses</b> .....	<b>1,127</b>	<b>1,144</b>	<b>2,416</b>	<b>2,072</b>	<b>1,939</b>
<b>Gross result</b> .....	<b>844</b>	<b>992</b>	<b>1,589</b>	<b>1,678</b>	<b>1,640</b>
Value adjustments .....	228	308	621	686	597
Bank tax	—	—	60	—	—
<b>Operating profit before taxation</b> .....	<b>616</b>	<b>684</b>	<b>908</b>	<b>992</b>	<b>1,043</b>
Taxation .....	120	141	204	211	269
<b>Net profit</b> .....	<b>496</b>	<b>543</b>	<b>704</b>	<b>781</b>	<b>774</b>

#### **Six months ended June 30, 2013 compared to six months ended June 30, 2012\***

##### *Total income*

Total income at Rabobank International decreased by 8% to €1,917 million in the first half of 2013 compared to €2,136 million in the first half of 2012, due chiefly to a drop in other results, which were high in the first half of 2012 due to the sale of the residual stake in Yes Bank.

##### *Interest*

Interest income fell by 3% to €1,335 million in the first half of 2013 from €1,379 million in the first half of 2012. While interest income increased due to higher margins on loans, interest expense relating to RaboDirect drove down profit from interest.

### *Fees and commission*

Higher commissions in capital markets transactions caused fees and commissions to increase by 12% to €324 million from €290 million in the first half of 2012.

### *Other results*

In the first half of 2013 other results decreased by 33% to €312 million, compared to €467 million in the first half of 2012. Other results was high in 2012 due to the sale of the residual stake in Indian-based Yes Bank. This sale resulted in an income item of approximately €59 million. Unlike in the first half of 2012, there were no positive revaluations in the private equity portfolio during the first half of 2013.

### *Operating expenses*

Rabobank International's total operating expenses decreased by 1% to €1,127 million in the first half of 2013, compared to €1,144 million in the first half of 2012. This decrease was partly due to lower pension costs and a smaller workforce.

### *Staff costs*

Partly due to lower pension costs, staff costs decreased by 2% to €633 million in the first half of 2013, compared to €647 million in the first half of 2012.

### *Other administrative expenses*

Other administrative expenses decreased by 2% to €431 million in the first half of 2013, compared to €439 million in the first half of 2012. This decrease was mainly due to a smaller workforce.

### *Depreciation and amortization*

Depreciation and amortization increased by 9% to €63 million in the first half of 2013, compared to €58 million in the first half of 2012, mainly due to higher write-downs on self-developed software.

### *Value adjustments*

Value adjustments at Rabobank International decreased to €228 million for the first half of 2013, compared to €308 million for the first half of 2012. Contributions to ACCBank were reduced; value adjustments at ACC Bank amounted to €100 million, compared to €172 million for the first half of 2012. Bad debt costs amounted to 44 basis points of average lending in the first half of 2013, compared to 59 basis points of average lending in the first half of 2012, which is lower than the long-term average of 54 basis points (based on the period 2003 to 2012).

### *Taxation*

*Taxation decreased by 15% to €120 million in the first half of 2013 compared to €141 million in the first half of 2012.*

### *Net profit*

Net profit decreased by 9% to €496 million in the first half of 2013 compared to €543 million in the first half of 2012.

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

### *Total income*

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



### *Interest*

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

### *Fees and commission*

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

### *Other income*

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

### *Operating expenses*

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

### *Staff costs*

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

### *Other administrative expenses*

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

### *Depreciation*

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

### *Value adjustments*

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

### *Bank tax*

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

### *Taxation*

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

### *Net profit*

Net profit decreased by 10% to €704 million in 2012 compared to €781 million in 2011.

## ***Year ended December 31, 2011 compared to year ended December 31, 2010***

### *Total income*

Total income at Rabobank International increased by 4.8% to €3,750 million in 2011 compared to €3,579 million in 2010, due chiefly to a rise in interest income.

### *Interest*

Interest income rose by 5% to €2,957 million in 2011, compared to €2,813 million in 2010. Growth in lending contributed to an increase in interest income.

### *Commission*

Commission increased by 27% to €586 million compared to €460 million in 2010.

### *Other results*

Other results were favorable in 2010 because of the sale of part of the equity interest in Yes Bank. In 2011 other results fell by 32% to €207 million, compared to €306 million in 2010.

### *Operating expenses*

Rabobank International's total operating expenses increased by 7% to €2,072 million, compared to €1,939 million in 2010.

### *Staff costs*

Periodic salary increases and an increase in the employee base of 4% caused staff costs to rise to €1,116 million in 2011, compared to €1,020 million in 2010.

### *Other administrative expenses*

Acquisitions in 2010 resulted in extra integration expenses in 2011. Higher information technology and marketing expenses were a factor in the 4% rise in other administrative expenses to €847 million in 2011, compared to €811 million in 2010.

### *Depreciation and amortization*

Depreciation and amortization stood at €109 million, compared to €108 million in 2010.

### *Value adjustments*

Value adjustments at Rabobank International were up 15% in 2011, reaching €686 million, compared to €597 million in 2010, due, in part, to additional allocations to the provision for loan losses at ACCBank. Bad debt costs amounted to 73 (2010: 64) basis points of average lending, which is higher than the long-term average of 54 basis points (based on the period 2001 to 2010).

### *Taxation*

Taxation decreased in 2011 by €58 million to €211 million compared to €269 million in 2010.

### *Net profit*

Net profit increased by 1% to €781 million in 2011 compared to €774 million in 2010.

### ***Asset management***

The asset management segment has been eliminated on a going forward basis in connection with the sale of Robeco. The 2012 consolidated financial statements of Rabobank Group recognize the activities undertaken by Robeco as discontinued operations under IFRS, meaning that the figures for 2012 in the segmental information of the financial statements will be reclassified to a single line in the statement of financial position and the statement of income. The statement of income for 2011 will also be restated accordingly. Total net profit from discontinued and continuing operations in the asset management segment stood at €216 million in 2012, compared to €62 million in 2011.

### ***Leasing***

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

	<b>Six months ended June 30,*</b>		<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		<i>(in millions of euro)</i>		
Interest .....	509	465	952	778	658
Commission .....	25	26	63	76	83
Other results .....	257	227	442	465	440
<b>Total income</b> .....	<b>791</b>	<b>718</b>	<b>1,457</b>	<b>1,319</b>	<b>1,181</b>
Staff costs .....	260	254	526	455	416
Other administrative expenses .....	99	96	223	269	244
Depreciation and amortization .....	24	24	47	50	40
<b>Operating expenses</b> .....	<b>383</b>	<b>374</b>	<b>796</b>	<b>774</b>	<b>700</b>
<b>Gross result</b> .....	<b>408</b>	<b>344</b>	<b>661</b>	<b>545</b>	<b>481</b>
Value adjustments .....	85	78	147	144	214
Bank tax .....	—	—	9	—	—
<b>Operating profit before taxation</b> .....	<b>323</b>	<b>266</b>	<b>505</b>	<b>401</b>	<b>267</b>
Taxation .....	91	75	138	97	66
<b>Net profit</b> .....	<b>232</b>	<b>191</b>	<b>367</b>	<b>304</b>	<b>201</b>

#### *Six months ended June 30, 2013 compared to year ended June 30, 2012*

##### *Total income*

De Lage Landen's total income increased by 10%, rising to €791 million in the first half of 2013, compared to €718 million in the first half of 2012 due to the growth in the average lease portfolio and the increase of residual value gains on sales of leased products.

##### *Interest*

Interest income was up by 9% to €509 million, compared to €465 million in the first half of 2012, due to growth in the average lease portfolio.

##### *Fees and commission*

Fees and commission income fell by 4% to €25 million, compared to €26 million in the first half of 2012.

##### *Other results*

Other results increased by 13% to €257 million, compared to €227 million in the first half of 2012. This increase was partly due to slight residual value gains on sales of leased products.

##### *Operating expenses*

Total operating expenses at De Lage Landen increased by 2% to €383 million in the first half of 2013, compared to €374 million in the first half of 2012. This increase was due to routine salary increases and higher IT spending.

##### *Staff costs*

Staff costs were up by 2% to €260 million in the first half of 2013, compared to €254 million in the first half of 2012, due to routine salary increases.

#### *Other administrative expenses*

Other administrative expenses increased by 3% to €99 million, compared to €96 million in the first half of 2012, due in part to higher IT spending.

#### *Depreciation and amortization*

Depreciation and amortization remained flat at €24 million in the first half of 2013, compared to €24 million in the first half of 2012.

#### *Value adjustments*

Bad debt costs were up due to the continued global downturn in the economy. De Lage Landen's value adjustments stood at €85 million in the first half of 2013, compared to €78 million in the first half of 2012, which corresponds to 59 (in the first half of 2012: 57) basis points. Bad debt costs were 9 basis points below the long-term average of 68 basis points (based on the period 2003 to 2012).

#### *Taxation*

Taxation increased by 21% to €91 million in the first half of 2013 compared to €75 million in the first half of 2012.

#### *Net profit*

Net profit increased 21% to €232 million in the first half of 2013 compared to €191 million in the first half of 2012.

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

#### *Total income*

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

#### *Interest*

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

#### *Fees and commission*

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

#### *Other income*

Lower residual value gains on lease products caused a decrease in other income by 5% to €442 million, compared to €465 million in 2011.

#### *Operating expenses*

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

#### *Staff costs*

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

#### *Other administrative expenses*

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

#### *Depreciation*

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

#### *Value adjustments*

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

#### *Taxation*

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

#### *Net profit*

Net profit increased 21% to €367 million in 2012 compared to €304 million in 2011.

### ***Year ended December 31, 2011 compared to year ended December 31, 2010***

#### *Total income*

De Lage Landen's total income increased by 12%, rising to €1,319 million in 2011, compared to €1,181 million in 2010.

#### *Interest*

Interest income was up by 18% to €778 million, compared to €658 million in 2010, due to active portfolio management.

#### *Commission*

De Lage Landen paid higher commissions in 2011 to the local Rabobanks for new lease referrals. As a result, commission income fell by 9% to €76 million, compared to €83 million in 2010.

#### *Other results*

Increases in residual value gains on lease products caused an increase in other results by 6% to €465 million, compared to €440 million in 2010.

#### *Operating expenses*

Total operating expenses at De Lage Landen rose by 11% to €774 million in 2011, compared to €700 million in 2010.

#### *Staff costs*

Staff costs were up €39 million, reaching €455 million, compared to €416 million in 2010, because of periodic salary increases and a larger workforce on average. The headcount increased by 3% to 4,964 in 2011 compared to 4,835 in 2010.

#### *Other administrative expenses*

Other administrative expenses were up 10% to €269 million, compared to €244 million in 2010 due, in part, to the accelerated amortization of self-developed software.

### *Depreciation and amortization*

The depreciation and amortization item increased by 25% to €50 million, compared to €40 million in 2010, due, in part, to the accelerated amortization of self-developed software.

### *Value adjustments*

The credit quality of the portfolio improved owing partly to strict risk management. This helped to reduce De Lage Landen's value adjustments, which fell by 33% to €144 million, compared to €214 million in 2010. Expressed in basis points of average lending, bad debt costs stood at 58 (2010: 90) basis points. Bad debt costs were 11 basis points below the long-term average of 69 basis points (based on the period 2001 to 2010).

### *Taxation*

Taxation increased in 2011 by €31 million to €97 million compared to €66 million in 2010.

### *Net profit*

Net profit increased 51% to €304 million in 2011 compared to €201 million in 2010.

### **Real estate**

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

	<b>Six months ended June 30,*</b>		<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		<i>(in millions of euro)</i>		
Interest .....	163	150	312	282	253
Commission .....	16	16	35	41	26
Other results.....	(91)	130	104	207	214
<b>Total income</b> .....	<b>88</b>	<b>296</b>	<b>451</b>	<b>530</b>	<b>493</b>
Staff costs .....	96	94	193	200	193
Other administrative expenses .....	67	42	89	124	145
Depreciation and amortization.....	9	9	19	20	29
<b>Operating expenses</b> .....	<b>172</b>	<b>145</b>	<b>301</b>	<b>344</b>	<b>367</b>
<b>Gross result</b> .....	<b>(84)</b>	<b>151</b>	<b>150</b>	<b>186</b>	<b>126</b>
Value adjustments.....	164	101	237	129	63
Bank tax.....	—	—	8	—	—
<b>Operating profit before taxation</b> .....	<b>(248)</b>	<b>50</b>	<b>(95)</b>	<b>57</b>	<b>63</b>
Taxation.....	(59)	9	12	17	21
<b>Net profit</b> .....	<b>(189)</b>	<b>41</b>	<b>(107)</b>	<b>40</b>	<b>42</b>

### **Six months ended June 30, 2013 compared to six months ended June 30, 2012**

#### *Total income*

During the first half of 2013, total income in Rabobank Group's real estate business decreased by 70% to €88 million in the first half of 2013 compared to €296 million in the first half of 2012.

#### *Interest*

Interest income increased by 9% to €163 million in the first half of 2013 compared to €149 million in the first half of 2012, due to an improvement in the margins on new loans and extensions.

### *Fees and commission*

The volume of loans issued in the first half of 2013 remained stable. Fees and commission were stable at €16 million in the first half of 2013 compared to €16 million in the first half of 2012.

### *Other results*

Other results was negative €91 million in the first half of 2013 from €130 million in the first half of 2012, mainly due to impairments on land.

### *Operating expenses*

Total operating expenses increased by 19% in the first half of 2013, rising to €172 million, compared to €145 million in the first half of 2012. This increase was mainly due to an increase in staff costs and a rise in administrative expenses due to the formation of a reorganization provision for the phasing out of the activities of MAB Development.

### *Staff costs*

Staff costs increased by 2% to €96 million, compared to €94 million in the first half of 2012, in line with the development of headcount.

### *Other administrative expenses*

Other administrative expenses increased by 60% to €67 million in the first half of 2013, compared to €42 million in the first half of 2012. This increase was mainly due to the formation of a reorganization provision for the phasing out of the activities of MAB Development.

### *Depreciation and amortization*

Depreciation and amortization were stable at €9 million in the first half of 2013 compared to €9 million in the first half of 2012.

### *Value adjustments*

Value adjustments increased to €153 million in the first half of 2013, compared to €99 million in the first half of 2012, which corresponds to 180 (in the first half of 2012: 105) basis points of average lending. The further decline in the Dutch property market led to an increase in value adjustments at Rabo Real Estate Group.

### *Taxation*

Taxation fell to negative €57 million in the first half of 2013 compared to €12 million in the first half of 2012.

### *Net profit*

Net profit fell to negative €189 million in the first half of 2013 compared to €41 million in the first half of 2012.

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

### *Total income*

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

### *Interest*

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

### *Fees and commission*

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

### *Other income*

Higher impairment losses on property developments and strategic land positions contributed to a decrease in other income by 50% to €104 million in 2012, compared to €207 million in 2011.

### *Operating expenses*

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

### *Staff costs*

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

### *Other administrative expenses*

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

### *Depreciation*

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

### *Value adjustments*

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

### *Taxation*

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

### *Net profit*

Net profit decreased by €147 million to minus €107 million in 2012 compared to €40 million in 2011 due, in part, to a sharp rise in bad debt costs and property impairments.

## ***Year ended December 31, 2011 compared to year ended December 31, 2010***

### *Total income*

During 2011, total income in Rabobank Group's real estate business increased by 8% to €530 million in 2011 compared to €493 million in 2010 due to higher interest and commission income.

### *Interest*

Interest income increased by €29 million to €282 million in 2011 compared to €253 million in 2010, due to an increase in lending and higher margins on new loans and renewals.

### *Commission*

Commission increased by 58% to €41 million, compared to €26 million in 2010, due to new loans and renewals, particularly in the first half of 2011, and higher commissions at Bouwfonds REIM.

### *Other results*

The increase in revenue from property development, especially in countries other than the Netherlands, was largely offset by impairment losses on available land positions in the Netherlands. Other results fell by 3% to €207 million in 2011, compared to €214 million in 2010.



### *Operating expenses*

Rabo Vastgoedgroep's total operating expenses in Rabobank Group's real estate business declined by 6% in 2011, falling to €344 million, compared to €367 million in 2010.

### *Staff costs*

Owing, in part, to an increase in headcount, staff costs increased by 4% to €200 million, compared to €193 million in 2010.

### *Other administrative expenses*

The drop in other administrative expenses was the main factor in lower operating expenses. Other administrative expenses were down 14% to €124 million in 2011, compared to €145 million in 2010.

### *Depreciation and amortization*

Depreciation and amortization decreased by €9 million to €20 million in 2011 compared to €29 million in 2010.

### *Value adjustments*

Value adjustments stood at €129 million in 2011, compared to €63 million in 2010, which corresponds to 69 (2010: 36) basis points of average lending. The further decline in the Dutch property market led to an increase in value adjustments at Rabo Vastgoedgroep.

### *Taxation*

Taxation decreased by €4 million to €17 million in 2011 compared to €21 million in 2010.

### *Net profit*

Net profit decreased by €2 million to €40 million in 2011 compared to €42 million in 2010.

### *Loan portfolio*

Rabobank conducted its business against the background of a weak economy in the first half of 2013. The Dutch economy contracted, as did the economy of the eurozone as a whole. The effects of the recession were visible in the development of the loan portfolio. In the first half of 2013, loans to customers decreased by 1% or €6.1 billion, to €479.2 billion at June 30, 2013 from €485.3 billion at December 31, 2012. The private sector loan portfolio decreased by €3.7 billion to €454.4 billion at June 30, 2013, a decrease of 1% from €458.1 billion at December 31, 2012. The loans to private individuals, primarily for mortgage finance, were more or less unchanged at €220.0 billion at June 30, 2013. Residential mortgage loans are granted by local Rabobanks, Obvion and Friesland Bank. These loans are secured on underlying properties and have maturities up to 30 years. Loans to the trade, industry and services sector decreased by €1.8 billion to €143.8 billion at June 30, 2013. Lending to the food and agri sector decreased by €1.8 billion to €90.6 billion at June 30, 2013.

The following table shows a breakdown of Rabobank Group's total lending outstanding to the private sector at June 30, 2013, December 31, 2012 and December 31, 2011, by category of borrower:

	<b>At June 30,</b>		<b>At December 31,</b>			
	<b>2013*</b>		<b>2012</b>		<b>2011</b>	
	<i>(in millions of euro and as percentage of total private sector lending)</i>					
Private individuals .....	220,003	48	220,029	48%	212,269	47%
Trade, industry and services sector .....	143,843	32	145,626	32%	147,877	33%
Food and agri sector .....	90,573	20	92,436	20%	88,191	20%
<b>Total private sector lending .....</b>	<b>454,419</b>	<b>100</b>	<b>458,091</b>	<b>100%</b>	<b>448,337</b>	<b>100%</b>

The maturities of loans granted by Rabobank Group vary from overdraft facilities to 30-year term loans.

The following table provides a breakdown of the remaining maturity of Rabobank Group's total loans to customers (public and private sector) and professional securities transactions at December 31, 2012 and December 31, 2011:

	<b>At December 31,</b>			
	<b>2012</b>		<b>2011</b>	
	<i>(in millions of euro and as percentage of total loans to customers)</i>			
Less than 1 year .....	102,211	21%	111,464	24%
More than 1 year.....	383,088	79%	356,621	76%
<b>Total loans to customers.....</b>	<b>485,299</b>	<b>100%</b>	<b>468,085</b>	<b>100%</b>

### **Funding**

At June 30, 2013, amounts due to customers of Rabobank Group were €339.8 billion, an increase of 2% compared to December 31, 2012. The balance held in savings deposits increased by €6.4 billion to €156.1 billion, an increase of 4%. Other amounts due to customers (including current accounts, repurchase agreements and time deposits) decreased by €0.9 billion to €183.7 billion at June 30, 2013. At June 30, 2013, debt securities in issue (including certificates of deposit, commercial paper and bonds) totaled €197.9 billion compared to €223.3 billion at December 31, 2012. Savings deposits (except fixed-time deposits, from 1 month to 20 years) generally bear interest at rates that Rabobank Nederland can unilaterally change.

The following table shows Rabobank Group's sources of funding by source at June 30, 2013, December 31, 2012, December 31, 2011 and December 31, 2010:

	<b>At June 30,</b>	<b>At December 31,</b>		
	<b>2013*</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>			
Savings deposits .....	156,131	149,661	140,028	130,928
Other due to customers .....	183,731	184,610	189,864	167,833
Debt securities in issue .....	197,891	223,336	213,441	196,819
Other financial liabilities at fair value through profit or loss .....	21,785	24,091	25,889	29,867
<b>Total.....</b>	<b>559,538</b>	<b>581,698</b>	<b>569,222</b>	<b>525,447</b>

Rabobank Group also receives funds from the interbank and institutional market. Rabobank Group's total due to other banks was €19.9 billion at June 30, 2013, a 26% decrease from €27.1 billion at December 31, 2012.

### **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;
- Available-for-sale financial assets; and
- Held-to-maturity assets.

**Other financial assets at December 31, 2012**

	<b>Trading</b>	<b>Other at fair value through profit or loss</b>	<b>Available- for-sale</b>	<b>Held-to- maturity</b>	<b>Total</b>
	<i>(in millions of euro)</i>				
Purchased loans .....	1,767	—	—	—	1,767
Short-term government securities .....	688	—	2,096	—	2,784
Government bonds .....	935	4	39,275	—	40,214
Other debt securities .....	1,690	3,738	8,537	—	14,491
Loans .....	—	1,026	—	—	—
Total debt securities .....	5,080	4,768	49,908	—	59,756
Venture capital .....	—	784	—	—	784
Equity instruments .....	1,307	359	517	—	2,183
Total other assets .....	1,307	1,143	517	—	2,967
<b>Total</b> .....	<b>6,387</b>	<b>5,911</b>	<b>50,425</b>	<b>—</b>	<b>62,723</b>
Category 1 <sup>(1)</sup> .....	4,107	251	43,889	—	48,247
Category 2 <sup>(1)</sup> .....	2,197	4,003	6,438	—	12,638
Category 3 <sup>(1)</sup> .....	83	1,657	98	—	1,838

Note:

- (1) Category 1: quoted prices in active markets for identical assets or liabilities; Category 2: inputs other than quoted prices included in category 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); Category 3: inputs for the asset or liability not based on observable market data.

**Other financial assets at December 31, 2011**

	<b>Trading</b>	<b>Other at fair value through profit or loss</b>	<b>Available- for-sale</b>	<b>Held-to- maturity</b>	<b>Total</b>
	<i>(in millions of euro)</i>				
Purchased loans .....	2,091	—	—	—	2,091
Short-term government securities .....	313	—	1,993	—	2,306
Government bonds .....	2,150	412	40,604	96	43,262
<b>Other debt securities</b> .....	1,788	5,622	8,576	13	15,999
<b>Total debt securities</b> .....	6,342	6,034	51,173	109	63,658
Venture capital .....	—	571	—	—	571
Equity instruments .....	1,770	410	757	—	2,937
<b>Total other assets</b> .....	1,770	981	757	—	3,508
<b>Total</b> .....	<b>8,112</b>	<b>7,015</b>	<b>51,930</b>	<b>109</b>	<b>67,166</b>
Category 1 <sup>(1)</sup> .....	4,256	1,013	45,506	—	50,775
Category 2 <sup>(1)</sup> .....	3,452	4,506	6,197	—	14,155

**Other financial assets at December 31, 2011**

	<b>Trading</b>	<b>Other at fair value through profit or loss</b>	<b>Available- for-sale</b>	<b>Held-to- maturity</b>	<b>Total</b>
	<i>(in millions of euro)</i>				
Category 3 <sup>(1)</sup> .....	404	1,496	227	—	2,127

Note:

- (1) Category 1: quoted prices in active markets for identical assets or liabilities; Category 2: inputs other than quoted prices included in category 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); Category 3: inputs for the asset or liability not based on observable market data.

***Credit-related commitments\****

Credit granting liabilities represent the unused portions of funds authorized 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 authorized 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 December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		
Guarantees .....	14,904	10,519	10,084
Letters of credit.....	5,583	5,487	4,910
Credit granting liabilities .....	33,061	34,522	34,670
Other contingent liabilities.....	—	—	—
<b>Total credit related and contingent liabilities .....</b>	<b>53,548</b>	<b>50,528</b>	<b>49,730</b>
Revocable credit facilities.....	45,083	44,649	41,229
<b>Total credit related commitments .....</b>	<b>98,631</b>	<b>95,177</b>	<b>90,959</b>

***Capital adequacy***

The Dutch Central Bank (*De Nederlandsche Bank*), in conjunction with other bank supervisors, regards the risk asset ratio developed by the Basel Committee as a key supervisory tool and sets individual ratio requirements for banks in the Netherlands. This ratio was designed to meet the dual objectives of strengthening the soundness and stability of the international banking system and of creating a fair and consistent supervisory framework for international banks by means of an international convergence of capital measurement and capital standards. The technique involves the application of risk weightings to assets (which for this purpose includes both balance sheet assets and off-balance sheet items) to reflect the credit and other risks associated with broad categories of transactions and counterparties.

On January 1, 2008, Rabobank Group adopted the Advanced Internal Rating Based (“AIRB”) Approach to the majority of its significant portfolios that contain credit risk in accordance with the approvals granted by the Dutch Central Bank, and various local regulators, as required. However, there remains a small portion of the portfolio that is subject to the Standardized Approach. Individually, these portfolios are relatively small or are related to new acquisitions in companies that themselves did not yet follow the AIRB Approach.

The core Tier 1 ratio, the Tier 1 ratio and the total capital ratio are the most common ratios used to measure solvency. The core Tier 1 ratio expresses the relationship between core Tier 1 capital and total risk-weighted assets. At June 30, 2013, Rabobank Group’s core Tier 1 ratio stood at 12.9% (year-end 2012; 13.2%).

Risk-weighted assets were down €2.0 billion to €220.9 billion at June 30, 2013 compared to €222.8 billion at December 31, 2012. The change in the share of the outstanding Rabobank Member Certificates and a revaluation of the pension obligation arising from the old pension scheme were contributing factors in the €0.9 billion decrease in core Tier 1 capital to €28.4 billion at June 30, 2013 compared to €29.3 billion at December 31, 2012. 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 June 30, 2013, Rabobank Group’s Tier 1 ratio stood at 16.9% (year-end 2012: 17.2%). The minimum requirement set by external supervisors is 4.0%.

The total capital ratio is calculated by dividing the total of Tier 1 and Tier 2 capital by the total of risk-weighted assets. At June 30, 2013, the total capital ratio stood at 18.7% (year-end 2012: 19.0%). This exceeds the current minimum requirement set by the external supervisors of 8.0%.

The following table sets forth the risk-weighted capital ratios of Rabobank Group at June 30, 2013, December 31, 2012, December 31, 2011 and December 31, 2010:

#### Development in capital and solvency ratios

	At June 30,	At December 31,		
	2013*	2012	2011	2010
	<i>(in millions of euro, except percentages)</i>			
Core Tier 1 capital .....	28,433	29,307	28,324	27,735
Core Tier 1 ratio .....	12.9%	13.2%	12.7%	12.6%
Tier 1 capital .....	37,377	38,412	37,964	34,461
Tier 1 ratio .....	16.9%	17.2%	17.0%	15.7%
Qualifying capital .....	41,320	42,375	39,088	35,734
Total capital ratio .....	18.7%	19.0%	17.5%	16.3%

#### 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:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<i>(in percentages)</i>				
Return on assets <sup>(1)</sup> .....	0.28	0.38	0.42	0.37	0.47
Return on equity <sup>(2)</sup> .....	4.70	6.17	5.60	6.36	8.67
Equity to assets ratio <sup>(3)</sup> .....	5.96	6.19	6.05	5.82	5.47

Notes:

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<i>(in millions of euro, except percentages)</i>				
Outstanding Rabobank Member Certificates <sup>(1)</sup>	6,587	6,551	6,368	6,275	6,180
Payments.....	328	315	303	318	316
Average yield.....	4.98%	4.81%	4.76%	5.07%	5.11%

Note:

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

### ***Loan portfolio***

Rabobank Group's loan portfolio consists of loans, overdrafts, assets subject to operating leases, finance lease receivables to governments, corporations and consumers and reverse repurchase agreements. The following table analyses Rabobank Group's loan portfolio by sector at December 31, 2012, December 31, 2011 and December 31, 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<i>(in millions of euro)</i>		
Private sector lending .....	458,091	448,337	436,292
Government clients.....	3,764	3,557	5,602
Securities transactions due from private sector lending....	11,410	7,026	7,840
Interest rate hedges (hedge accounting).....	12,034	9,165	6,207
<b>Total loans to customers</b> .....	<u>485,299</u>	<u>468,085</u>	<u>455,941</u>
Value adjustments in loans to customers .....	(3,715)	(3,089)	(2,610)
Reclassified assets .....	4,224	5,588	6,954
<b>Gross loans to customers</b> .....	<u>484,790</u>	<u>465,586</u>	<u>451,597</u>

The table below sets forth a geographic breakdown of Rabobank Group's loan portfolio at December 31, 2012, December 31, 2011 and December 31, 2010:

	<b>At December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		
The Netherlands.....	2,584	1,764	1,847
Other countries in the EU zone.....	408	771	484
North America .....	444	484	510
Latin America .....	5	7	11
Asia.....	256	465	2,603
Australia.....	5	12	10
Other countries .....	61	54	137
<b>Total government clients .....</b>	<b>3,764</b>	<b>3,557</b>	<b>5,602</b>
The Netherlands.....	341,614	332,489	320,446
Other countries in the EU zone.....	35,737	38,540	38,283
North America .....	42,010	40,876	41,245
Latin America .....	11,414	10,950	9,739
Asia.....	6,284	5,672	7,925
Australia.....	20,812	19,666	18,555
Other countries .....	220	144	99
<b>Total private sector lending.....</b>	<b>458,091</b>	<b>448,337</b>	<b>436,292</b>

### **Risk elements\***

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

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

	<b>At December 31, 2012</b>					
	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>(in millions of euro)</i>					
Cash and cash equivalents .....	64,198	3,903	2	0	0	68,103
Due from other banks .....	14,619	17,005	1,545	1,943	274	35,386
Trading financial assets .....	1,316	768	582	2,260	1,461	6,387
Other financial assets at fair value through profit or loss .....	0	8	1,217	1,205	3,481	5,911
Derivative financial instruments .....	300	4,912	4,374	22,332	33,505	65,423
Loans to customers .....	28,166	41,362	32,683	85,437	297,651	485,299
Available-for-sale financial assets .....	56	3,957	3,189	6,718	36,505	50,425
Deferred tax assets.....	—	—	62	—	559	621
Other assets (excluding employee .....	1,019	4,947	1,534	2,088	304	9,892

Payments due by period	At December 31, 2012					Total
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
	<i>(in millions of euro)</i>					
benefits) .....						
<b>Total financial assets</b> .....	109,674	76,862	45,188	121,983	373,740	727,447
Due to other banks .....	2,520	16,101	2,047	5,157	1,234	27,059
Due to customers .....	238,013	56,293	10,962	14,309	14,694	334,271
Debt securities in issue .....	1	46,851	61,091	77,756	37,637	223,336
Derivative financial instruments and other trade liabilities .....	10,001	5,182	4,580	26,788	28,249	74,800
Other debts (excluding employee benefits) .....	1,570	6,800	466	828	18	9,682
Other financial liabilities at fair value through profit or loss .....	1,532	920	3,294	8,340	10,005	24,091
Deferred tax liabilities .....	—	—	23	—	673	696
Subordinated debt .....	0	12	22	540	4,833	5,407
<b>Total financial liabilities</b> .....	253,637	132,159	82,485	133,718	97,343	699,342
<b>Net liquidity surplus/(deficit)</b> .....	(143,963)	(55,297)	(37,297)	(11,735)	276,397	28,105

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 that has been a stable source of financing. The regulations of the supervisory authority are also factored in. Based on the liquidity criteria of the Dutch Central Bank, Rabobank had a substantial liquidity surplus at December 31, 2012 and throughout 2012. The average liquidity surplus was 44% of the total liquidity requirement. The surplus at December 31, 2012 was 41%.

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 ("BPV"), the Equity at Risk and the Income at Risk.

The BPV is the absolute loss of market value of equity after a parallel increase of the yield curve with 1 basis point. In 2012, the BPV did not exceed €12 million.

Long-term interest rate risk is measured and managed using the Equity at Risk concept. Equity at Risk is the sensitivity of Rabobank Group equity's market value to interest rate fluctuations. A 100 basis point overnight upward parallel shock of the curve will result in a 1.4% 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 5 basis points over a one-year period, net interest income would decrease by €18 million.



### ***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 December 31, 2012, there were no cross-border outstandings exceeding 1% 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% of total assets, by type of borrower:

	<b>Banks</b>	<b>Public authorities</b>	<b>Private sector</b>	<b>Total</b>
		<i>(in millions of euro)</i>		
<b>At December 31, 2012</b>				
France.....	4,448	6,001	4,213	14,662
Germany.....	3,556	6,605	5,751	15,912
United Kingdom.....	11,441	3,775	14,709	29,925
Poland.....	28	3,024	7,733	10,785
United States.....	5,294	14,471	53,871	73,636
Brazil.....	1,462	663	6,219	8,344
Australia.....	794	919	15,566	17,279
<b>At December 31, 2011</b>				
France.....	1,629	6,305	3,686	11,620
Germany.....	2,809	7,335	6,237	16,381
United Kingdom.....	8,312	3,020	10,062	21,394
Poland.....	149	2,440	6,562	9,151
United States.....	4,446	10,556	52,424	67,426
Brazil.....	1,217	921	6,423	8,561
Australia.....	433	423	14,614	15,470
<b>At December 31, 2010</b>				
France.....	4,398	12,151	3,368	19,917
Germany.....	4,054	9,441	5,955	19,450
Ireland.....	228	177	6,880	7,285
United Kingdom.....	7,650	440	10,377	18,467
Poland.....	70	2,970	5,982	9,022
United States.....	6,685	6,876	55,551	69,112
Brazil.....	955	1,040	5,267	7,262
Japan.....	2,918	5,207	210	8,335
Australia.....	824	888	14,363	16,075

### *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 December 31, 2012:

	<b>At December 31, 2012</b>		
	<b>On balance</b>	<b>Off balance</b>	<b>Total</b>
	<i>(in millions of euro)</i>		
Grain and oilseeds.....	16,111	754	16,865
Animal protein.....	17,747	288	18,035
Dairy.....	15,436	141	15,577
Fruit and vegetables.....	9,365	194	9,559
Farm inputs.....	6,024	832	6,856
Food retail.....	5,730	221	5,951
Beverages.....	3,921	21	3,942
Flowers.....	3,159	8	3,167
Sugar.....	2,268	11	2,382
Miscellaneous crop farming.....	2,682	4	2,686
Other.....	9,993	122	10,115
<b>Total private sector lending to food and agri.....</b>	<b>92,436</b>	<b>2,700</b>	<b>95,136</b>
Lessors of real estate.....	29,516	36	29,552
Finance and insurance (except banks).....	19,835	1,588	21,423
Wholesale.....	17,844	4,540	22,384
Activities related to real estate.....	7,142	1,355	8,497
Manufacturing.....	9,300	1,872	11,172
Transportation and warehousing.....	7,196	297	7,493
Construction.....	7,066	1,424	8,490
Healthcare and social assistance.....	6,017	34	6,051
Professional, scientific and technical services.....	5,983	243	6,226
Retail (except food and beverages).....	4,642	908	5,550
Utilities.....	2,448	695	3,143
Information and communication.....	1,444	69	1,513
Arts entertainment and leisure.....	1,404	20	1,424
Other.....	25,789	2,104	27,893

**At December 31, 2012**

	<b>On balance</b>	<b>Off balance</b>	<b>Total</b>
	<i>(in millions of euro)</i>		
<b>Total private sector lending to trade, manufacturing and services</b> .....	145,626	15,186	160,812
Private individuals .....	220,029	193	220,222
<b>Total private sector lending</b> .....	458,091	18,079	476,170

Apart from due from other banks (€34.1 billion at June 30, 2013 which is 5% of total assets), Rabobank's only significant risk concentration is in the portfolio of loans to private individuals which accounted for 48% of the total loan portfolio at June 30, 2013. This portfolio has a relatively low risk profile as evidenced by the actual losses incurred in previous years. The proportion of the total loan portfolio attributable to the food and agri sector was 20% in June 30, 2013. The proportion of the total loan portfolio attributable to trade, industry and services was 32% at June 30, 2013. Loans to trade, industry and services and loans to the food and agri sector are both spread over a wide range of industries in many different countries. None of these shares represents more than 10% of the total loan portfolio.

***Impaired loans***

Loans for which an allowance has been taken are called impaired loans. At June 30, 2013, these loans amounted to €12,604 million (year-end 2012: €11,203 million). The allowance for loan losses amounted to €4,120 million (year-end 2012: €3,842 million), which corresponds to a 33% (year-end 2012: 34%) coverage. Over and above this allowance, additional coverage is raised through collateral and other securities. Rabobank Group forms allowances at an early stage and applies the one-obligor principle, which means that the exposure to all counterparties belonging to the same group is taken into account. In addition, the full exposure to a client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of security or collateral. At June 30, 2013, impaired loans corresponded to 2.8% (year-end 2012: 2.4%) of the private sector loan portfolio.

The following table provides an analysis of Rabobank Group's impaired loans by business at June 30, 2013, December 31, 2012, December 31, 2011 and December 31, 2010:

	<b>At June 30,</b>	<b>At December 31,</b>		
	<b>2013*</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
		<i>(in millions of euro)</i>		
Domestic retail banking .....	6,558	5,317	4,559	3,577
Wholesale banking and international retail banking .....	3,322	3,456	3,493	2,649
Leasing .....	791	905	832	960
Real estate .....	1,933	1,525	1,066	793
Other .....	0	0	8	70
<b>Rabobank Group</b> .....	12,604	11,203	9,958	8,049

### 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:

	At December 31,			
	2012	2011	2010 (restated)	2010
	<i>(in millions of euro)</i>			
Domestic retail banking.....	1,543	1,376	1,325	2,030
Wholesale banking and international retail banking.....	889	670	585	1,915
Asset management.....	1	12	9	9
Leasing.....	451	444	387	387
Real estate.....	205	94	45	45
Other.....	0	14	13	13
<b>Total balance at January 1,</b> .....	<b>3,089</b>	<b>2,610</b>	<b>2,364</b>	<b>4,399</b>
Domestic retail banking.....	1,783	1,119	1,124	1,124
Wholesale banking and international retail banking.....	1,214	1,333	1,296	1,296
Asset management.....	0	1	7	7
Leasing.....	264	313	287	287
Real estate.....	240	147	67	67
<b>Total additions</b> .....	<b>3,501</b>	<b>2,913</b>	<b>2,781</b>	<b>2,781</b>
Domestic retail banking.....	(424)	(465)	(759)	(759)
Wholesale banking and international retail banking.....	(572)	(578)	(665)	(665)
Asset management.....	(2)	(1)	(1)	(1)
Leasing.....	(64)	(127)	(29)	(29)
Real estate.....	(2)	(18)	(4)	(4)
<b>Total reversal of impairments</b> .....	<b>(1,064)</b>	<b>(1,189)</b>	<b>(1,458)</b>	<b>(1,458)</b>
Domestic retail banking.....	(1,376)	(590)	(415)	(235)
Wholesale banking and international retail banking.....	(658)	(542)	(581)	(1,560)
Asset management.....	0	(2)	(6)	(6)
Leasing.....	(196)	(199)	(219)	(219)
Real estate.....	(67)	(19)	(14)	(14)
Other.....	0	(14)	0	0
<b>Total written off</b> .....	<b>(2,297)</b>	<b>(1,366)</b>	<b>(1,235)</b>	<b>(2,034)</b>
Domestic retail banking.....	501	103	101	101
Wholesale banking and international retail banking.....	(28)	6	35	34
Asset management.....	1	(9)	3	3
Leasing.....	12	20	18	18

	<b>At December 31,</b>			
	<b>2012</b>	<b>2011</b>	<b>2010</b> <b>(restated)</b>	<b>2010</b>
	<i>(in millions of euro)</i>			
Real estate.....	0	1	0	0
Other.....	0	0	1	1
<b>Total other</b> .....	<b>486</b>	<b>121</b>	<b>158</b>	<b>157</b>
Domestic retail banking.....	2,027	1,543	1,376	2,261
Wholesale banking and international retail banking.....	845	889	670	1,020
Asset management.....	0	1	12	12
Leasing.....	467	451	444	444
Real estate.....	376	205	94	94
Other.....	0	0	14	14
<b>Total other balance at December 31,.....</b>	<b>3,715</b>	<b>3,089</b>	<b>2,610</b>	<b>3,845</b>

#### ***Due to customers\****

The following table presents a breakdown of due to customers at December 31, 2012, December 31, 2011 and December 31, 2010. Interest rates paid on time deposits and savings deposits reflect market conditions and not all current accounts/settlement accounts earn interest.

	<b>At December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		
Time deposits.....	56,006	58,931	46,846
Current accounts/settlement accounts.....	81,640	73,443	71,147
Repurchase agreements.....	2,299	2,669	2,017
Other.....	21,525	34,147	25,966
<b>Total due to customers by businesses</b> .....	<b>161,470</b>	<b>169,190</b>	<b>145,976</b>
Savings deposits.....	149,661	140,028	130,928
Current accounts/settlement accounts.....	15,122	12,988	15,812
Other.....	8,018	7,686	6,045
<b>Total due to customers by individuals</b> .....	<b>172,801</b>	<b>160,702</b>	<b>152,785</b>
<b>Total due to customers</b> .....	<b>334,271</b>	<b>329,892</b>	<b>298,761</b>

#### ***Long- and short-term borrowings\****

The long- and short-term borrowings 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 December 31, 2012, December 31, 2011 and December 31, 2010 is provided below.

	<b>At December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		
Year-end balance.....	185,952	169,024	153,891
Average balance.....	184,554	164,471	141,209
Maximum month-end balance .....	191,074	169,024	153,891

An analysis of the balance of short-term borrowings at December 31, 2012, December 31, 2011 and December 31, 2010 is provided below.

	<b>At December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(in millions of euro)</i>		
Year-end balance.....	61,476	70,307	72,795
Average balance.....	72,290	74,246	80,424
Maximum month-end balance .....	82,795	79,737	88,623

## SELECTED FINANCIAL INFORMATION

The following selected financial data at June 30, 2013, December 31, 2012 and June 30, 2012 and for the six months ended June 30, 2013 and June 30, 2012 are derived from the condensed consolidated interim financial information 2013 of Rabobank Group, which have been reviewed by Ernst & Young Accountants LLP, the independent auditor in the Netherlands, with the exception of the financial ratios, which are derived from the interim report 2013 of Rabobank Group. The remaining 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, which are derived from the annual report of Rabobank Group. The data should be read in conjunction with the condensed consolidated interim financial information and related notes thereto incorporated by reference herein and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Offering Circular. The condensed consolidated interim financial information 2013 of Rabobank Group has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and is presented in conformity with IAS 34 Interim Financial Reporting. The Rabobank Group audited consolidated financial statements for the year ended December 31, 2012 and December 31, 2011 have been prepared in accordance with IFRS as adopted by the European Union.

### Consolidated statement of financial position

	At June 30, 2013*	At December 31, 2012	At June 30, 2012
	<i>(in millions of euro)</i>		
<b>Assets</b>			
Cash and cash equivalents .....	45,181	68,103	68,154
Due from other banks .....	34,091	35,386	34,103
Trading financial assets .....	6,843	6,387	7,511
Other financial assets at fair value through profit or loss ..	5,381	5,911	7,209
Derivative financial instruments .....	47,774	65,423	65,411
Loans to customers .....	479,180	485,299	488,444
Available-for-sale financial assets .....	51,217	50,425	53,469
Held-to-maturity financial assets .....	—	—	51
Investments in associates .....	3,541	3,649	3,487
Intangible assets .....	2,279	2,343	2,994
Property and equipment .....	7,058	6,500	6,494
Investment properties .....	1,393	1,489	756
Current tax assets .....	1,057	597	777
Deferred tax assets .....	893	903	1,015
Other assets .....	11,236	9,900	12,321
Non-current assets held for sale .....	1,264	8,338	16,624
<b>Total assets</b> .....	<u>698,388</u>	<u>750,653</u>	<u>768,820</u>
<b>Liabilities</b>			
Due to other banks .....	19,892	27,059	28,690

	<b>At June 30, 2013*</b>	<b>At December 31, 2012</b>	<b>At June 30, 2012</b>
	<i>(in millions of euro)</i>		
Due to customers .....	339,844	334,271	340,935
Debt securities in issue .....	197,891	223,336	227,892
Derivative financial instruments and other trade liabilities .....	59,248	74,800	72,141
Other liabilities .....	11,883	11,077	11,320
Other financial liabilities at fair value through profit or loss .....	21,785	24,091	25,417
Provisions .....	742	752	729
Current tax liabilities .....	222	205	305
Deferred tax liabilities .....	339	186	329
Subordinated debt .....	5,203	5,407	2,673
Liabilities held for sale .....	681	7,216	15,000
<b>Total liabilities</b> .....	<b>657,730</b>	<b>708,400</b>	<b>725,431</b>

	<b>At December 31, 2012</b>	<b>At June 30, 2012</b>
	<i>(in millions of euro)</i>	
<b>Equity</b>		
Equity of Rabobank Nederland and local Rabobanks.....	24,404	25,000
<i>Equity instruments issued directly</i>		
Rabobank Member Certificates .....	6,243	6,607
Capital Securities .....	7,040	7,634
	<u>13,283</u>	<u>14,241</u>
<i>Equity instruments issued by subsidiaries</i>		
Rabobank Member Certificates .....	—	—
Capital Securities .....	229	238
Trust Preferred Securities III to VI .....	1,315	1,355
	<u>1,544</u>	<u>1,593</u>
Other non-controlling interests .....	1,427	2,555
<b>Total equity</b> .....	<b>40,658</b>	<b>43,389</b>
<b>Total equity and liabilities</b> .....	<b>698,388</b>	<b>768,820</b>



## Condensed consolidated statement of income

	Six months ended June 30,		Year ended December 31,		
	2013*	2012	2012	2011	2010
	<i>(in millions of euro)</i>				
Interest .....	4,445	4,473	9,097	9,174	8,164
Commission .....	1,046	1,169	2,206	2,361	2,831
Other income .....	944	1,241	2,149	1,171	1,271
<b>Total income</b> .....	<b>6,445</b>	<b>6,883</b>	<b>13,452</b>	<b>12,706</b>	<b>12,716</b>
Staff costs .....	2,634	2,773	5,325	4,862	4,919
Other administrative expenses .....	1,352	1,364	2,979	2,850	2,706
Depreciation and amortization .....	257	254	527	540	571
<b>Operating expenses</b> .....	<b>4,243</b>	<b>4,391</b>	<b>8,831</b>	<b>8,252</b>	<b>8,196</b>
Value adjustments .....	1,106	1,096	2,350	1,606	1,234
Bank tax .....			196	–	–
<b>Operating profit before taxation</b> .....	<b>1,096</b>	<b>1,396</b>	<b>2,075</b>	<b>2,848</b>	<b>3,286</b>
Income tax expense .....	82	180	160	355	514
Net profit from continued operations .....	1,014	1,216	1,915	2,493	2,772
Net profit from discontinued operations .....	98	71	197	134	–
<b>Net profit</b> .....	<b>1,112</b>	<b>1,287</b>	<b>2,112</b>	<b>2,627</b>	<b>2,772</b>
Of which attributable to Rabobank Nederland and local Rabobanks .....	550	660	897	1,549	1,846
Of which attributable to holders of Rabobank Member Certificates .....	161	165	328	315	303
Of which attributable to Capital Securities .....	340	371	717	612	460
Of which attributable to Trust Preferred Securities III to VI .....	34	38	75	73	73
Of which attributable to non-controlling interests .....	27	53	95	78	90
<b>Net profit</b> .....	<b>1,112</b>	<b>1,287</b>	<b>2,112</b>	<b>2,627</b>	<b>2,772</b>

## Financial ratios

	At At June 30, 2013*	At December 31, 2012	At At June 30, 2012	At December 31, 2011	At December 31, 2010
BIS ratio .....	18.7%	19.0%	17.6%	17.5%	16.3%
Tier 1 ratio .....	16.9%	17.2%	16.9%	17.0%	15.7%

	<b>At June 30, 2013*</b>	<b>At December 31, 2012</b>	<b>At June 30, 2012</b>	<b>At December 31, 2011</b>	<b>At December 31, 2010</b>
Core Tier 1 ratio .....	12.9%	13.2%	12.7%	12.7%	12.6%
Equity capital ratio <sup>(1)</sup> .....	15.2%	15.3%	14.5%	14.7%	14.2%
Bad debt costs (in basis points of average lending) .....	49	52	49	37	29

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Note:

- (1) The equity capital ratio is calculated by dividing retained earnings and Rabobank Member Certificates by total of risk-weighted assets.

## **RISK MANAGEMENT\***

Rabobank Group places a high priority on the management of risk and has extensive procedures in place for systematic risk management. Within Rabobank Group, the risk management policies relating to interest rate risk, market risk and liquidity risk are developed and monitored by the Balance Sheet and Risk Management Committee Rabobank Group (the “**BRMC-RG**”) in cooperation with the Group Risk Management department. The BRMC-RG is responsible for balance sheet management, establishing risk policy, setting risk measurement standards, broadly determining limits and monitoring developments, and advising the Executive Board on all relevant issues regarding risk management. The Group Operational Risk Committee (“**GORC**”) focuses on operational risks, whereas the Group’s risk management policies relating to credit risk are developed by the Policy Credit Committee Rabobank Group in cooperation with the Group Risk Management and the Credit Risk Management department. These committees report to the Executive Board, which is ultimately responsible for risk management within Rabobank Group.

The principal risks faced by Rabobank Group are credit risk, country risk, interest rate risk, liquidity risk, market risk and operational 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 analyzed 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 RAROC. RAROC is calculated by dividing economic return by economic capital. The calculation and review of RAROC across Rabobank Group’s business activities and entities assists Rabobank Group in striking a balance between risk, returns and capital for both Rabobank Group and its constituent parts. This approach encourages each individual group entity to ensure appropriate compensation for the risks it runs. RAROC is therefore an essential instrument for positioning products in the market at the right price.

The use of the RAROC model to classify Rabobank Group’s activities also plays a role in the allocation of capital to the various group entities and the different risk categories. If the calculated RAROC lags behind a formulated minimum result to be achieved, which is a reflection of the costs of the capital employed, economic value is wasted. A higher RAROC implies the creation of economic value. For the six month period ended June 30, 2013, Rabobank realized a RAROC after tax of 9.0%.

### **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 June 30, 2013, 48% 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 52% 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, the Rabobank International 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 Rabobank International 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 Rabobank International 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 Nederland'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 modeling. 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 professionalized 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 EAD (Exposure At Default), PD (Probability of Default) and LGD (Loss Given Default). 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 characterized by careful assessment of clients and their ability to make repayments on credit granted. As a result, Rabobank believes the loan portfolio has a relatively low risk profile. 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 June 30, 2013, the EAD of the total Advanced IRB loan portfolio was €613 billion (year-end 2012: €606 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 ninety days to bankruptcy. At June 30, 2013, The weighted average PD of the total Advanced IRB loan portfolio was 1.06% (year-end 2012: 1.03%).

The following table shows the impaired loans (*i.e.*, the amount of loans for which an allowance has been taken) at June 30, 2013, December 31, 2012, 2011 and 2010 per business unit as a percentage of private sector loans:

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

	At June	At December 31,		
	30,	2012	2011	2010
	2013*	<i>(in percentages)</i>		
Domestic retail banking.....	2.1	1.73	1.54	1.56
Wholesale banking and international retail banking.....	3.2	3.35	3.46	3.25
Leasing .....	3.1	3.18	3.10	3.93
Real Estate .....	10.5	8.24	5.53	4.40
<b>Rabobank Group</b> .....	<b>2.8</b>	<b>2.47</b>	<b>2.25</b>	<b>2.16</b>

### Bad debt costs

Once a loan has been granted, ongoing credit management takes place as part of which new information, both financial and non-financial, is assessed. The bank 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 fulfill its contractual obligations, this is a matter of impairment and an allowance is made which is charged to income.

The table below sets forth Rabobank Group's bad debt costs for the six month period ended June 30, 2013 and for the three years ended December 31, 2012, 2011 and 2010, per business unit as a percentage of private sector lending:

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

	Six months	Year ended December 31,		
	ended June	2012	2011	2010
	30,	<i>(in percentages)</i>		
	2013*	2012	2011	2010
Domestic retail.....	0.41	0.44	0.22	0.13
Wholesale banking and international retail banking.....	0.44	0.59	0.73	0.64
Leasing .....	0.59	0.53	0.58	0.90
Real estate.....	1.80	1.24	0.69	0.36
<b>Rabobank Group</b> .....	<b>0.49</b>	<b>0.52</b>	<b>0.37</b>	<b>0.29</b>

### Structured credit

Rabobank Group's trading and investment portfolios have limited direct exposure to more structured investments, which amounted to €4.0 billion at December 31, 2012, compared to €4.6 billion at December 31, 2011, of which the majority, 76% (year-end 2011: 79%), is single A-rated or higher.

In a number of cases, monoline insurers are the counterparty to credit default swaps that hedge the credit risk of certain investments. In most cases, solvency objectives are the main reason for the existence of these hedges

rather than the credit quality of these investments. The creditworthiness of a number of monoline insurers is subject to downward pressure, which was also reflected by the downgrading of the credit ratings of these institutions. Counterparty risk relating to these monoline insurers arises in case the value of the credit default swaps with these counterparties increases, due to a decrease of the fair value of the underlying investments, or because other insured investments can lead to payment claims against these insurers. In this the credit quality of the investments and time-related aspects are taken into account. At December 31, 2012, the total counterparty risk before provisions amounted to €728 million. The total provisions on that date ended up at €634 million. The remaining counterparty risk at December 31, 2012 amounted to €94 million.

Given these figures, further downgrades of monoline insurers would have a limited impact, because for the major part of this type of counterparty, risk provisions have already been made.

### 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 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. Since concerns about the euro increased, the outstanding country risk, including the sovereign risk for relevant countries, has been reported on a monthly basis. 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 December 31, 2012, the collective debtor risk for non-OECD countries was €24.6 billion and the net transfer risk before provisions for non-OECD countries was €10.7 billion, which corresponds to 1.4% of total assets (2011: 1.7%).

### Risk in non-OECD countries

Regions	Europe	Africa	Latin America	Asia/ Pacific	December 31, 2012	
					Total	As % of total assets
<i>(in millions of euros)</i>						
Economic country (exclusive of derivatives).....	913	542	9,685	13,425	24,565	3.3%
Risk-mitigating components:.....						
- local currency.....	154	124	6,532	3,646	10,457	
- third-party coverage of country.....	154	187	288	285	914	
- deductions for transactions with lower risk.....	0	57	490	1,911	2,457	
<b>Net country risk before allowance.....</b>	<b>605</b>	<b>174</b>	<b>2,375</b>	<b>7,582</b>	<b>10,737</b>	<b>1.4%</b>
						As % of

Regions						December 31, 2012	
	Europe	Africa	Latin America	Asia/Pacific	Total	As % of total assets	
	<i>(in millions of euros)</i>						total allowance
<b>Total allowance for economic country risk</b> .....	2	0	172	141	315	8.2%	

At June 30, 2013, Rabobank Group's exposure to government bonds issued by Ireland, Italy and Spain was €144 million (year-end 2012: €202 million). Rabobank no longer holds government bonds issued by Greece and Portugal. The exposure to bonds issued by banks in these countries are mainly Spanish covered bonds backed by additional collateral provided by the issuer. No newly acquired bonds are subject to impairment.

### Government exposure at June 30, 2013

Country	Government bonds	State-guaranteed bonds	Bonds issued by financial institutions	Total	Cumulative changes through profit or loss at June 30, 2013*
	<i>(in millions of euro)</i>				
Greece .....	—	47	—	47	12
Ireland.....	7	—	41	48	—
Italy .....	133	—	57	190	—
Portugal .....	—	—	—	—	—
Spain.....	4	—	1,417	1,421	67
<b>Total</b> .....	144	47	1,516	1,706	79

Based on the accounting policies, it was established that impairments needed to be recognized with respect to the bonds guaranteed by the Greek government and some bonds issued by banks, and these positions have been written down to the market value at June 30, 2013. The effect on the result in the first half of 2013 was very limited. Except for the positions in Dutch, German and French government bonds, the exposure to government bonds issued by other European countries is very low in relative terms; the Rabobank Group does not have any exposure to Cyprus, Hungary or Romania.

### 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 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 behavior 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 75 basis points in 2011 and 5 basis points in 2012. 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 behavior 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 December 31, 2012, the Income at Risk and Equity at Risk for Rabobank Group were as follows:

	<b>2012</b>	<b>2011</b>
	<b>5 bp decline</b>	<b>75 bp decline</b>
	<i>(in millions of euro, except percentages)</i>	
Income at Risk (€ million) .....	(18)	(216)
Equity at Risk	1.4%	2.2%

Rabobank Group performs complementary scenario analyses to assess the impact of changes in customer behavior and the economic environment.

### **Liquidity risk**

Liquidity risk is the risk that a bank will not be able to fulfill all its payment and repayment obligations on time, as well as the risk that it will at some time be unable to fund increases in assets at a reasonable price, if at all.

Responsibility for the day-to-day management of liquidity exposures, the raising of professional funding on the money market and the capital market, and the management of the structural position lies with Rabobank Group's Treasury department, which reports to the CFO. In keeping with the Basel principles, the policy is aimed at financing long-term loans by means of stable funding, specifically amounts due to customers and long-term funding from the professional markets. Rabobank Group's funding and liquidity risk policy also entails strictly limiting outgoing cash flows at the wholesale banking business, maintaining a large liquidity buffer and raising sufficient long-term funding in the international capital market. The retail banking division is assumed to be largely self-funding as a result of money raised from customers. The division raised more than enough money to



fund operations in 2012, due to growth in amounts due to customers at the retail banking division outpacing growth in lending.

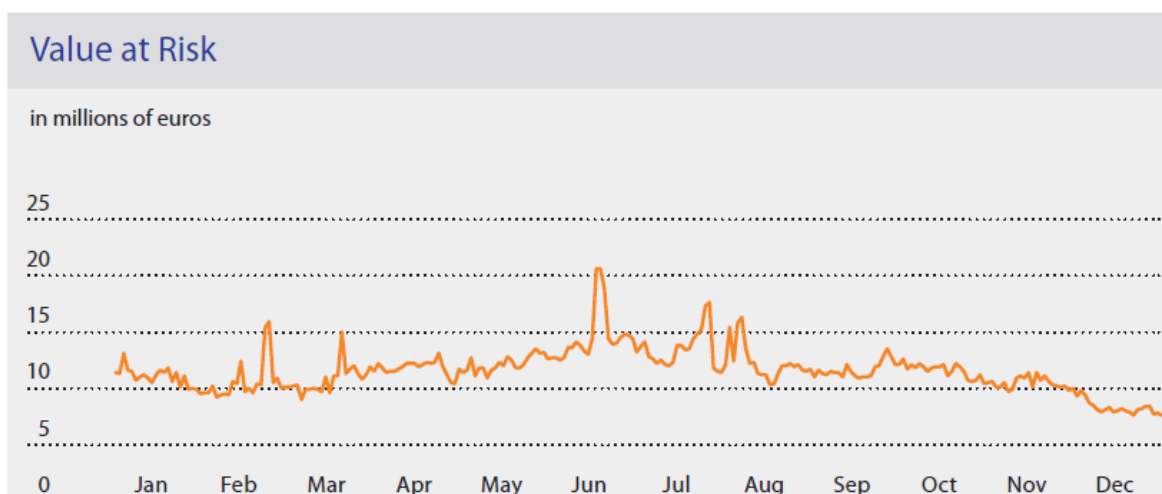
Liquidity risk is an organization-wide matter and managed by Treasury Rabobank Group. Rabobank Group has developed several methods to measure and manage liquidity risk, including a method for calculating the survival period, i.e. the period that the liquidity buffer will hold up under severe market-specific or idiosyncratic stress. In the most severe stress scenario, it is assumed that the Bank no longer has access to the capital markets, i.e. no long- or short-term debt can be issued or refinanced. During 2012, Rabobank Group more than satisfied the minimum survival period of three months in all the internally used scenarios.

### Market risk

Market risk relates to the change in value of Rabobank Group's trading portfolio as a consequence of changes in market prices, such as interest rates, foreign exchange rates, credit spreads, commodity prices and equity share prices. The BRMC-RG is responsible for developing and supervising market risk policies and monitors Rabobank Group's worldwide market risk profile. On a daily basis, the Market Risk department measures and reports the market risk positions. Market risk is calculated based on internally developed risk models and systems, which are approved and accepted by the Dutch Central Bank. Rabobank Group's risk models are based on the "Value at Risk" concept. Value at Risk describes the maximum possible loss that Rabobank Group can suffer within a defined holding period, based on historical market price changes and a given certain confidence interval. Value at Risk within Rabobank Group is based on actual historical market circumstances. To measure the potential impact of strong adverse market price movements, stress tests are applied. These "event risk scenarios" measure the effect of sharp and sudden changes in market prices. Value at Risk and event risk are tied to limits that are set by the Executive Board on an annual basis.

For the year ended December 31, 2012, the Value at Risk, based on a one-day holding period and 97.5% confidence level, fluctuated between €7.6 million (2011: €10 million) and €20.6 million (2011: €24 million), with an average of €11.6 million (2011: €16 million). The slight decrease of the average Value at Risk compared to 2011 follows from changes in positions and activities.

Value at Risk models have certain limitations; they are more reliable during normal market conditions, and historical data may fail to predict the future. Therefore, Value at Risk results cannot guarantee that actual risk will follow the statistical estimate. The performance of the Value at Risk models is regularly reviewed by means of back testing. These back testing results are reported both internally, as well as to the regulator. In addition to Value at Risk, also other risk indicators are used for market risk management. Some of them are generated by using statistical models. All these indicators assist the Market Risk department, as well as the BRMC-RG in evaluating Rabobank Group's market positions.



Source: Rabobank Group Annual Report 2012

## **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 the Rabobank Group entities and should be interwoven in the strategic and daily decision-making. The management of each Rabobank Group entity is responsible for developing policies and procedures to manage their specific operational risks in line with Rabobank Group Operational Risk Management policy. Group Risk Management - Operational Risk Management (“**GRM-ORM**”) offers overview, support tools, expertise and challenge to the group entities and provides transparency in the 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 proceedings**

Rabobank Group is involved in governmental, litigation and arbitration proceedings in the Netherlands and in foreign jurisdictions, including the United States, involving claims by and against Rabobank Group which arise in the ordinary course of its businesses, including in connection with Rabobank Group’s activities as an insurer, lender, employer, investor, financial adviser, underwriter and taxpayer during a period covering at least the previous 12 months. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings and litigation, Rabobank believes that the ultimate outcome of the various proceedings and litigation already commenced, and/or any threatened proceedings and litigation, will not have a material adverse or significant effect on Rabobank Group’s financial condition or profitability, given its size, balance sheet, income stream and provisioning policy.

Rabobank received subpoenas and requests for documents and information from various regulatory agencies and competition and criminal authorities in, inter alia, the Netherlands, the United Kingdom, the United States, Japan, Hong Kong, Singapore and Switzerland. The documents and information were requested as part of ongoing investigations conducted by the relevant agencies and authorities and concern the LIBOR submission processes for various currencies and the EURIBOR submission process. Rabobank was at various times a member of eight of the ten LIBOR panels and the EURIBOR panel, and is a member of the LIBOR panels for three currencies: Pounds Sterling, U.S. Dollar and Euro. Rabobank was never a member of the TIBOR panel.

On October 29, 2013, Rabobank announced that it had entered into agreements with the Dutch Central Bank, the DPP, the FCA, the CFTC, the DOJ and the JFSA, in connection with their investigations into Rabobank's historical LIBOR and EURIBOR submission processes.

Rabobank has agreed to pay settlement amounts to the DPP, FCA, CFTC and DOJ totaling approximately €774 million.<sup>3</sup>

The findings of the investigations were as follows:

- A number of Rabobank employees had inappropriately sought to influence certain LIBOR and EURIBOR submissions between 2005 and 2010.
- Some Rabobank employees also inappropriately communicated with employees at other banks and brokers about certain LIBOR and EURIBOR submissions between 2005 and early 2011.

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<sup>3</sup> Settlements per authority: DPP €70 million, FCA £105 million, CFTC \$475 million and DOJ \$325 million.

- In total, 30 employees were involved in, aware of, or should have been aware of the inappropriate conduct. Rabobank employs more than 60,000 people in 42 countries.
- During the period in which such inappropriate conduct occurred, Rabobank did not sufficiently appreciate the risks associated with the LIBOR and EURIBOR submission processes and did not have sufficient systems and controls in place.
- None of the most senior or executive managers were involved in the inappropriate conduct or were aware of it at the time. Nor did Rabobank engage in “lowballing” (*i.e.*, the artificial suppression of LIBOR submissions in order to present a more positive financial picture of the bank).
- Rabobank cooperated fully with all authorities, and the Dutch Central bank, DPP, FCA, CFTC, DOJ and JFSA specifically acknowledged Rabobank’s cooperation.

In response to the findings of the investigations, the measures taken by Rabobank are as follows:

- Rabobank has taken severe disciplinary measures against all of the employees who engaged in inappropriate conduct and who were still at Rabobank during the investigation.
- Those employees who were involved in serious misconduct have had their contracts of employment brought to an end. Other disciplinary action has included, in different combinations, formal warnings, financial sanctions, and the removal of managerial responsibilities. Bonuses have been partly or entirely reclaimed for the period 2009-2012, in the total amount of €4.2 million.
- Rabobank implemented systems and controls to govern its interest rate benchmark submission processes that reflect industry best practices, consistent with the most recent regulatory and banking industry guidance. This includes a requirement that Rabobank’s submission processes be subject to regular internal and external audits.
- A program relating to conduct and culture, designed with the aid of external experts, has been rolled out globally within Rabobank International. This program is aimed at enhancing Rabobank’s client-centered focus and strengthening its emphasis on integrity and compliance. A comparable program relating to conduct and culture will be implemented as soon as possible within Rabobank Nederland.
- Rabobank International has reviewed, and continues to review, business activities within its Global Financial Markets division with an eye to reducing risks, including compliance risks. As part of this project, Rabobank has already taken significant steps to discontinue certain product lines and exit certain markets where appropriate.
- Rabobank also has made, and continues to make, significant investments to strengthen its compliance, risk management and internal audit functions in order to address certain deficiencies identified by authorities. This effort, also undertaken with the assistance of external experts, includes a focus on improving collaboration between risk management personnel at Rabobank Nederland and Rabobank International, substantial increases in compliance staffing and numerous structural enhancements to Rabobank’s compliance function, and a review of its audit function with a focus on ensuring that audit findings are addressed in a timely and effective manner.
- Even though no members of the Executive Board were aware of, or involved in, the inappropriate conduct, members of Rabobank’s Executive Board have, as the leaders of Rabobank, voluntarily forfeited their entitlements to remuneration in an aggregate of €2 million.
- Piet Moerland has also resigned as Chairman of the Executive Board with immediate effect. Rinus Minderhoud, a member of the Supervisory Board of the Bank since 2002, and an experienced banker and executive, has today taken over as interim Chairman.

- Rabobank has also revised its approach to remuneration in order to further de-emphasize a focus on financial targets.

Rabobank, along with other panel banks, has been named as a defendant in a number of putative class action lawsuits and private individual civil suits pending in the U.S. that assert federal and state claims relating to USD LIBOR, JPY LIBOR, TIBOR, and EURIBOR. See pages 36-38 of Interim Report 2013 of Rabobank Group. Taking into account that these putative class actions and civil lawsuits create uncertainty, Rabobank believes these proceedings that include Rabobank as a defendant to be without merit. Rabobank intends to continue to vigorously defend against these lawsuits.

### **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 0.8 at December 31, 2012 (2011: 1.3). The non-trading books are only exposed to the translation risk on capital invested in foreign activities and on issues of hybrid equity instruments not denominated in euros. To monitor and manage translation risk, Rabobank Group follows a policy of protecting equity against exchange rate fluctuations.

## GOVERNANCE OF RABOBANK GROUP

### Corporate governance

In recent years the corporate governance of organizations has been of particular public interest. On account of its cooperative organization, Rabobank's corporate governance is characterized 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 Nederland, the local Rabobanks in turn play a very important part in the policy-making within Rabobank's organization. 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 Nederland's members are able to participate in virtually all Rabobank Nederland's strategic decisions.

Although the Dutch Corporate Governance Code does not apply to the cooperative as a legal form of enterprise, Rabobank Nederland'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 January 1, 2010.

### Executive Board

The Executive Board (*raad van bestuur*) of Rabobank Nederland is responsible for the management of Rabobank Nederland and, indirectly, its affiliated entities. The management of Rabobank Group is based on its strategic principles and, by extension, on the interrelationship between risk, return and equity. This includes responsibility for the achievement of the objectives of Rabobank Group as a whole, its strategic policy with the associated risk profile, its results, the social aspects of its business and their relevance to the enterprise, the synergy within Rabobank Group, compliance with all relevant laws and regulations, the management of business risks and the financing of Rabobank Group. The Executive Board reports 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 Nederland.

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 Supervisory Board determines the remuneration of the members of the Executive Board and reports on this to the Committee on Confidential Matters of the Central Delegates Assembly. The principles of the remuneration policy for the Executive Board, as recommended by the Supervisory Board, are established by 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 five committees: the Audit & Compliance 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.

In the performance of their duties, the members of the Supervisory Board act in the interests of all stakeholders of Rabobank Nederland 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 Nederland on the recommendation of the Supervisory Board. However, the Executive Board, as well as Rabobank Nederland's Works Council and the General Meeting of Rabobank Nederland are each entitled to nominate individuals for consideration by the Supervisory Board. The independence of the individual members, among other factors, is an important consideration for nomination and appointments of Supervisory Board members. Any semblance of a conflict of interests must be avoided. The profile for the Supervisory Board sets standards for its size and composition, taking into account the nature of the enterprises carried on by Rabobank Nederland and its activities, and for the expertise, backgrounds and diversity of the Supervisory Board members. The profile for 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 Nederland. 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 Nederland and hence have an important role in the working of Rabobank Nederland'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 Nederland.

## **Central Delegates Assembly**

The local Rabobanks are geographically divided into 12 local committees, each of which has its own board of directors. The local committees jointly form the Central Delegates Assembly, which meets four times a year. The members of the Central Delegates Assembly have largely been appointed – via local committees – by clients/members as their representative at the local and collective level. Ahead of every Central Delegates Assembly, the local committees discuss the matters placed on the agenda. In addition, the local committees themselves can submit items for their own meeting. The local committees and Central Delegates Assembly have a significant influence on the views adopted in the Rabobank Nederland organization, 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, authorized:

- 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 approve the budget for the activities of Rabobank Nederland for the local Rabobanks.

The Central Delegates Assembly will issue advice in advance on specific matters where decision-making is reserved by the articles of association to the General Meeting of Rabobank Nederland. It advises either the local Rabobanks, the Executive Board or the General Meeting of Rabobank Nederland.

The Central Delegates Assembly is a forum in which matters are discussed in great depth. This includes not only matters arising out of 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 Nederland.

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 Nederland**

The General Meeting (*algemene vergadering*) of Rabobank Nederland is the body through which all local Rabobanks, as members of Rabobank Nederland, can exercise direct control. The General Meeting of Rabobank Nederland 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 Nederland on all the items on the agenda. This procedure ensures that, prior to the General Meeting of Rabobank Nederland, these subjects have been discussed in detail on a local, regional and central level. Because of the special relationship between Rabobank Nederland and its members, the General Meeting of Rabobank Nederland enjoys almost full attendance.

## **Local Rabobanks**

Each local Rabobank has a joint Board of Directors comprised of banking professionals that form the bank's consultative management. This Board of Directors is appointed by the local Supervisory Board with 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**

The members of the local Supervisory Board are nominated by the local Supervisory Board and appointed by the members council. One of the main responsibilities of the local Supervisory Board is to conduct supervision across the full breadth of the cooperative Rabobank.

This encompasses the policy of the Board of Directors and the general course of affairs relating to the cooperative and its operations. The local Supervisory Board is authorized 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 Nederland.

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.

### **Members council**

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 Statutory Board engages the members council to assess its policy in order to make its services as suitable as possible. The members council influences and monitors the course of the local Rabobank and forms the link to the Bank's broad member basis. It performs an influential, sounding board, advisory and control role and serves as the link between the broad member basis on the one hand and the Bank on the other.

The members council's activities include adopting the financial statements and appointing the members of the local Supervisory Board.

### **Employee influence within Rabobank Group**

Rabobank attaches great value to consultations with the various employee representative bodies. Employee influence within Rabobank Group has been enabled at various levels. Issues concerning the business of Rabobank Nederland are handled by Rabobank Nederland's Works Council. Subsidiaries such as De Lage Landen, Orbay and Rabo Vastgoedgroep 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 holds discussions with the Executive Board at least twice a year 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 and the Executive Board of Rabobank Nederland, respectively:



<b>Name</b>	<b>Born</b>	<b>Year Appointed<sup>(1)</sup></b>	<b>Term Expires</b>	<b>Nationality</b>
Wout (W.) Dekker, Chairman .....	1956	2010	2016	Dutch
Antoon (A.J.A.M.) Vermeer, Vice Chairman .....	1949	2002	2014	Dutch
Irene (I.P.) Asscher-Vonk.....	1944	2009	2013	Dutch
Henk (C.H.) van Dalen	1952	2013	2017	Dutch
Leo (L.N.) Degle .....	1948	2012	2016	Dutch
Louise (L.O.) Fresco.....	1952	2006	2014	Dutch
Leo (S.L.J.) Graafsma.....	1949	2010	2014	Dutch
Erik (E.A.J.) van de Merwe .....	1950	2010	2015	Dutch
Ron (R.) Teerlink.....	1961	2013	2017	Dutch
Cees (C.P.) Veerman .....	1949	2007	2015	Dutch

Notes:

- (1) As a result of a 2002 amendment of the management organization of Rabobank Nederland, the former supervisory council was replaced by the Supervisory Board due to which the appointment date for a number of supervisory directors was fixed at 2002 even though they had been previously on the supervisory council.

**Mr. W. Dekker (Wout)**

<i>Date of birth</i>	November 10, 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>	<p><b>Supervisory Directorships:</b></p> <ul style="list-style-type: none"> <li>– Member of the Supervisory Board 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 Máxima Centrum</li> </ul> <p><b>Other auxiliary positions:</b></p> <ul style="list-style-type: none"> <li>– Member of the Taskforce Biodiversity &amp; Natural Resources</li> <li>– Member of the Advisory Council for Issuers NYSE Euronext Amsterdam</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

**Mr. A.J.A.M. Vermeer (Antoon)**

<i>Date of birth</i>	October 21, 1949
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<i>Profession</i>	Professional director/supervisory director
<i>Main positions</i>	Member of a dairy farming partnership ( <i>maatschap melkveehouderijbedrijf</i> )
<i>Nationality</i>	Dutch
<i>Additional positions</i>	<p><b>Supervisory Directorships:</b></p> <ul style="list-style-type: none"> <li>– Vice-Chairman of the Supervisory Board of Rabobank Nederland</li> <li>– Member of the Supervisory Board of Eureko B.V.</li> </ul> <p><b>Other additional positions:</b></p> <ul style="list-style-type: none"> <li>– Member of the Board of Governors of the ZLTO Food, Farming and Agribusiness Chair, Tilburg University</li> <li>– Chairman Board of Supervision of HAS Den Bosch</li> </ul>
<i>Date of first appointment to the Supervisory Board</i>	June 2002
<i>Current term of appointment to the Supervisory Board</i>	June 2010 – June 2014

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

<i>Date of birth</i>	September 5, 1944
<i>Profession</i>	Professional supervisory director
<i>Main position</i>	None
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<p><b>Supervisory Directorships:</b></p> <ul style="list-style-type: none"> <li>– Member of the Supervisory Board of Rabobank Nederland</li> <li>– Member of the Supervisory Board of KLM</li> <li>– Member of the Supervisory Board of Arriva Nederland</li> <li>– Member of the Supervisory Board of Philip Morris Holland</li> </ul> <p><b>Other auxiliary positions:</b></p> <ul style="list-style-type: none"> <li>– Chairman Bisschoppelijk Scheidsgerecht (<i>Bisschoppelijk Scheidsgerecht</i>)</li> <li>– Chairman National Arbitration Board for Schools (<i>Landelijke Geschillencommissie Scholen</i>)</li> </ul>
<i>Date of first appointment to the Supervisory Board</i>	June 2009
<i>Current term of appointment to the Supervisory Board</i>	June 2009 – June 2017

**Drs. C.H. van Dalen (Henk)**

<i>Date of birth</i>	November 1, 1952
<i>Profession</i>	<ul style="list-style-type: none"> <li>– Advisor</li> <li>– Professional director/supervisory director</li> </ul>

<i>Main position</i>	Member of the Management Board and CFO of VimpelCom Ltd
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<p><b>Supervisory Directorship:</b></p> <ul style="list-style-type: none"> <li>– Member of the Supervisory Board of Rabobank Nederland</li> <li>– Chairman of the Supervisory Board at Macintosh Retail Group NV</li> </ul> <p><b>Other auxiliary positions:</b></p> <ul style="list-style-type: none"> <li>– Member of the Advisory Board of the Netherlands Association for Investor Relations (NEVIR)</li> <li>– Member of the Advisory Board at Zorg-Vuldig Healthcare Organization</li> <li>– Member of the Advisory Board of Nederland Cares</li> <li>– Member of the Advisory Board of Duisenberg School of Finance</li> </ul>
<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

**Mr. L.N. Degle (Leo)**

<i>Date of birth</i>	August 15, 1948
<i>Profession</i>	Professional director/supervisory director
<i>Main position</i>	None
<i>Nationality</i>	German
<i>Auxiliary positions</i>	<p><b>Supervisory Directorships:</b></p> <ul style="list-style-type: none"> <li>– Member of the Supervisory Board of Rabobank Nederland</li> <li>– Member 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

**Mrs. L.O. Fresco (Louise)**

<i>Date of birth</i>	February 11, 1952
<i>Profession</i>	<ul style="list-style-type: none"> <li>– Professional director/supervisory director</li> <li>– Professor</li> <li>– Advisor</li> </ul>
<i>Main positions</i>	– University Professor, University of Amsterdam
<i>Nationality</i>	Dutch

*Auxiliary positions*

**Supervisory Directorships:**

- Member of the Supervisory Board of Rabobank Nederland
- Non-executive Director, Unilever N.V./Unilever PLC

**Other auxiliary positions:**

- Crown-Appointed Member of the Social and Economic Council of the Netherlands (SER)
- Honorary Professor at Wageningen University
- Member Royal Holland Society of Sciences and Humanities
- Member Royal Netherlands Academy of Arts and Sciences
- Member of the Real Academia de Ingenieria (*Spanish Academy of Engineering Sciences*)
- Member of the Royal Swedish Academy of Agriculture and Forestry
- Member of the Advisory Board of World Food Prize (*Wereldvoedselprijs*)
- Member of the Board of Praemium Erasmianum Foundation (*Erasmusprijs*)
- Member of the Board of the Royal Concertgebouw Orchestra
- Member of the Trilateral Commission of France, Japan and the United States
- Columnist NRC Handelsblad, NRC Next and NRC International
- Extraordinary member of the Dutch Safety Board
- Advisor Office Chérifien des Phosphates (Groupe OCP) Morocco
- Member Strategic Advisory Board of the Director General Food and Agriculture Organization (FAO), UN-Rome

*Date of first appointment to the Supervisory Board*

June 2006

*Current term of appointment to the Supervisory Board*

June 2010 – June 2014

**Mr. S.L.J. Graafsma RA (Leo)**

*Date of birth*

March 29, 1949

*Former profession*

– Accountant/partner of audit, tax and advisory firm KPMG

*Main position*

None

*Nationality*

Dutch

*Auxiliary positions*

- Member of the Supervisory Board of Rabobank Nederland
- Deputy member of the “Accountantskamer” (disciplinary court for accountants)

*Date of first appointment to the Supervisory Board*

September 2010

*Current term of appointment to the*

September 2010 – June 2014

*Supervisory Board*

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

*Date of birth* December 30, 1950

*Profession* – Advisor

*Nationality* – Professional director/ supervisory director

*Main position* None

*Nationality* Dutch

*Auxiliary Positions*

**Supervisory Directorships:**

- Member of the Supervisory Board of Rabobank Nederland
- Chairman of the Supervisory Board (and audit committee) of Staalbankiers N.V.
- Chairman of the Supervisory Board (and audit committee) of Achmea Bank Holding N.V.
- Member of the Supervisory Board (and audit committee) of Achmea B.V.

**Other auxiliary positions:**

- Non-executive Chairman of GWK Travelex N.V.
- Member of the Board of Governors of the postgraduate study ‘Corporate Compliance & Integrity’, VU University Amsterdam
- Member of the Board of Governors of the postgraduate study ‘Financial Professional in Banking’, VU University Amsterdam
- Member of the Board of Supervision and Chairman audit committee of the Dutch Burns Foundation (*Nederlandse Brandwonden Stichting*)
- Member of the Supervisory Council Euro Tissue Bank
- Member of the Advisory Council Dutch Institute of Internal Auditors (IIA)
- Member of the Arbitration committee Dutch Securities Institute (DSI)
- Jurymember Sijthoff Award

*Date of first appointment to the Supervisory Board* June 2010

*Current term of appointment to the Supervisory Board* June 2012 – June 2015

**Mr. R. Teerlink (Ron)**

*Date of birth* January 28, 1961

*Profession* Professional supervisory director

*Main position* None

*Nationality* Dutch

*Auxiliary positions* None

<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

**Mr. C.P. Veerman (Cees)**

<i>Date of birth</i>	March 8, 1949
<i>Profession</i>	<ul style="list-style-type: none"> <li>– Professor</li> <li>– Professional director/supervisory director</li> </ul>
<i>Main positions</i>	<ul style="list-style-type: none"> <li>– CEO of Bracamonte B.V. in Groesbeek</li> <li>– Professor at Tilburg University and Wageningen University focusing on the field of sustainable rural development from a European perspective</li> <li>– Crop farmer</li> </ul>
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<p><b>Supervisory Directorships:</b></p> <ul style="list-style-type: none"> <li>– Member of the Supervisory Board of Rabobank Nederland</li> <li>– Chairman of the Supervisory Board of USG People N.V.</li> <li>– Chairman of the Supervisory Board of Koninklijke Reesink N.V.</li> <li>– Member of the Supervisory Board of Barenbrug Holding B.V.</li> <li>– Chairman of the Supervisory Board of Ikazia Hospital Rotterdam</li> <li>– Member of the Supervisory Board of KDS</li> <li>– Chairman of the Board of Supervision Deltares</li> <li>– Chairman of the Supervisory Board of the Dutch Postcode Loterij</li> <li>– Chairman of the Board of Supervision of the Foundation VU University Medical Centre Amsterdam</li> <li>– Chairman of the Board of Supervision of the Foundation Naturalis Biodiversity Center</li> </ul> <p><b>Other auxiliary positions:</b></p> <ul style="list-style-type: none"> <li>– Member of the Governing Board of the Netherlands Organisation for Scientific Research (NWO)</li> <li>– Member of the Advisory Board of Prominent</li> <li>– Chairman of the Project council North/South Line</li> <li>– Chairman of the Board of directors of the Society for Watercompanies in the Netherlands (VEWIN)</li> </ul>
<i>Date of first appointment to the Supervisory Board</i>	June 2007

**Executive Board of Rabobank Nederland**

<b>Name</b>	<b>Born</b>	<b>Year Appointed</b>	<b>Nationality</b>
Rinus (M.) Minderhoud, Chairman .....	1946	2013	Dutch
Bert (A.) Bruggink, CFO .....	1963	2004	Dutch
Ralf Dekker.....	1957	2013	Dutch
Berry (B.J.) Martin .....	1965	2009	Dutch and Brazilian
Rien (H.) Nagel.....	1963	2013	Dutch

***Rinus (M.) Minderhoud***

Mr. Minderhoud was appointed as chairman of the Executive Board of Rabobank Nederland as of October 29, 2013. From 1987 until 1998, Mr. Minderhoud served in several management positions within ING Bank N.V. and Postbank N.V. In 2002 Mr. Minderhoud was appointed to the Supervisory Board of Rabobank Nederland. Mr. Minderhoud currently serves as chairman of the supervisory boards of Vodafone International Holdings B.V. and Vodafone Europe N.V., as vice chairman of the supervisory board of Achmea B.V. and as a member of the supervisory board of De Friesland Zorgverzekeraar.

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

Mr. Bruggink was appointed as Chief Financial Officer of the Executive Board of Rabobank Nederland as of November 15, 2004. Mr. Bruggink is responsible for Control Rabobank Group, Credit Risk Management, Group Risk Management, Treasury Rabobank Group and Special Asset Management 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 the CRG (Control Rabobank Group) (1998-2004). As CFO, he fulfills several additional functions. He is a member of the supervisory board of Robeco, chairman of the board of the Stichting Rabobank Pensioen Fonds, secretary of the supervisory board of Rabohypotheekbank and a member of the supervisory board of Rabo Herverzekeringsmaatschappij N.V. Furthermore, he is a member of the supervisory board of ROVA, member of the supervisory board of FMO N.V. 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. He joined Rabofacet in 1993. Mr. Dekker acts as a member of the board of directors of Rabo Financial Products B.V. and is chairman of the board of commissioners of PT Bank Rabobank International Indonesia. In the past he acted as a member of the managing board of Rabobank International, Chief Operating Officer and a member of the Wholesale and Rural & Retail management teams.

***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. Shortly after

earning his degree in business administration in Brazil, he went to work for Rabobank as an international management trainee. During the more than 14 years that he worked for Rabobank International on various continents and in a range of roles, he gained extensive experience as an international banker in both wholesale banking and retail banking. After fulfilling a number of positions in Brazil, Mr. Marttin was appointed senior marketing officer in Curacao. In 1997 he continued his career as Head of International Corporates in Hong Kong. Mr. Marttin subsequently moved to Indonesia four years later to take up an appointment as Head of Risk Management. Thereafter, Mr. Marttin served as Deputy General Manager of Rural Banking in 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. Mr. Marttin is a member of the supervisory boards of De Lage Landen and Rabohypotheekbank and a member of the boards of directors of Rabobank International Holding B.V., RI Investments Holding B.V. and chairman of the board of the supervisory foundation for the internal market in Rabo Extra Member Bonds (*Stichting Toezicht Interne Markt Rabo Extra Ledenobligaties*). Mr. Marttin is a member of the board of Unico Banking Group, vice chairman of the board of directors of the American Chambers of Commerce in the Netherlands and member of the Amsterdam Climate Council.

***Rien (H.) Nagel***

Mr. Nagel was appointed to Rabobank Nederland's Executive Board as of November 1, 2013. 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 boards of directors of the Rabobank Foundation and of Utrecht Development. He is a member of the supervisory boards of The Utrechts Landschap (Utrecht landscape) and of Villa Mondriaan Foundation Winterswijk, as well as a member of the advisory board of the University Centre for Sports Medicine.

**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 Nederland is a bank organized under the laws of the Netherlands. The principal Dutch law on supervision applicable to Rabobank Nederland is the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), which entered into force on January 1, 2007 and under which Rabobank Nederland is supervised by the Dutch Central Bank (*De Nederlandsche Bank N.V.*), the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten* or the “*AFM*”) and the Dutch Ministry of Finance (*Ministerie van Financiën*). Rabobank Nederland and the various Rabobank Group entities are also subject to certain European Union (“*EU*”) legislation, which has a significant impact on the regulation of Rabobank Group’s banking, asset management and broker-dealer businesses in the EU, and the regulation and supervision of local supervisory authorities of the various countries in which Rabobank Group does business.

### Basel Standards

The Basel Committee on Banking Supervision of the Bank for International Settlements (the “**Basel Committee**”) develops international capital adequacy guidelines based on the relationship between a bank’s capital and its credit risks. In this context, on July 15, 1988, the Basel Committee adopted risk-based capital guidelines (the “**Basel guidelines**”), which were implemented by banking regulators in the countries that have endorsed them. The Basel guidelines are intended to strengthen the soundness and stability of the international banking system. The Basel guidelines are also intended to reduce competitive inequality among international banks by harmonizing the definition of capital and the rules for the evaluation of asset risks and by establishing a uniform target capital base ratio (capital to risk-weighted assets). Supervisory authorities in each jurisdiction have, however, some discretion in determining whether to include particular instruments as capital under the Basel guidelines and to assign different weights, within a prescribed range, to various categories of assets. The Basel guidelines were adopted by the European Community and applied to all banks and investment firms in the EU, and on January 1, 1991, the Dutch Central Bank implemented them and they were made part of Dutch regulations.

In June 1999, the Basel Committee proposed a review of the Basel guidelines of 1988. A new accord (“**Basel II**” - the previous Basel guidelines being referred to as “**Basel I**”) was published in June 2004. Basel II is a flexible framework that is more closely in line with internal risk control and that results in a more sophisticated credit risk weighting. The Basel II framework, consisting of three “pillars”, reinforces these risk-sensitive requirements by laying out principles for banks to assess the adequacy of their capital (“**Pillar 1**”) and for supervisors to review such assessments to ensure banks have adequate capital to support their risks (“**Pillar 2**”). It also seeks to strengthen market discipline by enhancing transparency in banks’ financial reporting (“**Pillar 3**”).

Basel II provides a range of options for determining the capital requirements for credit 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 judgment and has reserved adequate capital for these risks. Pillar 3 uses market discipline to motivate prudent management by increasing transparency in banks’ public reporting.

Instead of the previous “one size fits all” approach, under Basel II banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from simple via intermediate to advanced, giving banks the possibility to select approaches that are most appropriate for their operations and their financial market infrastructure.

For credit risk, banks can choose between the “Standardized Approach”, the “Foundation Internal Ratings Based Approach” and the “Advanced Internal Ratings Based Approach”. The Standardized Approach is based on 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**”. Rabobank Group has chosen the most sophisticated approach, the Advanced Internal Ratings Based Approach.

For operational risk, banks can also choose between three approaches with different levels of sophistication, the most refined one being the “Advanced Measurement Approach”. Rabobank Group has chosen the Advanced Measurement Approach.

Under Basel III, capital and liquidity requirements will increase. On December 17, 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 August 18, 2010 and, on September 12, 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 December 16, 2010 and on January 13, 2011, the Basel Committee issued its final view on Basel III though it has subsequently suggested several amendments and refinements to Basel III, particularly in respect of its liquidity requirements, capital requirements for exposures to central counterparties, and other areas. The Basel Committee has indicated that it continues to consider potential revisions to the Basel III regime.

The framework sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. The Basel Committee’s package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2% (before the application of regulatory adjustments) to 4.5% (after the application of stricter regulatory adjustments which will be gradually phased in from January 1, 2014 until January 1, 2018). The total Tier 1 capital requirement will increase from 4% to 6% In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7%. 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% 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. The capital requirements are to be supplemented by a leverage ratio, and a liquidity coverage ratio and a net stable funding ratio will also be introduced. The reform package will be implemented in the EEA through CRD IV. The regulation establishes a single set of harmonised prudential rules which will apply directly to all credit institutions in the EEA with CRD IV containing less prescriptive provisions which will need to be transposed into national law. Implementation will begin from January 1, 2014, with particular requirements being phased in over a period of time, to be fully effective by 2019.

The Basel Committee’s reforms have introduced two international minimum standards for liquidity risk supervision with the aim of ensuring banks have an adequate liquidity buffer to absorb liquidity shocks. The first one is the liquidity coverage ratio (“**LCR**”; to be introduced on January 1, 2015), which is a test to promote short-term resilience of a bank’s liquidity risk profile by ensuring that it has sufficiently high-quality liquid assets to survive a significant stress scenario lasting for 30 days. In January 2013, the Basel Committee announced revisions to the LCR that may make compliance less costly for banks. The second one is a net stable funding ratio (“**NSFR**”; to be introduced on January 1, 2018), which is a test to promote resilience over a longer period by creating additional incentives for banks to fund their activities with more stable funding on an ongoing basis. The NSFR test is similar to the LCR except the period over which it is tested is one year.

There can be no assurance that the Basel Committee will not further amend the package of reforms described above. Further, the European Commission, the Dutch Central Bank and/or Dutch legislation 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.

### **European Union standards**

The European Union had adopted a capital adequacy regulation for credit institutions in all its member states based on the Basel I guidelines. In 1989, the EC adopted the Council Directive of April 17, 1989 on the “own funds” of credit institutions (the “**Own Funds Directive**”), defining qualifying capital (“**own funds**”), and the Council Directive of 18 December 1989 on a solvency ratio for credit institutions (the “**Solvency Ratio Directive**” and, together with the Own Funds Directive, the “**Capital Directives**”), setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items. The Capital Directives required EU member states to transform the provisions of the Solvency Ratio Directive and the provisions of the Own Funds Directive into national law directly binding on banks operating in the member states. The Capital Directives permitted EU member states, when transforming the Capital Directives into national law, to establish more stringent, but not more lenient requirements. In 1993, the EC adopted the Directive of March 15, 1993 on the capital adequacy of investment firms and credit institutions (“**EEC Directive 1993/6**”) and in 2000 the Directive of March 20, 2000 on the taking up and pursuit of the Business of Credit Institutions (“**EC Directive 2000/12**”), which directive consolidated various previous directives, including the Capital Directives.

EC Directive 2000/12 and EEC Directive 1993/6 have been recast by EC Directives 2006/48 and 2006/49 (the “**Capital Requirements Directive**”), respectively, to introduce the capital requirements framework agreed by the Basel Committee. The rules on capital requirements reflect the flexible structure and the major components of Basel II, tailored to the specific features of the EU market. The simple and intermediate approaches of Basel II have been available from January 2007 and the most advanced approaches since January 2008.

On December 16, 2002, the EU adopted a directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate. 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 the 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 in the Dutch Financial Supervision Act that came into effect on January 1, 2007.

The Capital Requirements Directive has been amended three times in 2009 and once in 2010 to repair shortcomings identified in the original Capital Requirements Directive. The amendments entered into force as of December 31, 2010 and certain further amendments as of December 31, 2011. Further amendments to the Capital Requirements Directive (known as ‘CRDIV’) are expected to take place from January 1, 2014 onwards, which will include amendments to implement the Basel III Reforms (see the risk factor entitled “*Minimum regulatory capital and liquidity requirements*”).

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 January 1, 2011. Operational day-to-day supervision continues to be with national supervisors.

The European Commission has also proposed a draft Bank Recovery and Resolution Directive – see the risk factors entitled “*The Notes may be subject to statutory loss absorption*” and “*Future bank recovery and resolution regimes*”. The Bank Recovery and Resolution Directive addresses different issues, such as prevention tools and early intervention and final resolution mechanisms. Rabobank Group generally supports the Basel Committee and European Commission reform programs to strengthen the global capital and liquidity regulations and reduce market volatility. Notwithstanding, a number of proposals may hamper traditional retail-oriented institutions in their intermediary function, and thus reduce their ability to play their important role in the European economy. Further, the new rules still allow national regulators a measure of autonomy. For instance, the liquidity requirements assign relatively extensive powers to national regulators, which may affect the level playing field in the European Internal Market. Hence the biggest challenge for policy makers and supervisors is to take a coordinated and unified approach by means of the banking union proposals. It is essential that supervisors and regulators across the globe adopt a more consistent and coordinated approach (for example, while Europe is already introducing Basel III, Basel II is not yet fully applied in the U.S.).

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 regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on Rabobank Group’s operating results, financial condition and prospects.

## **Dutch regulation**

### **General**

As of September 2002, banking supervision in the Netherlands has been divided into prudential supervision, carried out by the Dutch Central Bank, and conduct of business supervision, carried out by the AFM.

Pursuant to authority granted under the Dutch Financial Supervision Act, the Dutch Central Bank, on behalf of the Dutch Minister of Finance, supervises and regulates the majority of Rabobank Group’s activities. 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.

### **Scope of the Dutch Financial Supervision Act**

A bank is any enterprise whose business it is to receive repayable funds from outside a closed circle and from others than professional market parties, and to grant credits for its own account. Rabobank Nederland and various Rabobank 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”.

### **Licensing**

Under the Dutch Financial Supervision Act, a bank established in the Netherlands is required to obtain a license from the Dutch Central Bank before engaging in any banking activities. The requirements to obtain a license, 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 board of supervisory directors; and (iii) the bank must have a minimum own funds (*eigen vermogen*) of €5,000,000. Also, the Dutch Central Bank shall refuse to grant a license 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, (ii) the trustworthiness of the persons who determine the policy of the bank is not 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*). In addition to certain other grounds, the license may be revoked if a bank fails to comply with the requirements for maintaining it.

### **Reporting and investigation**

A bank is required to file with the Dutch Central Bank its annual financial statements in a form approved by the Dutch Central Bank, 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 Dutch Central Bank, which also has the option to demand more frequent reports.

Rabobank Nederland 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 Dutch Central Bank. Rabobank Nederland’s independent auditor audits these reports annually.

Under the Dutch Financial Supervision Act, Rabobank Nederland 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.

### **Supervision**

The Dutch Central Bank exercises supervision with respect to the solvency and liquidity of banks, supervision of the administrative organization of banks and structure supervision relating to banks. To this end, the Dutch Central Bank has issued the following general regulations:

#### **Solvency supervision**

The regulations of the Dutch Central Bank on solvency supervision require - in broad terms - that a bank maintains own funds in an amount equal to at least 8% of its risk-weighted assets and operations. 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. Since the implementation of the Financial Supervision Act, the regulations have become more sophisticated, being derived from the new capital measurement guidelines of Basel II as described under “Basel standards” above and as laid down in EU directives described above under “European Union standards”. For credit risk Rabobank uses the Advanced Internal Ratings Based Approach. For operational risk, Rabobank uses the most refined approach, the Advanced Measurement Approach.

#### **Liquidity supervision**

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 supervision**

The Dutch Financial Supervision Act provides that a bank must obtain a declaration of no-objection from the Dutch Central Bank before, among other things, (i) reducing its own funds (*eigen vermogen*) by way of repayment of capital or distribution of reserves or making disbursements from the item comprising the cover for general banking risks as referred to in article 2:424 of the Dutch Civil Code, (ii) 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 European Economic Area, 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% of the bank's consolidated balance sheet total, (iii) 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 European Economic Area or in a state which is not part of the European Economic Area, 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% of the consolidated own funds of the bank, (iv) 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% of the bank's consolidated balance sheet total, (v) merging with another enterprise or institution if the balance sheet total thereof amounts to more than 1% of the bank's consolidated balance sheet total or (vi) proceeding with a financial or corporate reorganization. For the purposes of the Dutch Financial Supervision Act, "qualified holding" is defined to mean the holding, directly or indirectly, of an interest of at least 10% of the issued share capital or voting rights in an enterprise, or a similar form of control.

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 Dutch Central Bank.

### **Administrative supervision**

The Dutch Central Bank also supervises the administrative organization of the individual banks, their financial accounting system and internal controls. The administrative organization 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. As part of the supervision of the administrative organization, the Dutch Central Bank has also stipulated that this system must be able to prevent conflicts of interests, including the abuse of inside information.

### **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 in the interest of the combined creditors of the bank. 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.

### **Intervention**

On June 13, 2012, the Dutch Intervention Act (*Wet bijzondere maatregelen financiële ondernemingen*) entered into force and amended the Financial Supervision Act and the Dutch Bankruptcy Act. Pursuant to the Intervention Act, the Dutch Central Bank can take measures in respect of banks, insurance companies and special purpose vehicles for risk acceptance if it perceives a dangerous development regarding the entity's shareholders' equity, solvency, liquidity or technical provisions and there is a reasonable probability that this development cannot be sufficiently or timely reversed. The possible measures include filing a request for a bank or insurance company to be declared bankrupt, or preparing and effecting the transfer of deposits, other assets/liabilities and/or shares in the capital 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 information and access, 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. The entity itself and holders of more than 5% of the shares in the entity will be given the opportunity to express their views regarding the proposed measures in court, provided there are no confidentiality or timing concerns.

In addition, under the Intervention Act the Dutch Minister of Finance may with immediate effect take measures or expropriate assets or securities 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's opinion the stability of the financial system is in serious and immediate danger as a result of the situation in which the enterprise finds itself. In taking these measures, provisions in Dutch statute and the enterprise'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 the measures are not taken lightly the Minister of Finance must in advance consult with the Dutch Central Bank 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 N.V. 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 the damage that is directly and necessarily resulting 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 (collectively, "events"), cannot be exercised without the prior approval of the Dutch Central Bank. Exceptions are made in respect of rights resulting from the finality 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.

Reference is also made to "Risk Factors - Dutch Intervention Act and EU Proposals for Bank Intervention".

## **U.S. regulation**

### **Regulation and Supervision in the United States**

Rabobank's operations are subject to federal and state banking and securities regulation and supervision in the United States. Rabobank engages in U.S. banking activities through the New York Branch. It controls a U.S. banking subsidiary, Rabobank N.A., and a U.S. broker-dealer, Rabo Securities USA, Inc., as well as other U.S. non-bank subsidiaries.

Rabobank is a bank holding company that has elected to be 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 Office of the Comptroller of the Currency.

Under U.S. law, Rabobank's activities and those of its subsidiaries in the United States are generally limited to the business of banking, and managing or controlling banks. So long as Rabobank is a financial holding company under U.S. law, it may also engage in nonbanking activities in the United States 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 authorized under U.S. law and regulations to acquire a non-U.S. company engaged in nonfinancial 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% of any class of voting shares of U.S. banks, certain other depository institutions (including any non-U.S. bank with a branch, agency or commercial lending subsidiary in the U.S.), 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 United States 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 United States or, for a non-U.S. bank that presents a risk to the stability of the United States 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 may revoke any license 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 licensee 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 (“NYBL”), 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 NYBL authorizes 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), without prejudice to the rights of the holders of such claims to be satisfied out of other assets of the foreign 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.

Under New York Banking Law, (a) the Guarantor, as a New York state-licensed branch of Rabobank Nederland, is required to set aside and pledge certain eligible, high-quality liquid assets equal to a percentage of its liabilities, including the Guarantee, and the Superintendent may increase that percentage, (b) the Superintendent may take possession of such assets and the rest of the property and business of Rabobank Nederland located in New York for the benefit of the Guarantor’s creditors, if, among other things, Rabobank Nederland is placed in liquidation or there is reason to doubt Rabobank Nederland’s ability to pay its creditors in full, and (c) the Superintendent is authorized not to turn over any such assets or other property to the principal office of Rabobank Nederland or any Dutch liquidator or receiver until all of the claims of the creditors of the Guarantor, including the beneficiaries of the Guarantee, have been satisfied and discharged. Each Holder and beneficial owner of a Note will, by accepting a direct or beneficial interest in such Note, waive its rights to the preferred treatment it would otherwise receive under Section 606(4)(a) of the New York Banking Law and under any other



similar law hereafter enacted to the extent necessary to give effect to the subordination provisions of the Notes and the Guarantee.

### **The Dodd-Frank Act**

On July 21, 2010, the United States enacted the Dodd-Frank Act, which provides a broad framework for significant regulatory changes that will extend to almost every area of U.S. financial markets. Implementation of the Dodd-Frank Act will require further detailed rulemaking by different U.S. regulators, including the Department of the Treasury, the Federal Reserve, the SEC, the FDIC, the CFTC and the FSOC, and uncertainty remains about the final details, timing and impact of the rules.

Among other things, the Dodd-Frank Act requires that the lending limits applicable to Rabobank N.A. and to the New York Branch take into account credit exposure arising from derivative transactions, securities borrowing and lending transactions and repurchase and reverse repurchase agreements with counterparties. The Dodd-Frank Act also expanded the limitations on affiliate transactions applicable to Rabobank N.A. and the New York Branch to include among other things, derivative transactions, securities borrowing and lending transactions, and repurchase transactions.

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. bank with a branch or agency in the U.S. or a U.S. bank subsidiary and \$50 billion or more in total consolidated assets, which would include Rabobank. In December 2012, the Federal Reserve proposed rules implementing these heightened standards. Under the proposals, the New York Branch would be subject to liquidity requirements, single counterparty credit limits, and in certain circumstances, asset maintenance requirements. In addition, the proposal would require certain foreign banking organizations to establish a separately capitalized top-tier U.S. intermediate holding company above all its U.S. subsidiaries. If Rabobank were required to establish such a U.S. intermediate holding company, the U.S. holding company would be subject to capital, liquidity and other enhanced prudential requirements.

Pursuant to the so-called “Volcker Rule”, the Dodd-Frank Act limits the ability of banking entities (including a non-U.S. bank with a U.S. branch, such as Rabobank) to engage in proprietary trading or to sponsor or invest in private equity or hedge funds subject to certain exceptions. For example, certain non-U.S. banking organizations, such as Rabobank, are not prohibited from engaging in such activities that are solely outside of the United States, subject to certain conditions.

In addition, 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 swaps and derivatives markets as contemplated by the Dodd-Frank Act. Under the Dodd-Frank Act, with certain exceptions, our entities that are swap dealers or major swap participants will be required to register with the CFTC, and will become subject to the requirements as to capital, margin, business conduct, recordkeeping and other requirements applicable to such entities. Also, under the so-called swap “push-out” provisions of the Dodd-Frank Act, the derivatives activities of FDIC-insured banks and U.S. branch offices of non-U.S. banks, such as Rabobank N.A. and the New York Branch, respectively, will be restricted.

Additionally, the Dodd-Frank Act requires systemically important nonbank financial companies and large, interconnected financial institutions, including any non-U.S. bank with \$50 billion or more in total consolidated assets that has a branch or agency in the U.S., 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 can 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 reorganization of Rabobank Group's businesses and results of operations.

## CAPITALIZATION 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 June 30, 2013 and at December 31, 2012:

	At June 30, 2013	At December 31, 2012 <sup>(1)</sup>
<i>(in millions of euro)</i>		
<b>Capitalization of Rabobank Group</b>		
Equity of Rabobank Nederland and local Rabobanks.....	24,404	25,484
Equity instruments issued directly .....		
- Rabobank Member Certificates .....	6,243	6,672
- Capital Securities.....	7,040	7,114
	13,283	13,786
Equity instruments issued by subsidiaries .....		
- Capital Securities.....	229	236
- Trust Preferred Securities III to VI.....	1,315	1,340
	1,514	1,576
Other non-controlling interests .....	1,427	1,407
<b>Total equity</b> .....	40,658	42,253
Subordinated debt .....	5,203	5,407
Long-term debt securities in issue .....	150,133	161,860
Short-term debt securities in issue .....	47,758	61,476
<b>Total capitalization</b> .....	243,752	270,996
Breakdown of equity of Rabobank Nederland and local Rabobanks.....		
Revaluation reserves - Available-for-sale financial assets .....	310	420
Revaluation reserve – Pensions .....	(2,972)	(2,320)
Other reserves .....	(176)	(73)
Retained earnings.....	27,242	27,457
<b>Total equity of Rabobank Nederland and local Rabobanks</b> .....	24,404	25,484

Note:

(1) The amended standard IAS 19 has been applied retrospectively.

There has been no material change in the capitalization of Rabobank Group since June 30, 2013.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, expected to amount to approximately U.S.\$2,944,305,000, will be used to fund the general banking business and commercial activities of the Rabobank Group, and to strengthen its capital base.

## BENEFIT PLAN INVESTOR CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), (a “**Plan**”) should consider the fiduciary standards of ERISA in the context of the Plan’s particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan. In addition, certain governmental, church and non-U.S. plans (“**Non-ERISA Arrangements**”) are not subject to the provisions of Section 406 of ERISA or Section 4975 of the Code, but may be subject to federal, state, local or non-U.S. laws that are substantially similar to those provisions (“**Similar Laws**”).

In addition to ERISA’s general fiduciary standards, the Issuer, directly or through its affiliates, may be considered a “party in interest” within the meaning of ERISA, or a “disqualified person” within the meaning of the Code, with respect to many Plans, as well as many individual retirement accounts and Keogh plans (also “**Plans**”). ERISA Section 406 and Code Section 4975 generally prohibit transactions between Plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the Notes are acquired by or with the assets of a Plan with respect to which the Issuer or any of its affiliates is a service provider or other party in interest, unless the Notes are acquired pursuant to an exemption from the “prohibited transaction” rules. A violation of these prohibited transaction rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

There are five prohibited transaction class exemptions (“**PTCEs**”) issued by the U.S. Department of Labor that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Notes. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts), and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan receives no less, and pays no more, than “adequate consideration” (within the meaning of ERISA Section 408(b)(17) and Section 4975(f)(10) of the Code) in connection with the transaction (the so-called “**service-provider exemption**”). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Because the Issuer, directly or through its affiliates, may be considered a party in interest or disqualified person with respect to many Plans, the Notes may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “**Plan Asset Entity**”) or any person investing “plan assets” (within the meaning of Department of Labor Regulation Section 2510.3-101, as modified by ERISA Section 3(42) (the “**Plan Asset Regulation**”) of any Plan or Plan Asset Entity, unless such purchase, holding or disposition is eligible for exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1, or 84-14 or the service-provider exemption. Any purchaser, including any fiduciary purchasing on behalf of a Plan, Plan Asset Entity or Non-ERISA Arrangement, transferee or holder of the Notes will be deemed to have represented, in its corporate and fiduciary capacity, by its purchase and holding of the Notes that (a) either (i) it is not a Plan, a Plan Asset Entity or Non-ERISA Arrangement and is not purchasing such securities on behalf of or with “plan assets” of any Plan, Plan Asset Entity or Non-ERISA Arrangement or (ii) its purchase, holding and disposition are eligible for exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption or similar exemptions from Similar Laws, (b) neither the Issuer nor any of its affiliates is (i) a “fiduciary” within the meaning of ERISA Section 3(21), or (ii) with respect to a Non-ERISA Arrangement, a “fiduciary” or substantially similar person under any federal, state, local or non-U.S. laws that are substantially similar to ERISA Section 3(21), with respect to the purchaser or holder in

connection with such person's purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of such purchaser or holder in connection with the Notes and the transactions contemplated with respect to the Notes and (c) it will not sell or otherwise transfer the Notes or interest to any person without first obtaining these same foregoing deemed representations, warranties and covenants from that person.

In addition to considering the consequences of holding the Notes, Plans, Plan Asset Entities and Non-ERISA Arrangements purchasing the Notes should also consider the possible implications of owning any underlying security that an investor may receive upon an optional or mandatory exchange of the Notes at maturity or otherwise. Purchasers of the Notes have exclusive responsibility for ensuring that their purchase, holding and disposition of the Notes do not violate the prohibited transaction rules of ERISA, the Code or any Similar Laws.

Further, as discussed above, the Plan Asset Regulation defines "plan assets" of a Plan with respect to its investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets and such underlying assets will be subject to the rules applicable to plan assets, unless it is established that the entity is an "operating company" or that Plan Asset Entities hold less than 25% of the value of any class of equity interest of such entity. The term "operating company" generally means an entity that is primarily engaged, directly or through a majority owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital. The Issuer currently provides commercial banking and other related services and believes it would constitute an operating company for purposes of ERISA and, further, intends to treat the Notes as debt for purposes of ERISA. However, it is possible that the Issuer could be found not to constitute an operating company and the Notes could be deemed to be equity interests for ERISA purposes, and no ruling from the Department of Labor has been sought, and no opinion of counsel has been rendered, regarding these issues. There can be no assurances that these characterizations will be respected by Department of Labor, and if the Department of Labor were to successfully challenge the characterization of the Issuer as an operating company and characterization of the Notes as debt for ERISA purposes, the consequences to the Issuer and the holders could be materially and adversely different than those otherwise contemplated prior to such challenge, including the possible application of the "plan asset" rules to the Issuer's assets.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes on behalf of or with "plan assets" of any Plan, Plan Asset Entity or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under PTCEs 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption, or similar exemptions from Similar Laws. The sale of any Notes to a Plan, Plan Asset Entity or Non-ERISA Arrangement is in no respect a representation by the Issuer or any of its affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan, Plan Asset Entity or Non-ERISA Arrangement generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement or that such investment is appropriate for such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement.

## 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 is an individual and has opted to be taxed as if resident in the Netherlands for Dutch income tax purposes; 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.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from July 1, 2005, to provide to the tax authorities of another Member State details of payment of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The Savings Directive provides for current withholding tax rate of 35%.

Also with effect from July 1, 2005, a number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) (a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### **United States**

#### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**



**TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE; (B) ANY SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. Holder (as defined below), but does not purport to be a complete analysis of all potential tax effects and does not address the effects of any state, local or non-U.S. tax laws. This discussion is based upon the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the “IRS”) have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances (such as the impact of the unearned income Medicare contribution tax) or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. Holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities, persons subject to the alternative minimum tax, or persons holding the Notes as part of a straddle, hedge, conversion transaction or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue at their “issue price” (i.e., the first price at which a substantial amount of the Notes is sold for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code.

For purposes of this discussion, a “**U.S. Holder**” is a beneficial owner of a Note that is for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation or an entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons within the meaning of Section 7701(a)(30) of the Code have the authority to control all substantial decisions of the trust, or (b) a valid election is in place to treat the trust as a United States person.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. As such, a holder of Notes that is a partnership (including any entity treated as a partnership for U.S. federal income tax purposes), and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

**Prospective purchasers of the Notes should consult their tax advisors regarding the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income and estate tax laws, as well as any state, local, non-U.S., or other tax laws.**

#### ***Characterization of the Notes***

As discussed above under “*Risk Factors—The Notes may be subject to statutory loss absorption*”, in certain circumstances, the amounts payable under the Notes could be reduced or converted into common equity of the Bank by the applicable regulator if certain portions of the Bank Recovery and Resolution Directive were to be adopted and made applicable to the Notes. The U.S. federal income tax treatment of the Notes is unclear as a result of such potential reduction or conversion. If required to do so for U.S. federal income tax purposes, the Issuer intends to take the position that the Notes should be treated as debt for U.S. federal income tax purposes. However, it is possible that the Notes could be treated as equity for U.S. federal income tax purposes, and no ruling from the IRS has been sought and no opinion of counsel has been rendered regarding this issue. There can be no assurances that this characterization will be respected by the IRS, and if the IRS were to successfully challenge the characterization of the Notes as debt for U.S. federal income tax purposes, the tax consequences to holders could be materially and adversely different than those described below, including the possible application of the passive foreign investment company (“**PFIC**”) rules. The following discussion assumes that the Notes are respected as debt for U.S. federal income tax purposes.

**Prospective purchasers of the Notes should consult their tax advisors regarding the characterization of the Notes as debt for U.S. federal income tax purposes and any possible alternative characterizations, including the possible characterization of the Notes as equity of the Bank and the application of the PFIC rules to the purchase, ownership and disposition of the Notes.**

#### ***Payments of Interest***

Stated interest on a Note (including any non-U.S. tax withheld on such payments and the gross amount of any Additional Amounts paid with respect to such withheld amounts) generally will be taxable to a U.S. Holder as foreign source ordinary income at the time it is paid or accrued in accordance with the U.S. Holder’s regular method of accounting for U.S. federal income tax purposes.

#### ***Sale, Exchange, Redemption, Retirement, Repurchase or Other Taxable Disposition of Notes***

Upon the sale, exchange, redemption, retirement, repurchase or other taxable disposition of a Note, a U.S. Holder will generally recognize U.S. source gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement, repurchase or other taxable disposition (less any amount attributable to any accrued but unpaid interest, which will be taxable as interest income as discussed above under “- *Payments of Interest*”) and the adjusted tax basis of the Note. A U.S. Holder’s adjusted tax basis in a Note generally will be the amount paid for the Note.

Gain or loss recognized upon the sale, exchange, redemption, retirement, repurchase or other taxable disposition of a Note generally will be U.S. source capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, redemption, retirement, repurchase or other taxable disposition the Note has been held by such U.S. Holder for more than one year.

#### ***Information with respect to Foreign Financial Assets***

Certain U.S. Holders are required to report on IRS Form 8938 information relating to an interest in our Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions, although the account itself may be reportable if held at a non-U.S. financial institution). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their purchase, ownership and disposition of the Notes.

### ***Information Reporting and Backup Withholding***

In general, payments of interest and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. Holder may be required to be reported to the IRS unless the U.S. Holder is a corporation or other exempt recipient and, when required, demonstrates this fact. In addition, a U.S. Holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against U.S. Holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions in the underwriting agreement among the Issuer and the Underwriters, the Issuer has agreed to sell to the Underwriters, and the Underwriters have agreed to purchase from the Issuer, the principal amount of the Notes set forth opposite the names of the Underwriters below:

<b>Underwriter</b>	<b>Principal Amount of 2023 Notes</b>	<b>Principal Amount of 2043 Notes</b>
Citigroup Global Markets Inc. ....	\$ 437,500,000	\$ 312,500,000
Credit Suisse Securities (USA) LLC .....	437,500,000	312,500,000
Goldman, Sachs & Co. ....	437,500,000	312,500,000
J.P. Morgan Securities LLC.....	437,500,000	312,500,000
Total	<u>\$ 1,750,000,000</u>	<u>\$ 1,250,000,000</u>

In addition, the Issuer will reimburse the Underwriters for certain of their expenses in connection with the issue of the Notes.

The obligations of the Underwriters under the underwriting agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. The underwriting agreement provides that the Underwriters will purchase all of the Notes if any of them are purchased. The offering of the Notes by the Underwriters is subject to receipt and acceptance and subject to the Underwriters' right to reject any order in whole or in part. After the initial offering, the Underwriters may change the offering price and any other selling terms. The Underwriters may offer and sell Notes through certain of their affiliates.

The Issuer has agreed to indemnify the several Underwriters against liabilities or to contribute to payments that they may be required to make in that respect.

The Notes and the Guarantee have not been registered under the Securities Act or any state securities laws and are being offered pursuant to the exemption from the registration requirements thereof contained in Section 3(a)(2) of the Securities Act. Any representation to the contrary is a criminal offense.

Investors should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the Notes, the Underwriters may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Underwriters. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Underwriters engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The Underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased notes sold by or for the account of such Underwriter in stabilizing or short covering transactions.

In the ordinary course of their business activities, the Underwriters and their affiliates may make or hold a broad array of investments including serving as counterparties to certain derivative and hedging arrangements, 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 Underwriters or their affiliates that have a lending relationship with the Issuer or the Issuer's affiliates routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Underwriters 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 Underwriters 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.

## **United Kingdom**

Each Underwriter 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.

## **Hong Kong**

Each Underwriter has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) 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
- (ii) 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 (who will not, in contravention of, *inter alia*, the Companies Ordinance, sell, offer or market the Notes to persons who are public in Hong Kong, or who are not within the definition of "professional investors") or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **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 Underwriter 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 in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, 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.

## **The Netherlands**

Each Underwriter has represented and agreed that the Notes will not be offered in The Netherlands other than to Qualified Investors (as defined in Section 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*)).

## **Singapore**

Each Underwriter has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Underwriter 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 Offering Circular 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.

Where the 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.

## **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 Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Underwriter 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 Offering Circular or any other offering material.

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**Rabobank Nederland  
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**U.S.\$1,750,000,000 4.625% Subordinated Notes due 2023**

**U.S.\$1,250,000,000 5.750% Subordinated Notes due 2043**

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**Offering Circular  
November 25, 2013**

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*Joint Lead Managers*

**Citigroup  
Credit Suisse  
Goldman, Sachs & Co.  
J.P. Morgan**

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