Offering Circular dated July 14, 2016

Rabobank
Coöperatieve Rabobank U.A. (Rabobank),
Utrecht Branch

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

U.S.$1,500,000,000 3.750% Subordinated Notes due 2026

Issue Price of the Notes: 99.546%

The U.S.$1,500,000,000 3.750% Subordinated Notes due 2026 (the "Notes") will be issued by the Utrecht Branch of Coöperatieve Rabobank U.A. (Rabobank), a cooperative entity formed under the laws of the Netherlands with its statutory seat in Amsterdam, the Netherlands (the "Issuer"). The Notes will bear interest at an interest rate of 3.750% per annum, from (and including) July 21, 2016 (the "Issue Date") to (but excluding) July 21, 2026, unless previously redeemed, payable semi-annually in arrears (as more fully described under "Terms and Conditions of the Notes"). Interest on the Notes will be payable semi-annually on January 21 and July 21 in each year (each, an "Interest Payment Date"), commencing on January 21, 2017.

The Notes will have a final maturity date of July 21, 2026. 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 Rabobank U.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 a Relevant Authority (as defined herein) or the Bank (as defined herein) (following instructions from such 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 equity or other instruments of ownership 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 A3, BBB+ 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.

Rabo Securities USA, Inc. ("RSI"), an affiliate of the Bank, is participating as an underwriter in this offering. For more information, see "Plan of Distribution (Conflict of Interest)" on page 125 of this Offering Circular.

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 INSURANCE CORPORATION, THE BANK INSURANCE FUND OR ANY OTHER U.S. OR DUTCH GOVERNMENTAL OR DEPOSIT INSURANCE AGENCY OR ENTITY.

Investing in the Notes involves certain risks. See the section entitled "Risk Factors".

Joint Lead Managers

Citigroup	**Credit Suisse**
Goldman, Sachs & Co.	**J.P. Morgan**

Co-Manager

Rabo Securities

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 Issuer is solely responsible for the information contained and incorporated by reference in this Offering Circular. 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.

NOTICE TO TEXAS RESIDENTS ONLY: WE ARE NOT MAKING AN OFFERING OF THE NOTES IN TEXAS, EXCEPT AS SPECIFIED BELOW. WE DO NOT INTEND TO MAKE ANY SALES OF THE NOTES IN TEXAS AND EACH UNDERWRITER HAS AGREED THAT IT WILL NOT DISTRIBUTE THIS OFFERING CIRCULAR OR ADVERTISE, OFFER OR SELL ANY NOTES, DIRECTLY OR INDIRECTLY, IN TEXAS OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF TEXAS (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN TEXAS, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF, OR RESIDING IN, TEXAS), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN TEXAS OR TO A RESIDENT OF TEXAS, EXCEPT TO INDIVIDUAL ACCREDITED INVESTORS AS DEFINED UNDER §139.16 OF THE TEXAS SECURITIES ACT, OTHER ACCREDITED INVESTORS, AS DEFINED IN RULE 501(A)(1)-(4), (7) AND (8) UNDER THE SECURITIES ACT OR TO QUALIFIED INSTITUTIONAL BUYERS, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, PURSUANT TO §§581-5(H), 109.3, 109.4 OR 139.16 OF, AND OTHERWISE IN COMPLIANCE WITH, THE TEXAS SECURITIES ACT AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND GUIDELINES OF TEXAS.

Unless the context otherwise requires, references in this Offering Circular to "**Rabobank**" or the "**Bank**" are to Coöperatieve Rabobank U.A., and references to "**Rabobank Group**" or the "**Group**" are to Rabobank 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. 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 (each, an "**EU Member State**") 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 or Rabobank Group (as defined hereafter).

TABLE OF CONTENTS

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 2015, the Dutch economy showed signs of a slight recovery. The still difficult economic circumstances have resulted in reduced borrowing and interest rates. Factors such as interest rates, exchange rates, inflation, deflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices can significantly affect the activity level of customers and the profitability of Rabobank Group. Interest rates remained low in 2015 due to the measures taken by the European Central Bank (the "**ECB**") intended to stimulate European economies, and have declined further in 2016. Persistent low interest rates have negatively affected and continue to negatively affect the net interest income of Rabobank Group. Also, a prolonged economic downturn, or significantly higher interest rates for customers, could adversely affect the credit quality of Rabobank Group's assets by increasing the risk that a greater number of its customers would be unable to meet their obligations. Moreover, a market downturn and worsening of the Dutch and global economy could reduce the value of Rabobank Group's assets and could cause Rabobank Group to incur further mark-to-market losses in its trading portfolios or could reduce the fees Rabobank Group earns for managing assets or the levels of assets under management. In addition, a market downturn and increased competition for savings in the Netherlands could lead to a decline in the volume of customer transactions that Rabobank Group executes and, therefore, a decline in customer deposits and the income it receives from commissions and interest. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting results of operations — General market conditions". Continuing volatility in the financial markets or a protracted economic downturn in the Rabobank Group's major markets could have a material adverse effect on Rabobank Group's results of operations.

Credit risk

Credit risk is defined as the risk that a bank will suffer economic losses because a counterparty cannot fulfil its financial or other contractual obligations arising from a credit contract. A "credit" is each legal relationship on the basis of which Rabobank Group, in its role as financial services provider, can or will obtain a claim on a debtor by providing a product. In addition to loans and facilities (with or without commitment), credit as a generic term also includes, among other things, guarantees, letters of credit and derivatives. An economic downturn or an escalation 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 economic value of equity as a result of changes in market interest rates. Interest rate risk results mainly from mismatches between the periods for which interest rates are fixed for loans and funds entrusted. If interest rates increase, the rate for Rabobank Group's liabilities, such as savings, 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 or very low or negative interest rates could have a material adverse effect on Rabobank Group's results of operations. Inflation and expected inflation can influence interest rates. An increase in inflation may: (i) decrease the value of certain fixed income instruments which Rabobank Group holds; (ii) result in surrenders 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, 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 financial services provider. As such, part of its capital is invested in foreign activities. This gives rise to currency risk, in the form of translation risk. In addition, the trading books are exposed to market risk, in that they can have positions that are affected by changes in the exchange rate of currencies. Sudden and substantial changes in the exchange rates of currencies could have a material adverse effect on Rabobank Group's results of operations.

Operational risk

As a risk type, operational risk has acquired its own distinct position in the banking world. It is defined within the Rabobank Group as "the risk of losses resulting from inadequate or failed internal processes, people or systems or by external events". Rabobank Group operates within the current regulatory framework as regards measuring and managing operational risk, including holding capital for this risk. Events of recent decades in modern international banking have shown that operational risks can lead to substantial losses. Examples of operational risk incidents are highly diverse: fraud or other illegal conduct, failure of an institution to have policies and procedures and controls in place to prevent, detect and report incidents of non-compliance with applicable laws or regulations, inadequate control process to managed risks, ineffective implementation of internal controls, claims relating to inadequate products, inadequate documentation, losses due to poor occupational health and safety conditions, errors in transaction processing and system failures. The occurrence of any such incidents or additional cost of complying with new regulation could have a material adverse effect on Rabobank Group's reputation and results of operations.

Legal risk

Rabobank Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, Rabobank Group is exposed to many forms of legal risk, which may arise in a number of ways. Rabobank Group faces risk where legal and arbitration proceedings, whether private litigation or regulatory enforcement action, are brought against it. The outcome of such proceedings is inherently uncertain and could result in financial loss. Defending or responding to such proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if Rabobank Group is successful. Failure to manage these risks could have a negative impact on Rabobank Group's reputation and could have a material adverse effect on Rabobank Group's results of operations. In addition, banking entities generally, including the Rabobank Group, are experiencing heightened regulatory oversight and scrutiny, which may lead to additional regulatory investigations or enforcement actions. These and other regulatory initiatives may result in judgments, settlements, fines or penalties, or cause the Rabobank Group to restructure its operations and activities, any of which could have a negative impact on the Rabobank Group's reputation or impose additional operational costs, and could have a material adverse effect on the Rabobank Group's results of operations. Rabobank Group is exposed to regulatory scrutiny and potentially significant claims, in relation to, among other things, the sale of interest rate derivatives to small & medium enterprise ("**SME**") clients. A negative outcome of any such potentially significant claims (including proceedings, collective-actions and, settlements), action taken by supervisory authorities or other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could have a negative impact on the Rabobank Group's reputation or impose additional operational costs, and could have a material adverse effect on the Rabobank Group's results of operations, financial condition and prospects. For further information, see "Description of Business of Rabobank Group – Legal and arbitration proceedings."

Tax risk

Rabobank Group is subject to the tax laws of all countries in which it operates. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk 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 or lead to regulatory enforcement action or may have a negative impact on Rabobank Group's reputation.

Systemic risk

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

Effect of governmental policy and regulation

Rabobank Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the Netherlands, the European Union, the United States and elsewhere. Areas where changes could have an impact include, but are not limited to: the monetary, interest rate, crisis management, asset quality review, recovery and resolution and other policies of central banks and regulatory authorities, changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which Rabobank Group operates, increased capital requirements and changes relating to capital treatment, changes and rules in competition and pricing environments, developments in the financial reporting environment, stress-testing exercises to which financial institutions are subject, implementation of conflicting or incompatible regulatory requirements in different jurisdictions relating to the same products or transactions, or 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 bank 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. Rabobank Group was charged a total of €172 million in bank tax and bank levies in 2015.

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 was imposed on banks based in the Netherlands. Rabobank Group's share of the resolution levy was €321 million and had an adverse effect on Rabobank Group's results of operations in 2014. As of 2015, Rabobank Group needs to make yearly contributions to the resolution fund. In 2015, the contribution to the National Resolution Fund amounted to €172 million. On January 1, 2016 the European Single Resolution Fund (SRF) was set up. This fund will for a large part replace the National Resolution Fund, including the Dutch National Resolution Fund (NRF) that was set up on the November 27, 2015. If further financial institutions are bailed out, additional taxes or levies could be imposed, which may have a material adverse effect on Rabobank Group's results of operations.

In November 2015, a new way of financing the Dutch deposit guarantee scheme (the "**Dutch Deposit Guarantee Scheme**"), a pre-funded system that protects bank depositors from losses caused by a bank's inability to pay its debts when due, came into force. The target level of the scheme is 0.8% of total guaranteed deposits in the Netherlands. Each bank is required to pay a base premium 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. Furthermore the Single Resolution Mechanism ("**SRM**") and other new European rules on deposit guarantee schemes will both have an impact on the Rabobank Group in the years to come. All these factors may have material adverse effects on Rabobank Group's results of operations.

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

The maximum personal mortgage loan eligible for guarantee 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**") was reduced to €265,000 in 2014 and €245,000 in 2015.

Since January 1, 2013, the tax deductibility of mortgage loan interest payments for Dutch homeowners has been restricted; interest payments on new mortgage loans can only be deducted if the loan amortizes within 30 years on a linear or annuity basis. Moreover, the maximum permissible amount of a residential mortgage has been reduced from 104% in 2014, to 103% in 2015, to 102% in 2016 of the value of the property. This maximum will be further reduced (by 1 percentage point each year) to 100% in 2018. In addition to these changes, further restrictions on tax deductibility of mortgage loan interest payments entered into force as of January 1, 2014. The tax rate against which the mortgage interest payments may be deducted is being gradually reduced beginning January 1, 2014. For taxpayers previously deducting mortgage interest at the highest income tax rate (52%), the interest deductibility will decrease annually at a rate of 0.5 percentage points, from 52% to 38% in 2042. Changes in governmental policy or regulation with respect to the Dutch housing market could have a material adverse effect on Rabobank Group's results of operations.

On 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 extend to almost every area of U.S. financial regulation. Implementation of the Dodd-Frank Act requires detailed rulemaking by different U.S. regulators, including the Department of the Treasury, the Board of Governors of the Federal Reserve System (the "**Federal Reserve**"), the SEC, the Federal Deposit Insurance Corporation (the "**FDIC**"), the Office of the Comptroller of the Currency (the "**OCC**"), the United States Commodity Futures Trading Commission (the "**CFTC**") and the Financial Stability Oversight Council (the "**FSOC**"). The Dodd-Frank Act and other post-financial crisis regulatory reforms in the United States have increased costs, imposed limitations on activities and resulted in an increased intensity in regulatory enforcement.

The Dodd-Frank Act provides for new or enhanced regulations regarding, among other things: (i) systemic risk oversight, (ii) bank capital and prudential standards, (iii) the resolution of failing systemically significant financial institutions, (iv) OTC derivatives, (v) the ability of banking entities and their affiliates to engage as principal in proprietary trading activities or to sponsor or invest in or engage in certain transactions with hedge, private equity and other similar funds (the so-called "**Volcker Rule**") and (vi) consumer and investor protection. Implementation of the Dodd-Frank Act and related final regulations is ongoing and has resulted in significant costs and potential limitations on Rabobank Group's businesses and may have a material adverse effect on Rabobank Group's results of operations.

On December 10, 2013, five U.S. federal financial regulatory agencies adopted final regulations to implement the Volcker Rule. The regulations impose limitations and significant costs across all of Rabobank Group's subsidiaries and affiliates and their activities in scope for the Volcker Rule. While the regulations contain a number of exceptions and exemptions that may permit Rabobank Group to maintain certain of its trading and fund businesses and operations, particularly those outside of the United States, aspects of those businesses have been modified to comply with the Volcker Rule. Further, Rabobank Group has spent significant resources to develop a Volcker Rule compliance program mandated by the final regulations, and may continue to spend resources as it deems necessary or appropriate, which may be significant, to develop or further develop the Volcker Rule compliance program. The conformance period for the Volcker Rule generally ended on July 21, 2015 for all proprietary trading activities and for all investments in and relationships with "covered funds" (as defined in the Volcker Rule) that were not in place prior to December 31, 2013. For certain investments in and relationships with "covered funds" that were in place prior to December 31, 2013 ("**legacy funds**"), the Volcker Rule conformance period has been extended by the Federal Reserve to July 21, 2016, and the Federal Reserve also indicated its intention to extend the conformance period for an additional year to July 21, 2017. With respect to the activities subject to the conformance period that ended on July 21, 2015, Rabobank Group has put in place processes under the relevant Volcker Rule compliance program reasonably designed to conform such activities to the Volcker Rule. With respect to any legacy fund activities subject to the extended conformance period, Rabobank Group must conform any such activities to the Volcker Rule and implement the related compliance program by the end of such conformance period.

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

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

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

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

The impact of future regulatory requirements, including the Basel III Reforms (as defined below), the Bank Recovery and Resolution Directive (as defined below), sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**" and such sections of the Code and the regulations thereunder being commonly referred to as "**FATCA**"), the framework recovery plan, the Banking Reform Act and the Dodd-Frank Act will have far-reaching implications and require implementation of new business processes and models. Compliance with the rules and regulations places ever greater demands on the Rabobank Group's management, employees and information technology.

FSB Proposals for Total Loss-Absorbing Capacity

On November 9, 2015, the Financial Stability Board (the "**FSB**") published its final principles regarding the loss-absorbing capacity of global systemically important banks ("**G-SIBs**") in resolution. The FSB principles seek to ensure that G-SIBs will have sufficient loss absorbing capacity available in a resolution of such an entity, in order to minimize any impact on financial stability, ensure the continuity of critical functions and avoid exposing taxpayers to loss. The FSB's principles also include a specific term sheet for total loss-absorbency capacity (or "**TLAC**") which attempts to define an internationally agreed standard. The FSB's principles require all G-SIBs to maintain a minimum Pillar 1 level of TLAC eligible capital of at least 16% of the resolution group's risk-weighted assets with effect from January 1, 2019 and at least 18% with effect from January 1, 2022 (alongside minimum regulatory capital requirements). Minimum TLAC must also be at least 6% of Basel III leverage exposures with effect from January 1, 2019, and at least 6.75% with effect from January 1, 2022. The principles also require G-SIBs to pre-position such loss-absorbing capacity amongst material subsidiaries on an intra-group basis. The FSB requires that the minimum TLAC requirement should be satisfied before any surplus common equity is available to satisfy CRD IV (as defined below) buffers and the term sheet provides the possibility for local regulators to impose a Pillar II TLAC requirement over and above the Pillar 1 minimum. Based on the most recently updated FSB list of G-SIBs published in November 2015, Rabobank is not a G-SIB. However, there can be no assurance that relevant EU or Dutch regulators may not in the future impose comparable requirements on Rabobank or apply the requirements for MREL (see "Proposals on the minimum requirement for own funds and eligible liabilities under BRRD" below) in a manner which is more consistent with the TLAC requirements applicable for G-SIBs).

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

Proposals on the minimum requirement for own funds and eligible liabilities under BRRD

On July 3, 2015, the EBA published a paper setting out final draft regulatory technical standards ("**Draft MREL RTS**") on the criteria for determining the minimum requirement for own funds and eligible liabilities ("**MREL**") under the BRRD (as defined below). On May 23, 2016, the European Commission adopted an amended version of the Draft MREL RTS (the "**MREL RTS**"), although it remains subject to further review and consideration by the Council and the European Parliament. In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that with effect from January 1, 2016 (i.e. the latest date for implementation of Article 45 of the BRRD), all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. The MREL RTS provide for resolution authorities to allow institutions a short transitional period to reach the applicable MREL requirements.

Unlike the FSB's principles regarding TLAC, the MREL RTS do not set a minimum EU-wide level of MREL, and the MREL requirement applies to all credit institutions, not just to those identified as being of a particular size or of systemic importance. Each resolution authority is required to make a separate determination of the appropriate MREL requirement for each resolution group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution.

The MREL requirement for each institution will be comprised of a number of key elements, including the required loss absorbing capacity of the institution (which will, as a minimum, equate to the institution's capital requirements under CRD IV, including applicable buffers), and the level of recapitalization needed to implement the preferred resolution strategy identified during the resolution planning process. Other factors to be taken into consideration by resolution authorities when setting the MREL requirement include: the extent to which an institution has liabilities in issue which are excluded from contributing to loss absorption or recapitalization; the risk profile of the institution; the systemic importance of the institution; and the contribution to any resolution that may be made by deposit guarantee schemes and resolution financing arrangements.

Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of CRD IV), along with "Eligible Liabilities", meaning liabilities which, inter alia, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year) and do not arise from derivatives.

While there are a number of similarities between the MREL requirements and the FSB's principles regarding TLAC, there are also certain differences, including the express requirement that TLAC be subordinated to insured deposits (which is not specifically the case for MREL eligible liabilities), and the timescales for implementation. In the Draft MREL RTS, the EBA states that it expects the MREL RTS will be "broadly compatible" with the FSB term sheet for TLAC. While acknowledging some differences, the EBA considers "these differences do not prevent resolution authorities from implementing the MREL for G-SIBs consistently with the international framework". The TLAC requirements are stated to apply from January 1, 2019. It remains to be seen whether there will be any further convergence in the detailed requirements of the two regimes.

Risks relating to the FSB principles regarding TLAC and European Commission proposals regarding MREL

The European Commission's proposal on MREL is in draft form, and may therefore be subject to change. As a result, it is not possible to give any assurances as to the ultimate scope and nature of any resulting obligations, or the impact that they will have on Rabobank once implemented. If the European Commission's proposals are implemented in their current form however, or if such proposals are harmonized with the requirements for TLAC, it is possible that the Issuer may have to issue a significant amount of additional MREL eligible liabilities (including potentially further Tier 2 Capital) in order to meet the new requirements within the required timeframes. If the Issuer were to experience difficulties in raising MREL eligible liabilities, it may have to reduce its lending or investments in other operations which would have a material adverse effect on Rabobank's business, financial position and results.

Minimum regulatory capital and liquidity requirements

Rabobank Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet its minimum regulatory capital requirements, any additional own funds requirements and/or any buffer capital requirements. Capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of Rabobank Group to maintain its "Pillar 1" minimum regulatory capital ratios, any "Pillar 2" additional own funds requirements and/or any buffer capital requirements could result in administrative actions or sanctions, which, in turn, may have a material adverse impact on Rabobank Group's results of operations. A shortage of available capital may restrict Rabobank Group's opportunities.

Under the Basel III regime ("**Basel III**"), capital and liquidity requirements have increased. On 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". 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, which are intended to reinforce capital standards and to establish minimum liquidity standards for financial institutions, including building societies.

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

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

In December 2014, the Basel Committee announced its intention to revisit the system of capital floors for internal models for credit risk. The revised capital floor framework would be relevant for the revised standardized approaches for credit risk, market risk and operational risk. The current floor for internal models (in the EU framework) is required under Article 500 of CRR and is set at 80% of the requirement of own funds as calculated under the Basel I framework. Thus, the floor does not impact the calculation of risk-weighted assets, but acting as a kind of "adjustment factor", determines what capital is required to be held, which differs from the Basel I approach.

As a result of the 2014 consultation, the Basel Committee favors a capital floor related to the standardized approaches (which are currently being revised). On December 10, 2015, the Basel Committee issued a second consultation document entitled "Revisions to the Standardized Approach for Credit Risk", and in March 2016 the Basel Committee published its proposed revisions to the IR-based approach for credit risk. For some asset classes, like wholesale, there will be limitations to use the IR-based (advanced) approach and for retail assets classes Probability of Default and Loss Given Default input floors will be introduced.

On January 11, 2016, the Group of Central Bank Governors and Heads of Supervision ("**GHOS**") at the Basel Committee agreed that the GHOS will review the Basel Committee's proposals on the risk-weighted framework and the design and calibration of capital floors at or around the end of 2016.

Separately, on January 11, 2016, the Basel Committee announced that it will conduct a quantitative impact assessment during 2016. As a result of this assessment, the Basel Committee will focus on not significantly increasing overall capital requirements. Rabobank expects that it will not cause an increase in required capital of more than 10% on average. It is expected that the Basel Committee's quantitative impact assessment will therefore play a crucial role in determining the nature of the proposals.

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

If the regulatory capital requirements, liquidity restrictions or ratios applied to Rabobank Group are increased in the future, any failure of Rabobank Group to maintain such increased capital and liquidity ratios could result in administrative actions or sanctions, which may have an adverse effect on Rabobank Group's results of operations.

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

Credit ratings

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

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

Competition

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

Geopolitical developments

Concerns about geopolitical developments (such as the United States' upcoming presidential election or tensions surrounding North Korea or Iran's nuclear programs), social unrest (such as the continuing turmoil in Ukraine which resulted in EU sanctions against Russia, and continuing turmoil in Syria), political crises (such as the Greek debt crisis), commodity supply shocks and natural disasters, among other things, can affect the global financial markets. Since the beginning of the 21st century, accounting and corporate governance scandals and financial crises have significantly undermined investor confidence from time to time. The occurrence of any such developments and events could have a material adverse effect on Rabobank Group's results of operations.

Rabobank Group is exposed to a number of political, social and macroeconomic risks relating to the United Kingdom's potential exit from the European Union (EU)

On June 23, 2016, the United Kingdom voted in a national referendum to withdraw from the EU. The result of the referendum does not legally obligate the United Kingdom to exit the EU, and it is unclear if or when the United Kingdom will formally serve notice to the European Council of its desire to withdraw, a process that is unprecedented in EU history and one that could involve months or years of negotiations to draft and approve a withdrawal agreement in accordance with Article 50 of the Treaty on European Union.

Regardless of any eventual timing or terms of the United Kingdom's exit from the EU, the June 2016 referendum has created significant political, social and macroeconomic uncertainty.

In addition, certain public figures in other EU member states, including the Netherlands, have called for referenda in their respective countries on exiting the EU, raising concerns over a "domino" effect whereby multiple member states seek to exit the EU and Eurozone, possibly eventually culminating in their collapse as political and economic institutions.

As a result of this uncertainty, in the immediate wake of the UK referendum, stock exchange indices around the world, and in the United Kingdom in particular, declined significantly. In addition, the pound sterling experienced sharp depreciation following the vote.

The possible exit of the United Kingdom (or any other country) from the EU, or prolonged periods of uncertainty relating to this possibility, could result in significant macroeconomic deterioration, including, but not limited to, further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and decreased GDP in (parts of) the European Union or other markets in which Rabobank Group operates. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal could depress economic activity and restrict Rabobank Group's access to capital. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier-free access between the United Kingdom and other European Union member states or among the European economic area overall could be diminished or eliminated. In addition, there are increasing concerns that these events could push the United Kingdom, Eurozone and/or United States into an economic recession, any of which, were they to occur, would further destabilize the global financial markets. Any of these factors could have a material adverse effect on Rabobank Group's results of operations and the value of the Notes.

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 that 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 Senior Creditors of the Bank;

(ii) *pari passu* with Parity Securities (as defined herein) or any other present or future indebtedness of the Bank which constitutes or is eligible to constitute Tier 2 Capital or which ranks, or is expressed to rank, 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, or is expressed to rank, 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 the bankruptcy or dissolution as a result of the insolvency of the Bank or in the event of a Moratorium, only be made after all payment obligations of the Bank ranking senior to 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. See also the risk factors entitled "*Bank recovery and resolution regimes*", "*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 "*Bank recovery and resolution regimes*" and "*Statutory loss absorption*".

Holders waive protections under the New York Banking Law

Under the New York Banking Law, (a) the Guarantor, as a New York state-licensed branch of Rabobank, 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 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 is placed in liquidation or there is reason to doubt Rabobank'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 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 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.

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 in the case of (a) the bankruptcy of the Issuer, (b) a Moratorium or (c) dissolution (*ontbinding*) as a result of the insolvency of the Issuer. Accordingly, on (a) the bankruptcy of the Issuer, (b) a Moratorium or (c) dissolution (*ontbinding*) as a result of the insolvency of the Issuer, and after payment of the claims of Senior Creditors and of depositors, there may not be a sufficient amount to satisfy the amounts owing to the Holders.

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

The Notes are a new issue of securities for which there is no established public market. The 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 Notes mature on July 21, 2026. Holders have no ability to require the Issuer to redeem their Notes before then unless an Event of Default occurs. Repayment to Holders following an Event of Default will only be effected after the Issuer has obtained the prior written permission of the Competent Authority (to the extent that such permission is required at such time pursuant to the Capital Regulations). 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.

In accordance with the CRR, Condition 7 provides that, subject to certain other conditions (as more particularly set out in Condition 7(b)) being satisfied, the Competent Authority may only approve any redemption of the Notes following the occurrence of a Tax Law Change or a Capital Event if the following conditions are met:

(A) in the case of any such redemption upon the occurrence of a Capital Event, the Competent Authority considers the relevant change to be sufficiently certain and the Issuer demonstrates to the satisfaction of the Competent Authority that such change was not reasonably foreseeable at the Issue Date; or

(B) in the case of any subject redemption upon the occurrence a Tax Law Change, the Issuer demonstrates to the satisfaction of the Competent Authority that such Tax Law Change is material and was not reasonably foreseeable at the Issue Date.

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

Statutory loss absorption

Directive 2014/59/EU for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or the "**BRRD**") was published in the Official Journal of the European Union on June 12, 2014. The BRRD includes provisions (known as the bail-in tool) to give regulators resolution powers, *inter alia*, to write down the debt of a failing bank (or to convert such debt into capital) to strengthen its financial position and allow it to continue as a going concern, subject to appropriate restructuring measures being taken. In addition to this general bail-in tool, the BRRD provides for resolution authorities to have further powers permanently to write-down, or convert into equity or other instruments of ownership, Tier 2 capital instruments (such as the Notes) at the point of non-viability of the bank or the group and before any resolution is commenced, or concurrently with other resolution measures. The BRRD was implemented into Dutch law on November 26, 2015.

Pursuant to the BRRD or other resolution or recovery rules which may in the future be applicable to the Issuer which could be used in such a way as to result in the Notes absorbing losses ("**Statutory Loss Absorption**"), the Notes could become subject to a determination by the Dutch Central Bank or another relevant authority/ies (each a "**Relevant Authority**") that all or part of the principal amount of the Notes, including accrued but unpaid interest in respect thereof, must be written off or otherwise converted into equity or other instruments of ownership or otherwise be applied to absorb losses. Such determination shall not constitute an Event of Default and Noteholders will have no further claims in respect of any amount so written off or otherwise as a result of such Statutory Loss Absorption. Any such Statutory Loss Absorption may be applied by the Relevant Authority either at the point of non-viability (and independently of resolution action) or together with a resolution action.

Any determination that all or part of the principal amount of the Notes will be subject to Statutory Loss Absorption may be inherently unpredictable and may depend on a number of factors which may be outside the Issuer's control. Accordingly, trading behaviour in respect of Notes which are subject to Statutory Loss Absorption is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that Notes will become subject to Statutory Loss Absorption could have an adverse effect on the market price of the relevant Notes. Potential investors should consider the risk that a Noteholder 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.

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

Potential investors should also refer to the risk factors entitled "*Bank recovery and resolution regimes*", "*Holders waive protections under the New York Banking Law*" and "*Change of law*".

Bank recovery and resolution regimes

In 2012, the Dutch legislator adopted banking legislation dealing with ailing banks (Special Measures Financial Institutions Act, *Wet bijzondere maatregelen financiële ondernemingen*, the "**SMFI**"). The SMFI, enacted before the adoption of the BRRD, contains similar legislation to the rules outlined in the BRRD – see the risk factor entitled "*Statutory loss absorption*" above. Pursuant to the SMFI, substantial powers were 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 aimed to empower the Dutch Central Bank or the Minister of Finance, as applicable, to commence proceedings leading to: (i) transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) transfer of all or part of the business of the relevant bank to a "bridge bank"; and (iii) public ownership (nationalisation) of the relevant bank and expropriation of its outstanding debt securities (which may include the Notes). Subject to certain exceptions, as soon as any of these proceedings had 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 Noteholders) subject to resolution could be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings.

On July 14, 2014, Regulation (EU) No 806/2014 (the "**SRM Regulation**") was adopted by the European Council and came into force in part on August 19, 2014. The SRM Regulation establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in a framework of a single resolution mechanism and a single bank resolution fund (the "**Single Resolution Mechanism**" or "**SRM**"). The SRM Regulation establishes a single resolution board (consisting of representatives from the ECB, the European Commission and the relevant national authorities) (the "**Single Resolution Board**") that will manage the failing of any bank in the Euro area and in other EU member states participating in the European Banking Union (as defined therein). The provisions of the SRM Regulation relating to the cooperation between the Single Resolution Board and the national resolution authorities for the preparation of the banks' resolution plans became applicable from January 1, 2015. Under the SRM Regulation, the Single Resolution Board became fully operational as of January 1, 2015 and as from that date has the powers to collect information and cooperate with the national resolutions authorities for the elaboration of resolution planning. The Single Resolution Board is also granted the same resolution tools as those set out in the BRRD, including a bail-in tool. The SRM became applicable with effect from January 1, 2016 and the applicable legislation in the Netherlands was implemented on November 26, 2015. In a Dutch context, the Dutch Central Bank is the national resolution authority.

The SMFI was amended following the adoption and implementation of the BRRD and the SRM Regulation, granting to the Dutch Central Bank powers including resolution tools contemplated by the BRRD, although the powers of the Minister of Finance to e.g. expropriate transfer and modify terms of debt securities (including the Notes) have remained.

More recently, on May 26, 2015, the EBA published its final guidelines on the circumstances in which an institution shall be deemed as 'failing or likely to fail' by supervisors and resolution authorities. These became applicable with effect from January 1, 2016. The guidelines set out the objective elements and criteria which should apply when supervisors and resolution authorities make such a determination and further provide guidance on the approach to consultation and exchange of information between supervisors and resolution authorities in such scenarios.

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

The SMFI, the BRRD, the Revised State Aid Guidelines and the Single Resolution Mechanism could negatively affect the position of Noteholders and the credit rating attached to the Notes, in particular if and when any of the above proceedings would be commenced against the Issuer, since the application of any such legislation may affect the rights and effective remedies of the Noteholders as well as the market value of the Notes.

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

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

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and 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 purpose 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. Any amendment to the Conditions is subject to the Issuer obtaining the prior written permission of the Competent Authority therefor (provided at the relevant time such permission is required to be given).

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 any U.S. or Dutch governmental or deposit insurance agency

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 A3 by Moody's Investors Service Limited, BBB+ by Standard & Poor's Credit Market Services Europe Limited and A by Fitch Ratings Ltd. There can be no assurance that the methodology of the rating agencies will not evolve or that any ratings once given will not be suspended, reduced or withdrawn at any time by the assigning rating agency.

The credit rating(s) of the Notes from time to time may not be reliable and changes to the credit ratings could affect the value of the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. In addition, any reduction in the credit ratings of the Notes or deterioration in the capital market's perception of Rabobank Group's financial resilience following any such downgrade, could adversely affect the trading price of the Notes.

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

Legal investment considerations may restrict certain investments

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

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 The Depository Trust Company ("**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 (including, but not limited to, any such laws, regulations or practices relating to the tax treatment of the Notes) 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 "*Statutory loss absorption*" and "*Bank recovery and resolution regimes*" 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.

Foreign Account Tax Compliance Withholding

Pursuant to certain provisions of the Code (commonly referred to as "**FATCA**"), a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Netherlands) have entered into, or have agreed in substance to enter into, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

United States federal income tax characterization

As discussed above under "*Statutory loss absorption*" and "*Bank recovery and resolution regimes*", in certain circumstances, the amounts payable under the Notes could be reduced or converted into equity or other instruments of ownership of the Bank by the applicable regulator. 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, 2013, 2014 and 2015 (in each case together with the independent auditor's reports thereon and explanatory notes thereto);

(b) the audited unconsolidated financial statements of Coöperatieve Rabobank U.A. for the year ended December 31, 2015 (together with the independent auditor's reports thereon and explanatory notes thereto); and

(c) the audited unconsolidated financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. for the years ended December 31, 2013 and 2014 (in each case together with the independent auditor's reports thereon and explanatory notes thereto).

Such documents shall be incorporated in, and form part of, this 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:

https://www.rabobank.com/en/about-rabobank/results-and-reports/archive/index.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 (including development plans and objectives relating to the Issuer's products), are forward-looking statements.

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

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

These forward-looking statements speak only as of the date of this Offering Circular. Other than as required by law or the rules and regulations of the relevant stock exchange, the Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The foregoing paragraph applies to those forward-looking statements which are both set out in this 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), Utrecht Branch
U.S.$1,500,000,000 3.750% Tier 2 Subordinated Notes due 2026 (the "Notes")

Issuer of the Notes	Coöperatieve Rabobank U.A. (Rabobank) ("**Rabobank**" or the "**Bank**"), Utrecht Branch
Guarantor	Rabobank, New York Branch
Issue Size	U.S.$1,500,000,000
Maturity Date	July 21, 2026.
Issue Date	July 21, 2016.
Format	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**").
Interest	The Notes will bear interest at an interest rate of 3.750% per annum, from (and including) the Issue Date to (but excluding) the Maturity Date, unless previously redeemed, payable semi-annually in arrears on each Interest Payment Date, as more fully described under Condition 6.
Interest Payment Dates	Interest will be payable on January 21 and July 21 in each year (each, an "**Interest Payment Date**"), commencing on January 21, 2017.
Ranking	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 *pari passu* 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 Senior Creditors of the Bank; (ii) *pari passu* with Parity Securities and any other present or future indebtedness of the Bank which constitutes or is eligible to constitute Tier 2 Capital or which ranks, or is expressed to rank, 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, or is expressed to rank, 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 the bankruptcy or dissolution as a result of the insolvency of the Bank or in the event of a Moratorium, 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 permission of the Competent Authority.

Redemption for Taxation Reasons

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 Issuer (or, as the case may be, the Guarantor) for Netherlands corporate income tax liability purposes,

then the Issuer may at any time redeem all, but not some only, of the Notes at their principal amount together with any accrued and unpaid Interest on the relevant date fixed for redemption as more particularly set out in Condition 7(c).

Redemption for Regulatory Reasons	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).
Withholding Tax and Additional Amounts	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.
Listing	None
Governing Law	The Agency Agreement, the Notes and the Guarantee will be governed by, and construed in accordance with, the laws of the Netherlands.
Form	The Notes will be represented by one or more global certificates in registered form without receipts, interest coupons or talons (each, a "**Global Note**") deposited with and registered in the name of DTC or its nominee.
Denominations	U.S.$250,000 and integral multiples of U.S.$1,000 in excess thereof.
Clearing and Settlement	The Notes will be accepted for clearance through the facilities of DTC and its indirect participants, including Euroclear and Clearstream.
Conflict of Interest	RSI, an affiliate of the Bank, is participating as an underwriter in this offering. Because of this relationship, a "conflict of interest" exists within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc., or FINRA ("**FINRA Rule 5121**"). Accordingly, the offering will be conducted in accordance with the applicable provisions of FINRA Rule 5121. See "Plan of Distribution (Conflict of Interest)".
Ratings	The Notes are expected to be assigned on issue a rating of A3 by Moody's Investors Service Limited, BBB+ by Standard & Poor's Credit Market Services Europe Limited and A by Fitch Ratings Ltd. 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	CUSIP: 21684A AF3 ISIN: US21684AAF30
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 approved by the Issuer on July 14, 2016, in accordance with the funding mandate authorized by a resolution of the Executive Board passed on November 10, 2015 and a resolution of the Supervisory Board passed on November 30, 2015, to be confirmed by a Secretary's Certificate dated the Issue Date. 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) affecting taxation;

"**Agency Agreement**" means the fiscal agency agreement dated July 21, 2016 entered into between the Issuer, the Guarantor, the Fiscal Agent and the Paying Agents;

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

"**Bank**" means Coöperatieve Rabobank U.A. (Rabobank);

"**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 demonstrates to the satisfaction of the Competent Authority that as a result of a change on or after the Issue Date in the regulatory classification of the Notes under the Capital Regulations, the Notes have been or will be excluded from own funds or reclassified as a lower quality form of own funds (that is, no longer Tier 2 Capital), in each case in whole and not in part;

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

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

"**Competent Authority**" means the European Central Bank, the Dutch Central Bank (*De Nederlandsche Bank N.V.*), or such other body or authority having primary supervisory authority with respect to the Bank and the Rabobank Group;

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

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

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

"**Day-count Fraction**" means (i) in respect of an Interest amount payable on a scheduled Interest Payment Date, 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;

"**DTC**" means The Depository Trust Company;

"**Event of Default**" means the Bank becomes bankrupt (*failliet*) 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 Section 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 bank*).

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.

"**Executive Board**" means the executive board of the Bank;

"**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;

"**FATCA Withholding**" means any deduction or withholding 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;

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

"**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, 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 January 21 and July 21 of each year commencing January 21, 2017;

“**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 3.750% per annum;

“**Issue Date**” means July 21, 2016, being the date of the initial issue of the Notes;

“**Issuer**” means Rabobank, 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.$1,500,000,000 3.750% Subordinated Notes due July 21, 2026, which expression shall, unless the context otherwise requires, include any further instruments issued pursuant to Condition 15 and forming a single series with the Notes;

“**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, CUSIP: 21685W DF1), EUR 1,000,000,000 3.875% Subordinated Notes due July 25, 2023 (ISIN: XS0954910146), U.S.$1,750,000,000 4.625% Subordinated Notes due 2023 (ISIN: US21684AAA43, CUSIP: 21684A AA4), U.S.$1,250,000,000 5.750% Subordinated Notes due 2043 (ISIN: US21684AAB26, CUSIP: 21684A AB2), EUR2,000,000,000 2.50% Subordinated Notes due 2026 (ISIN: XS1069772082), GBP 1,000,000,0000 4.625% Subordinated Notes due 2029 (ISIN: XS1069886841), JPY 50,800,000,000 1.429 per cent Subordinated Notes due 2024 (ISIN: JP552816AEC3), AUD 475,000,000 Floating Rate Subordinated Notes due July 2025 (ISIN: AU3FN0027991), AUD 225,000,000 5.00% Fixed Rate Subordinated Notes due July 2025 (ISIN: AU3CB0230886), U.S.$1,500,000,000 4.375% Subordinated Notes due 2025 (ISIN: US21684AAC09, CUSIP: 21684A AC0) and U.S.$1,250,000,000 5.250% Subordinated Notes due 2045 (ISIN: US21684AAD81, CUSIP: 21684A AD8);

“**Paying Agents**” means Deutsche Bank Trust Company Americas and Coöperatieve Rabobank U.A. (trading as Rabobank) in their capacity as paying agents, which expression includes any successor and additional paying agents appointed from time to time in connection with the 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**” means Coöperatieve Rabobank U.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;

"**Senior Creditors**" means present or future (a) unsubordinated creditors of the Bank and (b) creditors of the Bank whose claims are or are expressed to be subordinated to the claims of other creditors of the Bank (other than those whose claims are in respect of obligations which constitute, or would but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or Tier 2 Capital or whose claims rank or are expressed to rank pari passu with, or junior to, the claims of Holders in respect of the Notes).

"**Supervisory Board**" means the supervisory board of the Bank;

"**Tax Law Change**" means (i) any amendment to, or clarification of, or change in, the laws or treaties (or any regulations promulgated thereunder) of the Netherlands or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the Issue Date;

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

"**Tier 2 Capital**" has the meaning ascribed thereto (or to any equivalent terms) in the Capital Regulations from time to time; 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 depositary 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 depositary 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. federal withholding taxes are applicable on payments made by the Guarantor, there is no 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 agents 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 Senior Creditors of the Bank;

(ii) *pari passu* with Parity Securities or any other present or future indebtedness of the Bank which constitutes or is eligible to constitute Tier 2 Capital or which ranks, or is expressed to rank, 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, or is expressed to rank, 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 bankruptcy or dissolution as a result of the insolvency of the Bank or in the event of a Moratorium, only be made after all payment obligations due to Senior Creditors 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.

(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 the 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 Senior Creditors of the Bank;

(ii) *pari passu* with Parity Securities and any other present or future indebtedness of the Bank which constitutes or is eligible to constitute Tier 2 Capital or which ranks, or is expressed to rank, 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, or is expressed to rank, by or under its own terms or otherwise, subordinate or junior to the Notes.

By virtue of such subordination, payments to the Holders will, in the case of the bankruptcy or dissolution as a result of the insolvency of the Bank or in the event of a Moratorium, only be made after all payment obligations due to Senior Creditors 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.

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 "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 Notes will be redeemed at their principal amount on July 21, 2026.

(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:

(i) the Issuer obtaining the prior written permission of the Competent Authority therefor, provided that at the relevant time such permission is required to be given;

(ii) both at the time of, and immediately following, the redemption or purchase, the Issuer being in compliance with its capital requirements as provided in the Capital Regulations applicable to it from time to time (and a certificate from the Authorized Signatories confirming such compliance shall be conclusive evidence of such compliance);

(iii) except in the case of any purchase of the Notes in accordance with Condition 7*(e)*, the Issuer giving not less than 30 nor more than 60 calendar days' notice to the Holders, the Paying Agent and the Registrar in accordance with Condition 14, which notice shall be irrevocable;

(iv) if and to the extent then required under prevailing Capital Regulations, either: (A) the Issuer having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Bank; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin (calculated, as at the Issue Date, in accordance with Article 104(3) of the CRD IV Directive) that the Competent Authority considers necessary at such time; and

(v) in respect of a redemption prior to the fifth anniversary of the Issue Date, if and to the extent then required under prevailing Capital Regulations (A) in the case of redemption upon the occurrence of a Tax Law Change, the Issuer has demonstrated to the satisfaction of the Competent Authority that the change in applicable tax treatment is material and was not reasonably foreseeable at the Issue Date, or (B) in the case of redemption upon the occurrence of a Capital Event, (x) the Competent Authority considers that the change in the regulatory classification of the Notes is sufficiently certain and (y) the Issuer has demonstrated to the satisfaction of the Competent Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

Notwithstanding the above conditions, if, at the time of such redemption or purchase, the prevailing Capital Regulations permit the repayment or purchase only after compliance with one or more alternative or additional pre-conditions to those set out in this Condition 7*(b)*, the Issuer having complied with such other and/or (as appropriate) additional pre-condition(s).

Prior to the publication of any notice of redemption pursuant to this Condition 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 that causes a change in the tax treatment of the Notes:

(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, at its option, having delivered to the Fiscal Agent a copy of an opinion of an independent nationally recognized law firm in the Netherlands or other tax adviser in the Netherlands experienced in such matters to the effect set out in sub-paragraph (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, at its option, 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)* and to applicable law and regulation, 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 or the Registrar 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.

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

All payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction 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, any official interpretations thereof, or (without prejudice to the provisions of Condition 10) any law implementing an intergovernmental approach thereto.

(c) ***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 permission of the Competent Authority (to the extent that such permission is required at such time pursuant to the Capital Regulations).

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; or

(ii) if such Holder could lawfully avoid (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complied, with any statutory requirements or by making or procuring that a third party makes a declaration of non-residence or other similar claim for exemption to any tax authority.

Notwithstanding any other provisions of the Terms and Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer, will be paid net of any FATCA Withholding. Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

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 Competent Authority at the relevant time) prior written notice of the proposed modification and received the permission of the Competent Authority therefor.

(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 or the Conditions, if to do so could not reasonably be expected to be prejudicial to the interests of the Holders.

The Agency Agreement and the Conditions 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 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 Notes.

16 Agents

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

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 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 depositary 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 depositary 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 services provider operating on the basis of cooperative principles. Rabobank Group comprises the Issuer and its subsidiaries. Rabobank Group operates in 40 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, leasing and real estate. It serves approximately 8.6 million clients around the world. In the Netherlands, its focus is on maintaining Rabobank Group's position in the Dutch market and, internationally, on food and agriculture. Rabobank Group entities have strong inter-relationships due to Rabobank's cooperative structure.

Rabobank Group's cooperative core business comprises the local Rabobanks. Clients can become members of Coöperatieve Rabobank U.A. (Rabobank). With 506 branches and 2,206 cash-dispensing machines at December 31, 2015, the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.4 million retail customers, and approximately 800,000 corporate clients, offering a comprehensive package of financial services.

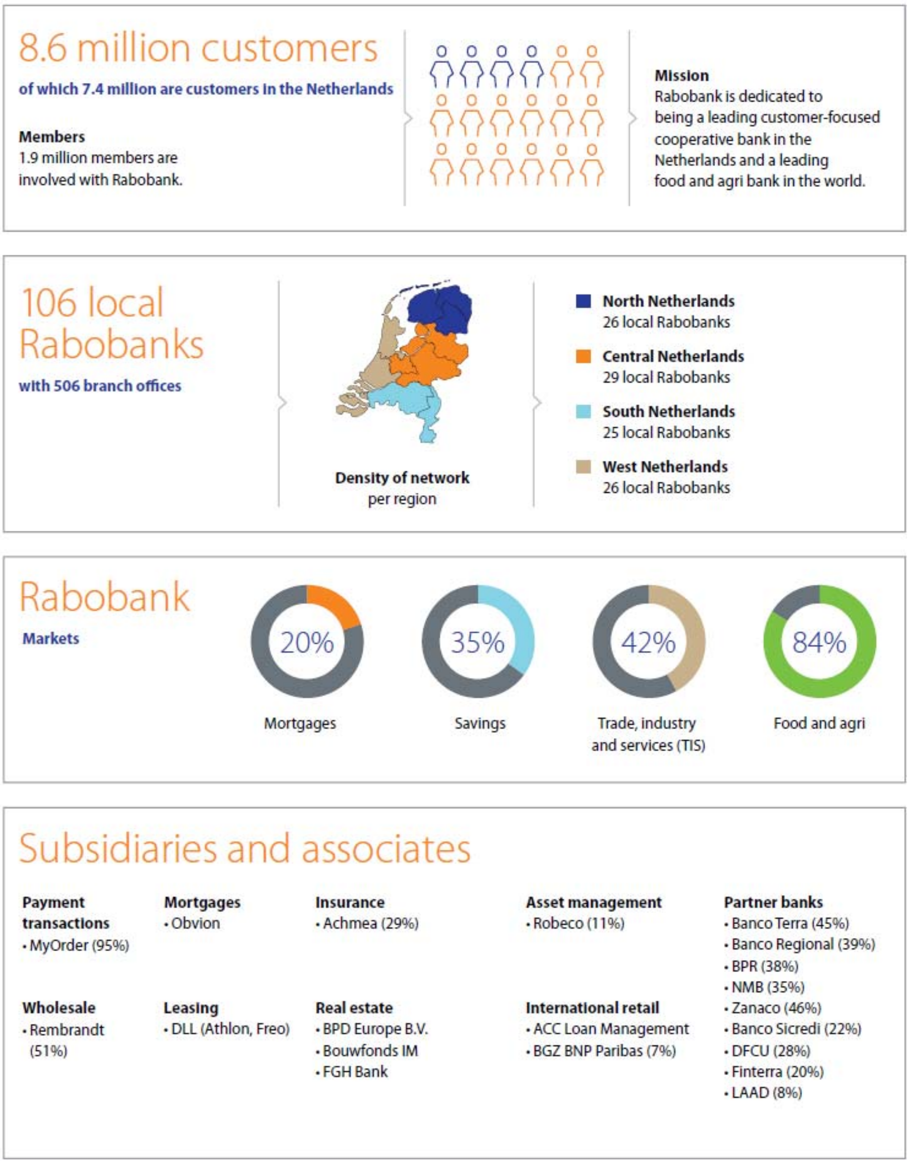
Coöperatieve Rabobank U.A. (Rabobank) is the holding company of a number of specialized subsidiaries in the Netherlands and abroad.

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

At December 31, 2015, Rabobank Group had total assets of €670.4 billion, a private sector loan portfolio of €426.2 billion, amounts due to customers of €337.6 billion (of which savings deposits total €140.5 billion) and equity of €41.3 billion. Of the private sector loan portfolio, €207.9 billion, virtually all of which were mortgages, consisted of loans to private individuals, €120.5 billion of loans to the trade, industry and services sector and €97.8 billion of loans to the food and agriculture sector. At December 31, 2015, its common equity Tier 1 ratio, which is the ratio between common equity Tier 1 capital and total risk-weighted assets, was 13.5% and its capital ratio, which is the ratio between qualifying capital and total risk-weighted assets, was 23.2%. For the year ended December 31, 2015, Rabobank Group's cost/income ratio, which is the ratio between total operating expenses (regulatory levies excluded) and total income, was 62.6%. For the year ended December 31, 2015, the return on Tier 1 capital, or net profit divided by the level of Tier 1 capital at the beginning of the period, was 6.5%. For the year ended December 31, 2015, Rabobank Group realized a net profit of €2,214 million and a risk-adjusted return on capital ("**RAROC**"), which is the ratio between net profit and average economic capital, of 8.3% after tax. At December 31, 2015, Rabobank Group had 51,859 employees (internal and external full time employees ("**FTE**").)

Rabobank Group

Situation at December 31, 2015



Business activities of Rabobank Group

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

Domestic retail banking

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

At December 31, 2015, Rabobank Group's domestic retail banking operations had total assets of €325.2 billion, a private sector loan portfolio of €281.9 billion, amounts due to customers of €212.4 billion (of which savings deposits total €117.0 billion). For the year ended December 31, 2015, Rabobank Group's domestic retail banking operations accounted for 54%, or €7,050 million, of Rabobank Group's total income and 60%, or €1.321 million, of Rabobank Group's net profit. At December 31, 2015, Rabobank Group's domestic retail banking operations employed approximately 24,000 full-time employees (internal and external).

Local Rabobanks

The 106 (at December 31, 2015) local Rabobanks are independent cooperative entities, each with their own operating areas. With 506 branches and 2,206 cash-dispensing machines at December 31, 2015, 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 6.4 million retail customers and approximately 800,000 corporate clients in the Netherlands with a comprehensive package of financial services. Many private individuals have current, savings and/or investment accounts and/or mortgages with the local Rabobanks. The local Rabobanks constitute a major financier of Dutch industry, from small high street shops to listed enterprises. Furthermore, the local Rabobanks traditionally have had close ties with the agricultural sector and, together, they are the largest insurance broker in the Netherlands (source: Insurance Magazine Yearbook 2015 (*AM Jaarboek 2015*)).

Obvion N.V.

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

Rabohypotheekbank

Rabohypotheekbank, with its statutory seat in Amsterdam, the Netherlands, provides mortgage-lending documentation services to all of the local Rabobanks and was owned 100% by Rabobank as at December 31, 2015.

Rabohypotheekbank also serves as a supplementary financing vehicle for the local Rabobanks in the event that they choose not to make certain mortgage loans to their customers entirely on their own, either for liquidity or lending-limit reasons or because of the nature of the required financing. The majority of Rabohypotheekbank's loans are secured by mortgages on residential property. Its loans are funded by term loans from, or guaranteed by, Rabobank and by the issuance of mortgage bonds. Rabohypotheekbank does not engage in the financing of real estate development. At December 31, 2015, Rabohypotheekbank had assets of €6.4 billion.

Wholesale banking and international retail banking

Wholesale banking and international retail banking focuses its activities on the food and agri sector and is known as "Wholesale, Rural & Retail". Wholesale, Rural & Retail has a presence in 25 countries. Its activities are subdivided into the following regions: the Netherlands, Europe outside the Netherlands, North and South America, Australia, New Zealand and Asia. Across these regions, Wholesale, Rural & Retail has created a number of units with global operations: Markets, Global Client Solutions, Acquisition Finance, Export & Project Finance, Direct Banking and Trade & Commodity Finance. For optimum service to their clients and markets, the various regions and the units with global operations work closely together. In addition to customer-focused activities, 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 Export & Project Finance Department operates in the sustainable sectors wind, solar, bio fuels and biomass. The Trade & Commodity Finance Department serves clients that operate in the market for agricultural products and, on a limited scale, other commodities as well. This Department also offers a large number of export finance products. Direct Banking services clients with saving products in Australia, Belgium, Germany, Ireland and New Zealand.

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

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

At December 31, 2015, Rabobank Group's wholesale banking and international retail banking operations had total assets of €489.2 billion and a private sector loan portfolio of €98.8 billion. For the year ended December 31, 2015, Rabobank Group's wholesale banking and international retail banking operations accounted for 26%, or €3,436 million, of Rabobank Group's total income and incurred a net loss of €333 million. At December 31, 2015, Rabobank Group's wholesale banking and international retail banking operations had approximately 9,600 full-time employees.

Leasing

DLL International B.V.

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

Rabobank owned a 100% equity interest in DLL at December 31, 2015. DLL has its statutory seat in Eindhoven, the Netherlands. Its issued share capital amounts to €98,470,307 all of which is owned by Rabobank. At December 31, 2015, Rabobank's liabilities to DLL amounted to €1,127 million. At December 31, 2015, Rabobank's claims on DLL amounted to €24,722 million (loans, current accounts, financial assets and derivatives). All liabilities of DLL are guaranteed (through the cross guarantee system) by Rabobank and the other participants of this system.

At December 31, 2015, DLL had a private sector loan portfolio of €30.0 billion. For the year ended December 31, 2015, DLL accounted for 13%, or €1,719 million, of Rabobank Group's total income and 22%, or €498 million, of Rabobank Group's net profit. At December 31, 2015, Rabobank Group's leasing operations employed approximately 5,800 full-time employees (internal and external).

Real estate

Rabo Real Estate Group and FGH Bank form part of the real estate segment.

Rabo Real Estate Group (Rabo Vastgoedgroep N.V. ("**Rabo Vastgoedgroep**")) is active in real estate and area development and investment management. This division consists of Bouwfonds Property Development B.V.

("**BPD**"), which is involved in the construction of housing and living environments, and Bouwfonds Investment Management ("**Bouwfonds IM**"), a manager of real estate funds. Rabo Real Estate Group is primarily active in the Netherlands, but also on a smaller scale in France and Germany.

Financing commercial real estate is done by FGH Bank N.V. ("**FGH Bank**"). FGH Bank specializes in financing commercial real estate.

For the year ended December 31, 2015, the Rabo Real Estate Group sold 8,386 houses. At December 31, 2015, Rabo Real Estate Group managed €6.3 billion of real estate assets. The private sector loan portfolio amounted to €15.3 billion. For the year ended December 31, 2015, the real estate operations accounted for 5%, or €679 million, of Rabobank Group's total income and 8%, or €181 million, of Rabobank Group's net profit. At December 31, 2015, Rabobank Group's real estate operations had approximately 1,600 full-time employees.

Participations

Achmea B.V.

Rabobank has a 29% interest in Achmea B.V. ("Achmea") as at December 31, 2015. 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, 2015, Achmea had a workforce of approximately 15,400 full-time equivalents. Achmea is a major insurance company in the Netherlands, where it serves a broad customer base of private individuals as well as government agencies and corporate clients. Achmea occupies a relatively minor position outside the Netherlands, operating in four other European countries and Australia. Rabobank and Achmea work closely together in the area of insurance.

Recent developments

Changes to the Executive Board

With effect from January 1, 2016, Mr. Bas Brouwers was appointed Chief Financial Officer ("**CFO**"). Ms. Petra van Hoeken was appointed to Rabobank's Executive Board as of April 4, 2016 as Chief Risk Officer ("**CRO**"). Mr. Bert Bruggink, whose tasks as Chief Financial and Risk Officer ("**CFRO**") were split, stepped down as CFRO on December 31, 2015. He continues to work for Rabobank in an advisory capacity to the Executive Board.

Rabobank General Meeting approves new cooperative structure

On December 9, 2015, the General Meeting of Rabobank unanimously approved changes to the governance of Rabobank. On January 1, 2016, the 106 local Rabobanks merged with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. as the surviving entity), thus forming a single cooperative with one banking license. Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was subsequently renamed "Coöperatieve Rabobank U.A."

Sale of Athlon to Daimler Financial Services

On July 1, 2016, Rabobank announced that DLL, a Rabobank subsidiary and global provider of asset-based financial solutions, reached an agreement to sell its mobility solutions entity Athlon Car Lease International B.V. and its subsidiaries to Mercedes-Benz Financial Services Nederland B.V., a part of the Daimler Financial Services global network. A sale and purchase agreement has been signed by both parties as of June 30, 2016.

The sale transaction is expected to be completed by the end of 2016, once all required approvals and consents have been obtained from the necessary regulatory authorities and other relevant bodies. The consideration for the shares amounts to €1.1 billion.

Derivatives

On July 7, 2016, Rabobank announced its decision to join the Dutch Derivatives Committee's Recovery Framework (each as defined below). Implementation of the Recovery Framework is expected to last until mid-2017. The decision to take part in the framework means that Rabobank expects to make an additional provision of EUR 500 million in its interim figures for the six months ended June 30, 2016. For further information see "Description of Business of Rabobank Group - Interest rate derivatives in the SME-segment".

Ratings

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

A rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. There is no assurance that a rating will remain unchanged during the term of the Notes.

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

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

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

Strategy of Rabobank Group

One Rabobank: stronger and closer

Rabobank is a customer-focused bank and has been a cooperative bank for over 115 years. It is strongly involved with its customers and members and aims to have a responsive role, particularly in a world where customer needs, economic development, technological advances and increasingly stringent bank regulations are changing faster than ever. Rabobank's missions are to contribute to welfare and prosperity in the Netherlands and to feed the world sustainably. The Strategic Framework 2016-2020 describes how Rabobank expects to achieve this over the next five years. It also outlines how Rabobank will implement the new strategy and what specific financial goals Rabobank will pursue. The Strategic Framework 2016-2020 focuses on improving customer service and increasing Rabobank's performance.

Ambitions

Rabobank's ambition is to be the most customer-focused bank in the Netherlands and a leading food and agriculture bank worldwide. The visions outlined in Banking for the Netherlands and Banking for Food give substance to Rabobank's customer-focused cooperative. The sustainability strategy "Sustainably successful together" is an important building block within these visions.

Banking for the Netherlands

Rabobank is linked to the future of the Netherlands through its members and customers. If Rabobank customers do well, the bank does well. As a cooperative bank, Rabobank can differentiate itself by preparing itself and its customers to meet the challenges the Netherlands faces in the years ahead. With Banking for the Netherlands Rabobank wants to strengthen the Netherlands of the future from three perspectives:

1. improving the earnings capacity of the Netherlands by supporting the growth of mobility, vitality, food and agri, raw materials, water and housing;
2. supporting Dutch households by helping customers make confident financial choices, and
3. strengthening the living environment of local communities through cooperative dividends and our local participation agenda. Our local presence allows us to respond to important regional issues.

Banking for Food

The Netherlands is a global leader in the food and agri sector. Rabobank will continue to have a significant focus on the global food and agri sector. With Banking for Food Rabobank wants to play a prominent role in the public debate on the broad issue of food. Rabobank also hopes to connect producers with consumers, and farmers with citizens.

Since Rabobank is the market leader in the agriculture sector in the Netherlands, Banking for the Netherlands and Banking for Food are closely intertwined. Its knowledge and network in the Dutch food and agri sector are the roots of Rabobank.

Core objectives: how do we achieve these ambitions?

To fulfil its ambitions in the next five years, Rabobank has identified three core objectives in the Strategic Framework 2016-2020:

1. *Excellent customer focus*. In the Netherlands, it strives to be the most customer-focused bank in the country. Rabobank's aspirations to generate strong growth in customer satisfaction also extend beyond the Netherlands. Rabobank aims to fundamentally transform our working methods, culture, attitudes and conduct in the coming years to respond to changes in customer needs, the uncertain economic climate and the stricter requirements of regulators. Rabobank wants to become the most customer-focused bank in the Netherlands by providing excellent basic service and, if required, by being the closest to its customers and fulfilling its role as a financial connection point;
2. *Increased flexibility and reduction of the balance sheet*. In the years to come, Rabobank anticipates a further tightening of the regulatory environment. To maintain our position as a rock-solid bank, we will therefore need to make our balance sheet more flexible and reduce it by up to €150 billion between 2014 and 2020. Rabobank wants to achieve balance sheet optimization by, among other things, placing parts of its loan portfolio with external parties and maintaining a correspondingly lower liquidity buffer in line with the reduced balance sheet total; and
3. *Performance improvement*. In addition to excellent customer focus and balance sheet reduction, we aim to improve our performance. Rabobank's aim for 2020 is a profit improvement of more than €2 billion (excluding the effects of the reductions on our balance sheet results) compared to 2014. Reaching this level of profit improvement would improve the cost/income ratio to approximately 50% in 2020, and Rabobank would achieve a return on invested capital (ROIC) of at least 8% The cost/income ratio is calculated by dividing total operating expenses by total income. Including regulatory levies, Rabobank aims for a cost/income ratio of between 53% and 54% in 2020. The ROIC is calculated by dividing the net profit realized after non-controlling interests are related to the core capital (achieved Tier 1 capital plus the goodwill in the balance sheet at year-end) minus deductions for non-controlling interests in the equity. We plan to achieve this improvement by both generating higher revenues and incurring lower costs. These plans are in addition to the ongoing Mars and Vision 2016 cost programs. The Mars program targets further cost reductions at the central level. The Vision 2016 program aims to improve customer services without increasing costs. These programs are running on schedule and are expected to be completed during 2016.

Implementation accelerators

The implementation of the aforementioned three core objectives requires an integrated approach towards new and existing programs. These programs come together in the implementation agenda of the Executive Board. This agenda forms the basis for the implementation of the strategy, which focuses on three accelerators:

1. *Increasing innovation*. Innovation is required to improve current processes, enable customers to increasingly arrange their financial affairs independently of a Rabobank branch and allow Rabobank to respond more quickly to technological advances with new products and services;

2. *Empowering employees*. Employees make the ambitions of Rabobank's customers and Rabobank come true. In order to fulfil Rabobank's strategy, it is necessary that its employees are aware of the social role Rabobank have to play. It is essential that they embrace the strategy, know how to promote it and apply it to their daily work. Rabobank wants its employees to know how to connect their personal values with those of the bank, and vice versa. There is a continuous focus on personal development and training, as well as on building a diverse workforce. In this way, Rabobank strives to show its customers and society as a whole that it is a bank that is fully focused on its customers; and

3. *Creating a better cooperative organization*. Our new governance structure increases member participation and their input in Rabobank as a whole. We expect that this structure will contribute to the transformation that its organization must go through to fulfil our strategy. The Strategic Framework 2016-2020 builds on the current improvement agenda of Rabobank, the implementation agenda. To give substance to the three core objectives and their associated priorities and accelerators, Rabobank has drawn up a new implementation agenda designed along four axes: complete customer focus, rock-solid bank, meaningful cooperative, and empowered employees. The implementation agenda will, in the coming years, enable Rabobank to regain its fundamental position as a cooperative, customer-focused bank in the Netherlands and as a leading food and agri bank worldwide.

Financial Strategic Framework 2016-2020

The Strategic Framework 2016-2020 provides direction to Rabobank for the next five years. The financial targets Rabobank sets to be and remain a bank with financial strength are in part determined by the expected impact of new regulations. These regulations include Basel IV, the minimum requirement for own funds and eligible liabilities (MREL) and total loss-absorbing capacity (TLAC). As a result of these new regulations, capital requirements will increase. In addition, the risk weighting of assets and the subsequent required absolute amount of capital are expected to increase significantly. The objective, in anticipation of these regulations, is for the common equity Tier 1 ratio to increase to a minimum of 14% and the capital ratio to increase to at least 25% by the end of 2020. The extent to which these minimum targets are met will vary in accordance with the definition of the new regulations when they are officially adopted. In the most severe scenario the upper limit for both ratios could rise to as high as 17% (common equity Tier 1 ratio) and 30% (capital ratio).

To facilitate the growth of the common equity Tier 1 capital through retained earnings and allow for the future growth of Rabobank, an ROIC of at least 8% will be required. Rabobank is seeking this return in order to compensate its capital providers. To achieve this ROIC target, pre-tax profits by 2020 will need to be more than €2 billion higher compared to 2014 (excluding the effects of the reductions on Rabobank's balance sheet). With this performance improvement, the cost/income ratio excluding regulatory levies will decrease to a level of approximately 50% and the cost/income ratio including regulatory levies will decrease to a level of between 53% and 54% in 2020. Higher capital ratios will be achieved by raising additional capital, retained earnings and reductions on the balance sheet. Given the size of the expected capital requirements and expected future costs associated with Rabobank's funding, issuing additional equity and/or subordinated debt will not provide the solution for the cooperative. Rabobank aims to reduce its dependency on the financial markets. For this purpose, Rabobank seeks to reduce its wholesale funding for the group to below €150 billion by 2020.

The balance sheet will be reduced through the sale of assets, by removing parts of the mortgage and corporate loans portfolios from the balance sheet, and by making choices in the sectors Rabobank serves. Balance sheet reductions will lead to lower risk-weighted assets, which will contribute to achieving Rabobank's solvency targets. In the base case scenario, Rabobank aims to reduce its total assets by up to €150 billion by the end of 2020 compared to €681 billion in total assets at the end of 2014.

Competition

Rabobank Group competes in the Netherlands with several other large commercial banks such as ABN AMRO, ING Group and SNS Reaal, with insurance companies and pension funds and also with smaller financial institutions in specific markets. Rabobank expects competition in the Dutch savings market to continue in 2016.

The Dutch mortgage loan market is highly competitive. Driven by the tax deductibility of mortgage loan interest payments, Dutch homeowners usually take out relatively high mortgage loans. This does not necessarily indicate a high risk for banks with mortgage-lending operations. The local Rabobanks and Obvion have a balanced mortgage loan portfolio with a weighted loan-to-value of approximately 73% 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

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

Residential mortgages

For the year ended December 31, 2015, Rabobank Group had a market share of 19.7% of the total amount of new home mortgages in the Dutch mortgage market by value (15.5% by local Rabobanks and 4.2% by Obvion; source: Dutch Land Registry Office (Kadaster)). Rabobank Group is the largest mortgage-lending institution in the Netherlands (measured by Rabobank's own surveys).

Saving deposits of individuals

At December 31, 2015, Rabobank Group had a market share of 34.8% of the Dutch savings market (source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*)). Rabobank Group is one of the largest savings institution in the Netherlands measured as a percentage of the amount of saving deposits (source: Statistics Netherlands). Of the total saving deposits in the Netherlands, 34.0% are held by the local Rabobanks and 0.8% are held by Robeco Direct's savings bank Roparco.

Lending to small and medium-sized enterprises

At December 31, 2015, Rabobank Group had a market share of 42% 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, 2015, Rabobank Group had a market share of 84% of loans and advances made by banks to the Dutch primary agricultural sector (measured by Rabobank's own surveys).

Properties

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

Insurance

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

Legal and arbitration proceedings

Rabobank Group is involved in several legal and arbitration proceedings in the Netherlands and other countries, including the United States, in connection with claims brought by and against the Rabobank Group and arising from its business operations. Although it is not possible to predict or determine the eventual outcome of all pending or imminent proceedings and processes, Rabobank Group is of the view that the final outcomes of the various pending and/or future legal proceedings are not expected to have a materially adverse effect on the Rabobank Group's financial position.

See the Rabobank Group consolidated financial statements 2015, under note 4.10 "Legal and arbitration proceedings" for further information.

Interest rate derivatives in the SME-segment

Approximately 9,000 of Rabobank's 800,000 business customers have an interest rate derivative, with in total around 11,000 derivative contracts. During 2014 and 2015, these interest rate derivatives have been subject to a reassessment process. In 2014, Rabobank tightened the quality requirements of the reassessment of interest rate derivatives, partly at the insistence of the AFM. The reassessment on a case by case basis was close to being finalized in December 2015, in accordance with an agreement with the AFM. Rabobank sent letters on the reassessment results to inform over 90% of its customers involved by the end of 2015, with the remainder following in January 2016. In December 2015, however, Rabobank received notice that in the AFM's opinion, the interest rate derivatives reassessment conducted by Rabobank had been insufficient and that the AFM had identified flaws in its own scrutiny of reassessments. In the first two months of 2016, Rabobank was in discussion with the AFM in order to achieve a suitable solution. In March of this year, the Minister of Finance appointed an independent committee (the "**Dutch Derivatives Committee**"), which on July 5, 2016, published its advice and recovery framework (the "**Recovery Framework**") on the reassessment of SME interest rate derivatives. Implementation of the Recovery Framework is expected to last until mid-2017. Rabobank is involved in civil lawsuits regarding interest rate derivatives brought before Dutch courts, most of which are individual cases. Furthermore, a class action has been engaged against Rabobank, with claims regarding interest rate derivatives, which include EURIBOR related claims. Rabobank is defending itself against all these claims. Further, complaint procedures regarding interest rate derivatives have been entered against Rabobank before Kifid (the Netherlands Financial Services Complaints Tribunal), which opened a desk for SMEs with interest rate derivatives in January 2015. Rabobank's decision to take part in the Recovery Framework, which was announced by Rabobank on July 7, 2016, means that Rabobank expects to make an additional provision of EUR 500 million in its interim figures for the six months ended June 30, 2016.

RABOBANK GROUP STRUCTURE

Rabobank Group comprises Coöperatieve Rabobank U.A. (Rabobank) and its consolidated subsidiaries in the Netherlands and abroad. Rabobank Group's cooperative core business comprises the local Rabobanks. The Issuer uses the trade names Rabobank Nederland and Rabobank.

The central institution of Rabobank Group is Rabobank, with its executive office located at Croeselaan 18, 3521 CB Utrecht, the Netherlands. The telephone number is: +31 (0)30 2160000. The statutory seat of Rabobank is Amsterdam, the Netherlands.

Rabobank is a licensed bank, in the legal form of a cooperative. The objective of a cooperative is to provide for certain material needs of its members by whom it is effectively owned and controlled.

Rabobank was formed as a result of the merger of the Coöperatieve Centrale Raiffeisenbank and the Coöperatieve Centrale Boerenleenbank, the two largest banking cooperative entities in the Netherlands. It was incorporated with unlimited duration on December 22, 1970 and registered with the Trade Register of the Chamber of Commerce, under number 30046259. On January 1, 2016, a legal merger took place between Rabobank and all 106 local Rabobanks in the Netherlands, which were the members of Rabobank. Rabobank is the surviving entity.

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

(a) conducting a banking business, providing other financial services, and, in that context, concluding agreements with its members;

(b) participating in, otherwise assuming an interest in, and managing other enterprises of any nature whatsoever, and financing third parties, providing security in any way whatsoever or guaranteeing the obligations of third parties;

(c) contributing to society, including promoting economic and social initiatives and developments; and

(d) performing any activities which are incidental to or may be conducive to these objects.

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

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

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

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

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

Through their mutual financial association, various legal entities within Rabobank Group including Rabobank make up a single organization. This relationship is formalized in an internal cross-guarantee system. This cross-guarantee system stipulates that, if a qualifying institution should have a shortage of funds to meet its obligations towards creditors, the other qualifying institutions are required to supplement that institution's funds in order to allow it to fulfil these obligations.

The members of Rabobank, who are customers of Rabobank, are organized based on, among other things, geographical criteria into about 100 Departments (*Afdelingen*). The members of Rabobank are represented in the General Members' Council (*Algemene Ledenraad*) by one representative per Department. This General Members' Council has specific powers regarding material decisions of the Executive Board (inter alia legal merger and legal demerger, amendment of the articles of association, material investments and divestments, Rabobanks' strategic framework and main points of the budget). Each member of the General Member's Council has a number of votes according to an apportionment formula, which reflects the percentage relationship between the local Rabobanks as determined according to the articles of association of Rabobank on the basis of balance sheet totals, equity capital and commercial results of each local Rabobank. At December 31, 2015, there were approximately 1.9 million members. The members of Rabobank are its customers but they do not make capital contributions to Rabobank and they are not entitled to the equity of Rabobank. Such members are not liable for any obligations of Rabobank.

Subsidiaries

Rabobank also conducts business through separate legal entities, not only in the Netherlands but also worldwide. Rabobank is the (ultimate) shareholder of about 700 subsidiaries and participations.

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

Rabobank has assumed liability for debts arising from legal transactions for 25 of its Dutch subsidiaries under article 2:403 of the Dutch Civil Code.

THE 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's North American corporate banking business. The New York Branch also manages Rabobank'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'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 notes.

The New York Branch is presently located at 245 Park Avenue, New York, NY 10167, United States of America. Neither deposits held by the New York Branch nor any notes issued or guaranteed by the New York Branch are insured by the Federal Deposit Insurance Corporation. See also "Regulation of Rabobank Group—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 year ended December 31, 2014 included in the following discussion have been restated as a result of changes in accounting policies and presentation. See "Change in accounting policies and presentation" below for further information. The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union and comply with Part 9 of Book 2 of the Dutch Civil Code. The financial data in the (sub) paragraphs in this chapter marked with an asterisk (*) have not been directly extracted from the audited financial statements but instead are unaudited and derived from the accounting records of Rabobank, unless otherwise stated.*

Business overview*

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. Rabobank Group comprises the Issuer and its subsidiaries. Rabobank Group operates in 40 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, leasing and real estate. In the Netherlands, its focus is on maintaining the Group's position in the Dutch market and, internationally, on food and agri. Rabobank Group entities have strong relationships due to Rabobank's cooperative structure. At December 31, 2015, Rabobank Group had total assets of €670.4 billion and 51,859 full-time employees.

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

Rabobank Group's cooperative core business comprises the local Rabobanks. Clients can become members of Coöperatieve Rabobank U.A. (Rabobank). With 506 branches and 2,206 cash-dispensing machines at December 31, 2015, the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.4 million retail customers, and approximately 800,000 corporate clients, offering a comprehensive package of financial services.

Coöperatieve Rabobank U.A. (Rabobank) is the holding company of a number of specialized subsidiaries in the Netherlands and abroad.

Factors affecting results of operations

*General market conditions**

Rabobank Group's results of operations are affected by a variety of market conditions, including economic cycles, fluctuations in stock markets, interest rates and exchange rates, and increased competition. Competition for mortgages and savings is likely to continue in 2016.

In 2015, 68% 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 — Business and general economic conditions".

Interest rates

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) can materially affect Rabobank Group's results. For example, a low interest rate environment could adversely affect Rabobank Group's results, as due to the structure of its balance sheet, Rabobank has a significant level of non- and low-interest-bearing liabilities (its reserves, balances on payment accounts and current accounts). Generally, a sustained period of lower interest rates will reduce the yields on the assets that are financed with these liabilities. Conversely, rising interest rates should, over time, increase investment income but may, at the same time, reduce the market value of pre-existing investment portfolios. Rising rates can also lead to higher or lower interest margins depending on whether Rabobank Group's interest-earning assets reprice at a faster rate than interest-bearing liabilities or the degree to which the spreads on assets or liabilities narrow or widen. Although interest rates may start an upward trend if the European sovereign debt crisis is resolved, Rabobank expects that the relatively low interest rate environment that it has faced in the recent past is likely to continue in 2016, with a corresponding impact on Rabobank Group's results.

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

Critical accounting policies

The accounting policies that are most critical to Rabobank Group's business operations and the understanding of its results are identified below. In each case, the application of these policies requires Rabobank to make complex 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 notes 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.

Loan impairment charges

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

The loan impairment allowance consists of three components:

- Specific allowance: For individual impaired loans a specific allowance is determined. The size of the specific allowance is the difference between the carrying amount and the recoverable amount, which is the present value of the expected cash flows, including amounts recoverable under guarantees, collateral and unencumbered assets, discounted at the original effective interest rate of the loans. If a loan is not collectible it is written-off from the allowance. Specific provisioning for every change that impacts the statement of income by €7.5 million or more is dealt with by the Provisioning Committee.

- Collective allowance: In addition to the assessment of individual loans, a collective assessment is made with respect to retail expenses that are not subject to a specific allowance. In these cases the collective assessment is made based on homogenous groups of loans with a similar risk profile with the purpose of identifying the need to recognize an allowance for loan losses.

- IBNR (Incurred But Not Reported): For exposures in the portfolio that are impaired, but not yet recognized as such (i.e. incurred but not reported) a general allowance is taken. This allowance is taken because there is always a mismatch period between an event causing a default of a client and the moment the bank becomes aware of the default. The allowance will be determined based on Expected Loss data generated by the Economic Capital models.

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

Trading activities

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

Change in accounting policies and presentation

As a result of changes in accounting policies and presentation, certain figures for Rabobank Group for the year ended December 31, 2014 in this Offering Circular have been restated (see the Consolidated Financial Statements 2015 Rabobank Group, under note 2.1, "Changes in accounting policies and presentation as a result of new guidelines"). Where the year ended December 31, 2015 is compared with the year ended December 31, 2014, the restated figures for 2014 are discussed and where the year ended December 31, 2014 is compared with the year ended December 31, 2013, the restated figures for 2013 and 2014 are discussed.

Results of operations

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

	Year ended December 31,		
	2015	**2014 (restated)**	**2013 (restated)**
	(in millions of euro)		
Net interest income	9,139	9,118	9,095
Net fee and commission income	1,892	1,879	2,001
Other income	1,983	1,892	1,976
Total Income	13,014	12,889	13,072
Staff costs	4,786	5,086	5,322
Other administrative expenses	2,916	2,532	3,910
Depreciation	443	437	528
Operating expenses	8,145	8,055	9,760
Gross result	4,869	4,834	3,312
Impairment losses on goodwill	623	32	42

	Year ended December 31,		
	2015	2014 (restated)	2013 (restated)
	(in millions of euro)		
Loan impairment charges	1,033	2,633	2,643
Regulatory levies	344	488	197
Operating profit before taxation	2,869	1,681	430
Taxation	655	(161)	88
Net profit from continuing operations	2,214	1,842	342
Net profit from discontinued operations	—	—	1,665
Net profit	2,214	1,842	2,007

Year ended December 31, 2015 compared to year ended December 31, 2014

Total income

Rabobank Group's total income increased by €125 million in 2015 to €13,014 million compared to €12,889 million in 2014. The increase was mainly due to an increase in other income.

Net interest income

Net interest income rose by €21 million to €9,139 million in 2015 compared to €9,118 million in 2014. Net interest income at the local Rabobanks decreased because of the contracting loan portfolio and reduced margins on new mortgages. Net interest income at Wholesale, Rural & Retail decreased in 2015 because there was no longer a contribution from Bank BGZ. Net interest income at DLL increased because of growth in the lease portfolio and an improved interest margin. Net interest income from the real estate segment was influenced by improved margins on new loans and extensions.

Net fee and commission income

Net fee and commission income increased by €13 million to €1,892 million in 2015 compared to €1,879 million in 2014. Payments fees increased at the local Rabobanks. Net fee and commission income also increased at DLL as a result of growth in the loan portfolio. The rise was tempered by the fall in net fee and commission income from Wholesale, Rural & Retail as a result of the sale of Bank BGZ in 2014.

Other income

Other income rose by €91 million in 2015 to €1,983 million compared to €1,892 million in 2014. Other income was positively influenced in a total amount of €276 million in 2015 by the results on the fair value of issued debt instruments (structured notes) and hedge accounting compared to €2 million in 2014. The results from our share in Achmea also improved. In 2015, the sale of our 9% interest in URCB (China) positively contributed to other income, as did the phasing out of illiquid assets and the sale of Bank BGZ in 2014.

Operating expenses

Rabobank Group's operating expenses were up by €90 million in 2015 to €8,145 million compared to €8,055 million in 2014, mainly due to an increase in other administrative expenses.

Staff costs

Staff costs fell by €300 million to €4,786 million in 2015 compared to €5,086 million in 2014. The number of employees at Rabobank Group declined by 2,054 FTE in 2015 to 51,859 FTE compared to 53,912 FTE in 2014. The decrease was greatest at the local Rabobanks and at Wholesale, Rural & Retail.

Other administrative expenses

Other administrative expenses increased by €384 million to €2,916 million in 2015 compared to €2,532 million in 2014. Domestic retail banking saw an increase in other administrative expenses due to higher contributions to provisions for reorganization and legal costs. In 2014, other administrative expenses fell by €193 million due to the partial release of a provision previously created for DSB Bank. The remaining €30 million of this provision was released in 2015.

Depreciation

Depreciation was up by €6 million to €443 million in 2015 compared to €437 million in 2014 due to higher amortization of equipment, software and intangible fixed assets.

Impairment losses on goodwill

Impairment losses on goodwill were up €591 million to €623 million in 2015, compared to €32 million in 2014. Of this sum, €604 million concerned the goodwill impairment for Rabobank National Association (RNA) in the United States. The loan portfolio of RNA developed less favorably than expected in 2015. Also, the development of costs and stricter capital requirements led to a deterioration in the outlook for RNA during 2015. Both elements, combined with recent closings of some divisions, gave rise to the adjustment of, among other things, the growth parameters within the impairment test on goodwill.

Loan impairment charges

Loan impairment charges were down €1,600 million at Group level, declining to €1,033 million in 2015 compared to €2,633 million in 2014. At 24 basis points of average lending in 2015 compared to 60 basis points in 2014, loan impairment charges were 12 basis points below the long-term average of 36 basis points (based on the period from 2005 to 2014). Various sectors benefited from the economic growth and the accompanying higher consumer spending and exports. Incidental events and one-off adjustments also caused a reduction in the loan impairment charges posted by our divisions. Despite the structural problems in commercial real estate, greenhouse horticulture and shipping, loan impairment charges remained limited in these areas as well. Loan impairment charges also fell at DLL. Wholesale, Rural & Retail was the only area where loan impairment charges increased – in part due to delayed cyclical effects.

Regulatory levies

The regulatory levies led to an expense item for Rabobank Group of €344 million in 2015, compared to €488 million in 2014, the resolution levy had an adverse effect on Rabobank Group's results of operations.

Taxation.

The recognized tax expense was €655 million in 2015 compared to minus €161 million in 2014, which corresponds to an effective tax rate of 23% in 2015 compared to minus 10% in 2014. The low tax rate in 2014 was mainly due to deferred tax assets as a result of the past losses incurred at ACC Loan Management.

Net Profit

Net profit increased by 20% to €2,214 million in 2015 compared to €1,842 million in 2014. The decrease in the loan impairment charges by €1,600 million to €1,033 million compared to €2,633 million in 2014 contributed significantly to the increased result, offset by the goodwill impairment for RNA in the amount of €604 million and the €172 million contribution to the resolution fund. Furthermore, the resolution levy of €321 million reduced the result in 2014 because of the nationalization of SNS Reaal. Unlike the resolution levy, the contribution to the national resolution fund is not a one-off payment.

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

Total income

Rabobank Group's total income decreased 1% in 2014, falling to €12,889 million compared to €13,072 million in 2013. The decrease was mainly due to a decrease in commission income resulting from lower commission profit on insurance and investments products at the domestic retail banking business.

Net interest income

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

Net fee and commission income

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

Other income

In 2013, other income was affected by impairments on land holdings and negative revaluations of real estate. The result on hedge accounting improved in 2014 due to the development in the yield curve. On the other hand, the result on structured notes was down due to a narrowing of the credit spread. Moreover and in 2013 only, pension income arising from the transition to a new pension scheme was recognized under other income. On balance, other income was down €84 million in 2014 at €1,892 million compared to €1,976 million in 2013.

Operating expenses

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

Staff costs

Staff costs fell by €236 million to €5,086 million in 2014 compared to €5,322 million in 2013. The number of employees at Rabobank Group declined by 15% or 8,616 full time employees ("**FTE**") in 2014 to 48,254 FTE compared to 56,870 FTE in 2013. 5,276 FTE of the decline was due to the sale of Bank BGZ. The workforce at the local Rabobanks also declined further due to the implementation of Vision 2016 Program.

Other administrative expenses

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

Depreciation

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

Impairment losses on goodwill

Impairment losses on goodwill were down €10 million to €32 million in 2014, compared to €42 million in 2013.

Loan impairment charges

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

Regulatory levies

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

Taxation

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

Net profit

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

Segment discussion

Domestic retail banking

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

	Year ended December 31,		
	2015	2014 (restated)	2013
	(in millions of euro)		
Net interest income	5,661	5,783	5,605
Net fee and commission income	1,371	1,318	1,319
Other income	18	131	616
Total income	7,050	7,232	7,540
Staff costs	2,134	2,302	2,463

	Year ended December 31,		
	2015	2014 (restated)	2013
	(in millions of euro)		
Other administrative expenses	2,520	2,233	2,408
Depreciation	116	127	144
Operating expenses	4,770	4,662	5,015
Gross result	2,280	2,570	2,525
Loan impairment charges	343	1,422	1,384
Regulatory levies	171	354	90
Operating profit before taxation	1,766	794	1,051
Taxation	445	261	270
Net profit	1,321	533	781

Year ended December 31, 2015 compared to year ended December 31, 2014

Total income

Domestic retail banking total income decreased by 3%, falling to €7,050 million in 2015, compared to €7,232 million in 2014. This decrease was mainly due to a decrease in net interest income and other income.

Net interest income

Net interest income decreased 2% to €5,661 million in 2015, compared to €5,783 million in 2014. Due to the historically low mortgage interest rate, many clients paid off their mortgage early and obtained a new mortgage against a lower interest rate. Net interest income was under pressure due to the contracted loan portfolio and the lower margins on new mortgages. This was partially compensated by higher receivables from penalty interest.

Net fee and commission income

Net fee and commission income increased by 4% to €1,371 million in 2015, compared to €1,318 million in 2014, specifically due to the higher fees on finance and payments.

Other income

Other income decreased by €113 million to €18 million in 2015, compared to €131 million in 2014. In 2014, the other income was affected upward by an income from the sale of mortgages.

Operating expenses

Total operating expenses for domestic retail banking increased 2%, inclining to €4,770 million in 2015, compared to €4,662 million in 2014, as a result of an increase in other administrative expenses.

Staff costs

Staff costs were down €168 million to €2,134 million in 2015, compared to €2,302 million in 2014. The virtualization of services, the decline in the number of local Rabobanks and the closure of some branches will have an impact on the workforce. The number of internal and external employees in the domestic retail banking division fell by 8% in 2015 to 24,340 (26,475) FTEs. As a result of these developments, staff expenses were down.

Other administrative expenses

Other administrative expenses increased by €287 million to €2,520 million in 2015, compared to €2,233 million in 2014, due to higher reorganization and legal costs.

Depreciation

Depreciation fell by 9% to €116 million in 2015, compared to €127 million in 2014, as a result of lower depreciation on intangible fixed assets.

Loan impairment charges

The recovery of the economy was clearly reflected in the development of the loan impairment charges in the domestic retail banking business in 2015. Domestically there were few new loans for which an allowance had to be recorded. Also the allowances on existing items appeared sufficient. Loan impairment charges decreased by €1,079 million to reach €343 million in 2015, compared to €1,422 million in 2014. At 12 basis points in 2015, compared to 48 basis points in 2014, of average lending, loan impairment charges were below the long-term average of 23 basis points, based on the period from 2005 to 2014.

Regulatory levies

The regulatory levies led to an additional expense item of €171 million in 2015 compared to €354 million in 2014.

Taxation

Taxation increased in 2015 by €184 million to €445 million compared to €261 million in 2014.

Net profit

Net profit increased by €788 million to €1,321 million in 2015 compared to €533 million in 2014. The net result was positively affected by lower loan impairment charges.

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

Total income

Domestic retail banking total income decreased by €308 million, falling to €7,232 million in 2014, compared to €7,540 million in 2013. This decrease was mainly due to a decrease in other income.

Net interest income

Net interest income increased 3% to €5,783 million in 2014, compared to €5,605 million in 2013, which was due to a slight recovery in margins on private savings.

Net fee and commission income

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

Other income

Other income decreased by €485 million to €131 million in 2014, compared to €616 million in 2013. The transition to the new pension scheme positively affected other income in 2013.

Operating expenses

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

Staff costs

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

Other administrative expenses

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

Depreciation

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

Loan impairment charges

Loan impairment charges rose by €38 million to reach €1,422 million in 2014, compared to €1,384 million in 2013. At 48 basis points in 2014, compared to 45 basis points in 2013, of average lending, Loan impairment charges were above the long-term average of 19 basis points, based on the period from 2004 to 2013. Of total lending, 71% is comprised of residential mortgage loans. Loan impairment charges on residential mortgage loans stood at 5 basis points in 2014 compared to 6 basis points in 2013.

Regulatory levies

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

Taxation

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

Net profit

Net profit decreased by €248 million to €533 million in 2014 compared to €781 million in 2013. The net result was negatively affected by the non-recurring resolution levy of €274 million. In 2013, the transition to the new pension scheme positively affected net profit.

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 years indicated:

	Year ended December 31,		
	2015	**2014 (restated)**	**2013 (restated)**
	(in millions of euro)		
Net interest income	2,270	2,416	2,606
Net fee and commission income	513	552	641
Other income	653	825	835
Total income	3,436	3,793	4,082

	Year ended December 31,		
	2015	2014 (restated)	2013 (restated)
	(in millions of euro)		
Staff costs	1,123	1,164	1,270
Other administrative expenses	1,101	1,166	1,736
Depreciation	107	87	126
Operating expenses	2,331	2,417	3,132
Gross result	1,105	1,376	950
Impairment losses on goodwill	612	26	42
Loan impairment charges	526	420	568
Regulatory levies	139	67	75
Operating profit before taxation	(172)	863	265
Taxation	161	105	219
Net profit	(333)	758	46

Year ended December 31, 2015 compared to year ended December 31, 2014

Total income

Total income at Wholesale banking and international retail banking decreased by 9% to €3,436 million in 2015 compared to €3,793 million in 2014. This decrease was mainly attributable to a decline in other income.

Net interest income

Net interest income declined by 6% to €2,270 million in 2015, compared to €2,416 million in 2014. Despite the growth of the loan portfolio, net interest income fell. Due to the low interest rate levels, the margin was under pressure and in addition in 2015 Bank BGZ no longer contributed to net interest income. In 2014, Bank BGZ contributed to the result for about nine months.

Net fee and commission income

Net fee and commission income decreased by 7% to €513 million in 2015, compared to €552 million in 2014. The sale of Bank BGZ contributed to the decline of net fee and commission income.

Other income

Positive revaluations in the private equity portfolio and the winding down of Rabobank's interest in the Agricultural Bank of China positively affected other income in 2015. The contraction in the illiquid assets portfolio positively affected the results in 2014. On balance, other income fell by €172 million to €653 million in 2015, compared to €825 million in 2014.

Operating expenses

Total operating expenses of Wholesale banking and international retail banking decreased by 4% to €2,331 million in 2015, compared to €2,417 million in 2014, principally as a result of a decrease in staff expenses and other administrative expenses.

Staff costs

The lower number of employees contributed to staff expenses falling by 4% to €1,123 million in 2015, compared to €1,164 million in 2014. Especially at Rabobank Indonesia and to a lesser extent at RNA and ACC Loan Management, the number of employees decreased.

Other administrative expenses

As a result of lower costs for IT and publicity other administrative expenses were down 6% to €1,101 million in 2015, compared to €1,166 million in 2014.

Depreciation

As a result of higher depreciations on software, depreciation fell by 23% to €107 million in 2015, compared to €87 million in 2014.

Impairment losses on goodwill

Impairment losses on goodwill increased by €586 million to €612 million in 2015, compared to €26 million in 2014. This amount almost solely consisted of the impairment on the goodwill with regard to RNA in the United States.

Loan impairment charges

Loan impairment charges at Wholesale banking and international retail banking increased by 25% to €526 million in 2015, compared to €420 million in 2014. This increase was primarily for the account of the wholesale banking division, where the loan impairment charges increased to €271 million, compared to €160 million in 2014. In the Netherlands, for a number of large clients an (additional) allowance was made due to late-cyclic effects. In addition, a number of larger allowances were made for clients in Latin America and in Asia. In Brazil, the general allowance was increased due to the developments in the sugar and ethanol industry. In addition, drought in Chile had an impact on the loan impairment charges. The loan impairment charges at ACC Loan Management were down compared to recent years and came to €138 million, compared to €190 million in 2014. Loan impairment charges amounted to 53 basis points in 2015, compared to 44 basis points in 2014 of average lending, which is lower than the long-term average of 59 basis points (based on the period 2005 to 2014).

Regulatory levies

The regulatory levies led to an additional expense item of €139 million in 2015, compared to €67 million in 2014.

Taxation

Taxation increased in 2015 by €56 million to €161 million, compared to €105 million in 2014.

Net profit

Net profit decreased by €1,091 million to €(333) million in 2015 compared to €758 million in 2014. The goodwill impairment with respect to RNA lowered the operating profit before taxation.

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

Total income

Total income at Wholesale banking and international retail banking decreased by 7 per cent. to €3,793 million in 2014 compared to €4,082 million in 2013. This decrease was mainly attributable to a decline in interest income.

Net interest income

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

Net fee and commission income

Net fee and commission income decreased by 14% to €552 million in 2014, compared to €641 million in 2013, driven by lower levels of commission-generating activity as a result of the sale of Bank BGZ.

Other income

In 2014, other income was more or less stable at €825 million compared to €835 million in 2013.

Operating expenses

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

Staff costs

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

Other administrative expenses

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

Depreciation

Lower amortization of intangible non-current assets and software led to a decline in depreciation by 31% to €87 million, compared to €126 million in 2013.

Impairment losses on goodwill

Impairment losses on goodwill decreased by €16 million to €26 million in 2014, compared to €42 million in 2013.

Loan impairment charges

Loan impairment charges at Wholesale banking and international retail banking decreased by 26% to €420 million in 2014, compared to €568 million in 2013. Loan impairment charges amounted to 44 basis points in 2014, compared to 57 basis points in 2013 of average lending, which is lower than the long-term average of 57 basis points (based on the period 2004 to 2013).

Regulatory levies

The regulatory levies led to an additional expense item of €67 million in 2014, compared to €75 million in 2013.

Taxation

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

Net profit

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

Leasing

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

	Year ended December 31,		
	2015	2014	2013
	(in millions of euro)		
Net interest income	1,094	1,000	973
Net fee and commission income	57	30	52
Other income	568	548	545
Total income	1,719	1,578	1,570
Staff costs	601	535	517
Other administrative expenses	277	251	198
Depreciation	38	48	49
Operating expenses	916	834	764
Gross result	803	744	806
Impairment losses on goodwill	10	–	–
Loan impairment charges	85	131	170
Regulatory levies	19	9	9
Operating profit before taxation	689	604	627
Taxation	191	168	205
Net profit	498	436	422

Year ended December 31, 2015 compared to year ended December 31, 2014

Total income

DLL's total income increased by 1%, rising to €1,719 million in 2015, compared to €1,578 million in 2014. The increase was in particular attributable to a 9% increase in net interest income.

Net interest income

The lease portfolio grew and the interest rate margin improved. As a result, net interest income was up by 9% to €1,094 million in 2015, compared to €1,000 million in 2014.

Net fee and commission income

In line with the higher activity level, net fee and commission income rose by €27 million to €57 million in 2015, compared to €30 million in 2014.

Other income

Other income consists mainly of the result from sales or leased products and income from operational lease contracts. The income from these activities increased by 4% to €568 million in 2015, compared to €548 million in 2014.

Operating expenses

Total operating expenses at DLL were up 10% to €916 million in 2015, compared to €834 million in 2014. The depreciation in value of the Euro and the increase in the number of employees contributed to the increase in operating expenses.

Staff costs

Staff costs were up 12%, reaching €601 million in 2015, compared to €535 million in 2014, due to the increase in workforce.

Other administrative expenses

Other administrative expenses rose 10% to €277 million in 2015, compared to €251 million in 2014. In addition to currency developments, the higher costs for regulation and supervision contributed to this.

Depreciation

Lower depreciation of intangible assets led to a decrease in depreciation by €10 million to €38 million in 2015, compared to €48 million in 2014.

Loan impairment charges

DLL's loan impairment charges decreased by 35% to €85 million in 2015, compared to €131 million in 2014. Expressed in basis points of average lending, loan impairment charges stood at 25 basis points in 2015 compared to 43 basis points in 2014. Loan impairment charges are far below the long-term average of 66 basis points (based on the period 2005 to 2014).The lease portfolio and related risks of DLL are spread over more than 35 countries and nine industries. The worldwide economic recovery and strict risk management contributed to the decrease in the loan impairment charges: in 2015 there were no new significant problem items.

Regulatory levies

The regulatory levies led to an additional expense item of €19 million in 2015, compared to €9 million in 2014.

Taxation

Taxation decreased in 2015 by €23 million to €191 million compared to €168 million in 2014.

Net profit

Net profit increased 14% to €498 million in 2015 compared to €436 million in 2014, due to the increase in total income and the decrease in loan impairment charges.

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

Total income

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

Net interest income

Net interest income was up by 3% to €1,000 million in 2014, compared to €973 million in 2013. Growth of the average lease portfolio contributed to the increase.

Net fee and commission income

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

Other income

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

Operating expenses

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

Staff costs

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

Other administrative expenses

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

Depreciation

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

Loan impairment charges

DLL's loan impairment charges decreased by 23% to €131 million, compared to €170 million in 2013. Expressed in basis points of average lending, loan impairment charges stood at 43 basis points in 2014 compared to 59 basis points in 2013. Loan impairment charges are now 25 basis points below the long-term average of 68 basis points (based on the period 2004 to 2013).The diversification of the lease portfolio across countries and sectors in combination with the economic recovery and strict risk management contributed to the lower level of loan impairment charges.

Regulatory levies

The regulatory levies led to an additional expense item of €9 million in 2014, compared to €9 million in 2013.

Taxation

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

Net profit

Net profit increased 3% to €436 million in 2014 compared to €422 million in 2013. The increase was mainly due to the decrease in loan impairment charges.

Real estate

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

	Year ended December 31,		
	2015	**2014 (restated)**	**2013 (restated)**
	(in millions of euro)		
Net interest income	348	313	335
Net fee and commission income	29	36	29
Other income	302	267	(556)
Total income	679	616	(192)
Staff costs	196	198	193
Other administrative expenses	124	104	119
Depreciation	7	9	27
Operating expenses	327	311	339

	Year ended December 31,		
	2015	2014 (restated)	2013 (restated)
	(in millions of euro)		
Gross result	352	305	(531)
Impairment losses on goodwill	1	6	
Loan impairment charges	90	656	513
Regulatory levies	15	8	8
Operating profit before taxation	246	(365)	(1,052)
Taxation	65	(102)	(238)
Net profit	181	(263)	(814)

Year ended December 31, 2015 compared to year ended December 31, 2014

Total income

Total income in Rabobank Group's real estate business increased by €63 million to €679 million in 2015 compared to €616 million in 2014 due to higher net interest income and higher other income.

Net interest income

Higher receivables from penalty interest at FGH Bank caused net interest income to rise by 11% to €348 million in 2015 compared to €313 million in 2014.

Net fee and commission income

Net fee and commission income fell by €7 million to €29 million in 2015, compared to €36 million in 2014. In 2014, net fee and commission income was relatively high as a result of some non-recurring income.

Other income

The increase of the number of home sales resulted in an increase in other income of €35 million to €302 million in 2015, compared to €267 million in 2014.

Operating expenses

Total operating expenses in Rabobank Group's real estate business increased by 5% in 2015, reaching €327 million, compared to €311 million in 2014, mainly due to an increase in other administrative expenses.

Staff costs

Staff costs fell by 1% to €196 million compared to €196 million in 2014, due to a decline in the number of employees.

Other administrative expenses

Other administrative expenses increased by 19% to €124 million in 2015, compared to €104 million in 2014. The demerger of Fondsenbeheer Nederland and SVn in the first half of 2015 led to non-recurring expenses that are incorporated under other administrative expenses. In addition, the integration of FGH Bank into Rabobank was accompanied by the (temporary) hiring of external employees.

Depreciation

Depreciation decreased slightly to €7 million in 2015, compared to €9 million in 2014.

Impairment losses on goodwill

The impairment losses on goodwill led to an additional expense item of €1 million in 2015, compared to €6 million in 2014.

Loan impairment charges

Loan impairment charges were €90 million in 2015, compared to €656 million in 2014, which corresponds to 56 basis points in 2015 compared to 364 basis points in 2014 of average lending. Loan impairment charges are now 33 basis points below the long-term average of 89 basis points (based on the period 2005 to 2014). In particular, the loan impairment charges for commercial real estate are substantially lower than for the same period last year due to the economic recovery, improvement in the residential rental market, and greater foreign investment in the real estate market.

Regulatory levies

The regulatory levies led to an additional expense item of €15 million in 2015, compared to €8 million in 2014.

Taxation

Taxation increased by €167 million to €65 million in 2015 compared to minus €102 million in 2014.

Net profit

Net profit increased by €444 million to €181 million in 2015 compared to minus €263 million in 2014, primarily due to lower impairment charges.

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

Total income

Total income in Rabobank Group's real estate business increased by €808 million to €616 million in 2014 compared to minus €192 million in 2013 due to higher other income.

Net interest income

Net interest income decreased by 7% to €313 million in 2014 compared to €335 million in 2013, due to the contraction of the loan portfolio.

Net fee and commission income

Net fee and commission income increased by 24% to €36 million, compared to €29 million in 2013, as a result of certain non-recurring income items.

Other income

Contrary to 2013, there were only limited downward valuations of land positions and revaluations of land operations in 2014. Downward valuations of commercial real estate holdings were also down and the sale of the PalaisQuartier was achieved with a book profit in 2014. Residential property sales also rose. Due to these developments other income rose by €823 million to €267 million in 2014, compared to minus €556 million in 2013.

Operating expenses

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

Staff costs

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

Other administrative expenses

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

Depreciation

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

Loan impairment charges

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

Regulatory levies

The regulatory levies led to an additional expense item of €8 million in 2014, compared to €8 million in 2013.

Taxation

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

Net profit

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

Loan portfolio

Although the depreciation of the euro contributed to the growth of the loan portfolios of Wholesale, Rural & Retail and DLL by increasing the reported value of non-euro denominated loans, the loan portfolio of the local Rabobanks decreased. This was, amongst others, due to additional repayments on private residential mortgages, in addition to the contractual repayments, and the low level of new loans to businesses. Due to these developments, the loans and advances to customers item decreased by 1%, or €3.2 billion, to €458.6 billion at December 31, 2015 from €461.8 billion at December 31, 2014. The private sector loan portfolio decreased by €3.5 billion to €426.2 billion at December 31, 2015, a decrease of 1% from €429.7 billion at December 31, 2014. Loans to private individuals, primarily for mortgage finance, were down €2.9 billion, or 1%, to €207.9 billion at December 31, 2015. Residential mortgage loans are granted by local Rabobanks and by Obvion. These loans are secured on underlying properties and have maturities up to 30 years. Loans to the trade, industry and services sector decreased by €6.4 billion to €120.5 billion at December 31, 2015. Lending to the food and agri sector increased by €5.8 billion to €97.8 billion at December 31, 2015, a 6% increase.

The following table shows a breakdown of Rabobank Group's total lending outstanding to the private sector at December 31, 2015 and December 31, 2014, by category of borrower:

	At December 31,			
	2015		2014	
	(in millions of euro and as percentage of total private sector lending)			
Private individuals	207,867	49%	210,788	49%

	At December 31,			
	2015		2014	
	(in millions of euro and as percentage of total private sector lending)			
Trade, industry and services sector	120,463	28%	127,287	30%
Food and agri sector	97,827	23%	92,316	21%
Total private sector lending	426,157	100%	430,391	100%

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

The following table provides a breakdown of the remaining maturity of Rabobank Group's total loans and advances to customers (public and private sector) and professional securities transactions at December 31, 2015 and December 31, 2014:

	At December 31,			
	2015		2014 (restated)	
	(in millions of euro and as percentage of total loans to customers)			
Less than 1 year	109,363	24%	107,461	23%
More than 1 year	349,255	76%	354,326	77%
Total loans to customers	458,618	100%	461,787	100%

Funding

At December 31, 2015, amounts due to customers of Rabobank Group were €337.6 billion, an increase of €11.3 billion compared to December 31, 2014. The balance held in savings deposits decreased by €2.1 billion to €140.5 billion, a decrease of 1% Other amounts due to customers (including current accounts, repurchase agreements and time deposits) increased by €13.4 billion to €197.1 billion at December 31, 2015. At December 31, 2015, debt securities in issue (including certificates of deposit, commercial paper and bonds) totaled €175.0 billion compared to €189.1 billion at December 31, 2014. Savings deposits (except fixed-time deposits, from 1 month to 20 years) generally bear interest at rates that Rabobank can unilaterally change.

The following table shows Rabobank Group's sources of funding by source at December 31, 2015, December 31, 2014 and December 31, 2013:

	At December 31,		
	2015	2014 (restated)	2013
	(in millions of euro)		
Current accounts	69,675	56,255	46,881
Deposits with agreed maturity	96,363	96,572	91,015
Deposits redeemable at notice	162,083	162,857	175,870
Repurchase agreements	488	2,025	1,474
Other due to customers	8,984	8,579	10,982
Debt securities in issue	174,991	189,060	195,361
Other financial liabilities at fair value through profit or loss	16,991	19,744	19,069

	At December 31,		
	2015	**2014 (restated)**	**2013**
		(in millions of euro)	
Total	529,575	535,092	540,652

Rabobank Group also receives funds from the inter-bank and institutional market. Rabobank Group's total due to other banks was €19.0 billion at December 31, 2015, a 5% increase from €18.1 billion at December 31, 2014.

*Other financial assets**

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

- Financial assets held for trading;
- Other financial assets at fair value through profit or loss; and
- Available-for-sale financial assets;

	Other financial assets at December 31, 2015			
	Financial assets held for Trading	**Financial assets designated at fair value**	**Available-for-sale financial assets**	**Total**
		(in millions of euro)		
Purchased loans	520	—	—	520
Short-term government securities	19	—	1,191	1,210
Government bonds	1,073	—	30,053	31,126
Other debt securities	1,637	791	5,594	8,022
Loans	—	1,006	—	1,006
Total debt securities	3,249	1,797	36,838	41, 884
Venture capital	—	270	—	270
Equity instruments	223	129	935	1,287
Total other assets	223	399	935	1,557
Total	3,472	2,196	37,773	43,441
Category 1[(1)]	2,385	24	33,068	35,447
Category 2[(1)]	961	1,187	4,111	6,259
Category 3[(1)]	126	985	594	1,705

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, 2014			
	Financial assets held for Trading	**Financial assets designated at fair value**	**Available-for-sale financial assets**	**Total**
	(in millions of euro)			
Purchased loans	712	—	—	712
Short-term government securities	123	—	2,297	2,420
Government bonds	950	12	31,456	32,418
Other debt securities	2,117	2,494	4,740	9,351
Loans	—	1,090	—	1,090
Total debt securities	3,902	3,596	38,493	45,991
Venture capital	—	274	—	274
Equity instruments	377	455	1,277	2,109
Total other assets	377	729	1,277	2,383
Total	4,279	4,325	39,770	48,374
Category 1[(1)]	3,059	318	36,974	40,351
Category 2[(1)]	1,091	2,274	1,805	5,170
Category 3[(1)]	129	1,733	991	2,853

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.

	At December 31,		
	2015	**2014**	**2013**
	(in millions of euro)		
Financial guarantees	10,402	11,826	11,429
Letters of credit	4,980	5,392	5,919
Credit granting liabilities	46,903	36,429	32,126
Other contingent liabilities	—	—	82
Total credit related and contingent liabilities	62,285	53,647	49,556

	At December 31,		
	2015	2014	2013
	(in millions of euro)		
Revocable credit facilities..	55,189	51,327	45,031
Total credit related commitments.................................	117,474	104,974	94,587

Capital adequacy

Rabobank wishes to have an adequate solvency position, which it manages based on a number of ratios. The principal ratios are the common equity Tier 1 ratio, the Tier 1 ratio, the total capital ratio and the equity capital ratio. Rabobank's internal targets exceed the regulators' minimum requirements as it anticipates market expectations and developments in laws and regulations. Rabobank seeks to stand out from other financial institutions, managing its solvency position based on policy documents. The Risk Management Committee and the Asset and Liability Committee, the Executive Board and the Supervisory Board periodically discuss the solvency position and the targets to be used.

Rabobank must comply with a number of minimum solvency positions stipulated under the law. The solvency position is determined based on ratios. These ratios compare Rabobank's total capital ratio and common equity Tier 1 ratio with the total amount of the risk-weighted assets. The minimum required percentages under the CRD IV are 8% and 4.5% of the risk-weighted assets, respectively.

The determination of the risk-weighted assets is based on separate methods for credit risk, operational risk and market risk. The risk-weighted assets are determined for credit risk purposes in many different ways. For most assets the risk weight is determined with reference to internal ratings and a number of characteristics specific to the asset concerned. For off-balance sheet items the balance sheet equivalent is calculated first, on the basis of internal conversion factors. The resulting equivalent amounts are then also assigned risk-weightings. An Advanced Measurement Approach Model is used to determine the amount with respect to the risk-weighted assets for operational risk. With the market risk approach, the general market risk is hedged, as well as the risk of open positions in foreign currencies, debt and equity instruments, as well as commodities.

The common equity Tier 1 ratio, the Tier 1 ratio and the total capital ratio are the most common ratios used to measure solvency. The common equity Tier 1 ratio expresses the relationship between common equity Tier 1 capital and total risk-weighted assets. At December 31, 2015, Rabobank Group's common equity Tier 1 ratio stood at 13.5% (year-end 2014; 13.6%).

Risk-weighted assets were up €1.2 billion to €213.1 billion at December 31, 2015 compared to €211.9 billion at December 31, 2014. The addition of profits was a contributing factor in the €0.1 billion increase in common equity Tier 1 capital to €28.8 billion at December 31, 2015 compared to €28.7 billion at December 31, 2014. 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 December 31, 2015, Rabobank Group's Tier 1 ratio stood at 16.4% (year-end 2014: 16.0%). The minimum requirement set by external supervisors under the CRD IV is 6.0%

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 December 31, 2015, the total capital ratio stood at 23.2% (year-end 2014: 21.3%). This exceeds the current minimum requirement set by the external supervisors of 8.0%

The following table sets forth the development in capital and solvency ratios of Rabobank Group at December 31, 2015, December 31, 2014 and December 31, 2013:

Development in capital and solvency ratios

	At December 31,		
	2015	2014	2013
	(in millions of euro, except percentages)		
Common equity Tier 1 capital	28,754	28,714	28,551
Common equity Tier 1 ratio	13.5%	13.6%	13.5%
Tier 1 capital	35,052	33,874	35,092
Tier 1 ratio	16.4%	16.0%	16.6%
Qualifying capital	49,455	45,139	41,650
Total capital ratio	23.2%	21.3%	19.8%

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:

	2015	2014	2013	2012	2011
	(in percentages)				
Return on assets(1)	0.32	0.27	0.29	0.28	0.38
Return on equity(2)	5.42	4.69	4.88	4.70	6.17
Equity to assets ratio(3)	5.95	5.80	5.82	5.96	6.19

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:

	2015	2014	2013	2012	2011
	(in millions of euro, except percentages)				
Outstanding Rabobank (Member) Certificates(1)	5,942	5,910	6,219	6,587	6,551
Payments	387	385	309	328	315
Average yield	6.51%	6.52%	4.96%	4.98%	4.81%

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, 2015, December 31, 2014 and December 31, 2013:

	2015	2014 (restated)	2013
	(in millions of euro)		
Private sector lending	426,157	429,731	434,691
Loans to government clients	3,353	2,135	2,661
Receivables relating to securities transactions	20,151	18,295	10,697
Hedge accounting	8,957	11,626	7,860
Loans and advances to customers	458,618	461,787	455,909
Loan impairment allowance loans and advances to customers	(8,372)	(9,348)	(8,581)
Reclassified assets	782	1,295	2,806
Loans and advances to customers	458,618	461,787	450,134

The following table sets forth a geographic breakdown of Rabobank Group's private sector loan portfolio at December 31, 2015, December 31, 2014 and December 31, 2013:

	At December 31,		
	2015	2014 (restated)	2013 (restated)
	(in millions of euro)		
The Netherlands	313,895	321,429	335,046
Rest of Europe	27,563	27,312	26,972
North America	42,098	40,198	36,569
Latin America	12,741	11,273	10,635
Asia	9,400	9,230	6,631
Australia	20,116	19,948	18,698
Other countries	344	341	140
Total private sector lending	426,157	429,731	434,691

Risk elements*

Breakdown of assets and liabilities by repayment date*

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

Payments due by period	At December 31, 2014 On demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
			(in millions of euro)			
Cash and balances at central banks	63,650	1,284	9	-	-	64.943
Loans and advances to banks	4,412	23,130	1,878	1,300	490	31.210
Financial assets held for trading	144	397	539	1,669	723	3.472
Financial assets designated at fair value	8	307	33	848	1.000	2.196
Derivatives	6	3,071	2,870	11,226	30.940	48.113
Loans and advances to customers	20,180	51,235	37,948	89,456	259.799	458.618
Available-for-sale financial assets	49	2,385	3,344	19,636	12.359	37.773
Deferred tax assets	2,335	-	-	-	55	2.390
Other assets (excluding employee benefits)	1,030	3,910	1,669	1,113	270	7.992
Total financial assets	**91,814**	**85,719**	**48,290**	**125,248**	**305,636**	**656,707**
Due to banks	2,911	9,459	2,492	3,415	761	19,038
Due to customers	244,194	46,108	12,322	12,550	22,419	337,593
Debt securities in issue	117	32,390	48,306	60,720	33,458	174,991
Derivatives and other trade liabilities	13	4,186	3,392	11,795	35,743	55,129
Other liabilities (excluding employee benefits)	1,363	4,350	1,343	590	48	7,694
Financial liabilities designated at fair value	62	542	2,380	4,464	9,543	16,991
Deferred tax liabilities	575	—	—	—	—	575
Subordinated liabilities	—	48	10	2,008	13,437	15,503
Total financial liabilities	**249,235**	**96,083**	**70,245**	**95,542**	**115,409**	**627,514**
Net liquidity balance	**(157,421)**	**(11,364)**	**(21,955)**	**29,706**	**190,227**	**29,193**

The above breakdown was compiled on the basis of contract information, without taking into account actual movements in items in the statement of financial position. This is taken into account, however, for the day-to-day management of liquidity risk. Customer savings are an example. By contract, they are payable on demand. However, historically this has been a stable source of financing at the long-term disposal of Rabobank. The regulations of the supervisory authority also factor this in. Based on the liquidity criteria of the Dutch Central Bank, Rabobank had a substantial liquidity surplus at December 31, 2015 and throughout 2015. The average liquidity surplus was 23% of the total liquidity requirement.

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

Interest rate sensitivity

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

The Basis Point Value ("**BPV**") is the absolute loss of economic value of equity after a parallel shift of the yield curve with 1 basis point. In 2015, the BPV did not exceed €14 million.

Long-term interest rate risk is measured and managed using the Equity at Risk concept. Equity at Risk is the sensitivity of Rabobank Group's economic value of equity to interest rate fluctuations. A 100 basis point overnight upward parallel shock of the curve will result in a 2.4% drop in economic value of equity.

Short-term interest rate risk is monitored using the Income at Risk concept. This is the amount of net interest income that is put at risk on an annual basis, based on certain interest rate scenarios. If interest rates were to gradually decrease 2 basis points over a one-year period, net interest income would decrease by €19 million (figure at December 31, in 2015).

*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, 2015, 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:

	Banks	Public authorities	Private sector	Total
		(in millions of euro)		
At December 31, 2015				
France	6,277	3,441	1,386	11,104
United Kingdom	6,888	7	13,544	20,439
Switzerland	182	9,910	1,969	12,061
United States	1,761	1,388	4,230	7,379
At December 31, 2014				
France	8,522	3,484	3,343	15,349
United Kingdom	13,641	1	13,245	26,887
Switzerland	382	5,433	1,596	7,411
United States	2,851	1,640	4,411	8,902
At December 31, 2013				
France	6,622	5,253	5,198	17,073
Germany	3,863	4,855	5,709	14,427
United Kingdom	14,218	6,289	10,446	30,953
Poland	96	2,415	7,592	10,103
United States	5,021	23,699	48,710	77,430
Brazil	1,043	615	5,881	7,539
Australia	953	1,898	13,149	16,000

*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, 2015:

	At December 31, 2015		
	On balance	**Off balance**	**Total**
	(in millions of euro)		
Grain and oilseeds	18,691	655	19,346
Animal protein	23,769	214	23,983
Dairy	14,373	69	14,442
Fruit and vegetables	10,865	216	11,081
Farm inputs	7,951	365	8,316
Food retail and food service	3,901	218	4,119
Beverages	2,670	16	2,686
Flowers	1,711	4	1,715
Sugar	2,671	23	2,694
Miscellaneous crop farming	2,069	8	2,077
Other food and agri	9,156	1,028	10,185
Total private sector lending to food and agri	97,827	2,815	100,642
Lessors of real estate	24,042	34	24,076
Finance and insurance (except banks)	14,296	1,464	15,760
Wholesale	10,986	4,155	15,141
Activities related to real estate	5,103	29	5,132
Manufacturing	7,806	997	8,803
Transportation and warehousing	6,281	349	6,630
Construction	5,214	1,258	6,472
Healthcare and social assistance	5,866	42	5,908
Professional, scientific and technical services	9,275	312	9,587
Retail (except food and beverages)	4,499	222	4,721
Utilities	3,011	925	3,936
Information and communication	888	7	895
Arts entertainment and recreation	1,414	14	1,428
Other services	21,782	34	21,816

	At December 31, 2015		
	On balance	**Off balance**	**Total**
		(in millions of euro)	
Total private sector lending to trade, industry and services	120,463	12,177	132,640
Private individuals	207,867	182	208,049
Total private sector lending	426,157	15,174	441,331

Apart from loans and advances to banks (€31.2 billion at December 31, 2015 which is 4.7% of total assets), Rabobank's only significant risk concentration is in the portfolio of loans to private individuals which accounted for 49% of the private sector loan portfolio at December 31, 2015. 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 23% in 2015. The proportion of the total loan portfolio attributable to trade, industry and services was 28% at December 31, 2015. 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.

Non-performing loans

Rabobank focuses on non-performing loans. These meet at least one of the following criteria:

- They are material loans in arrears by more than 90 days. The threshold for materiality amounts to €1,000 per facility for retail exposures and expert judgement for other asset classes within Rabobank Group;
- The debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past due amount or the number of days past due.

At December 31, 2015, these loans amounted to €19,503 million (2014: €21,250 million). The loan impairment allowance covered 43.5% (2014: 44.4%) of the non-performing loans. Over and above the loan impairment allowance, additional coverage is raised through collateral and other securities. Rabobank applies the one-obligor principle for the corporate portfolio, which means that the exposure to all counterparties belonging to the same group is taken into account. In addition, the full exposure to a client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of security or collateral. At December 31, 2015, non-performing loans corresponded to 4.6% (2014: 4.9%) of the private sector loan portfolio.

The following table provides an analysis of Rabobank Group's non-performing loans by business at December 31, 2015 and December 31, 2014:

	At December 31,	
	2015	**2014**
	(in millions of euro)	
Domestic retail banking	9,166	10,492
Wholesale banking and international retail banking	5,644	6,437
Leasing	681	576
Real estate	4,012	3,745
Other	—	—

	At December 31,	
	2015	2014
	(in millions of euro)	
Rabobank Group	19,503	21,250

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,		
	2015	2014	2013
	(in millions of euro)		
Domestic retail banking	4,836	4,561	3,866
Wholesale banking and international retail banking	2,816	2,672	2,893
Leasing	378	455	467
Real estate	1,270	842	376
Other	48	51	53
Balance on January 1	9,348	8,581	7,655
Domestic retail banking	377	1,469	1,397
Wholesale banking and international retail banking	556	448	592
Leasing	120	185	236
Real estate	91	657	514
Other	48	3	7
Loan impairment charges from loans and advances to customers	1,134	2,762	2,746
Domestic retail banking	(1,440)	(1,263)	(826)
Wholesale banking and international retail banking	(478)	(355)	(467)
Leasing	(167)	(268)	(223)
Real estate	(218)	(335)	(34)
Other	(74)	(6)	(10)
Write-down of defaulted loans during the year	(2,307)	(2,227)	(1,560)
Domestic retail banking	190	69	124
Wholesale banking and international retail banking	(14)	51	(346)
Leasing	(9)	6	25
Real estate	32	106	(14)
Other	(2)	-	1
Interest and other adjustments	197	232	(260)
Domestic retail banking	3,963	4,836	4,561
Wholesale banking and international retail banking	2,880	2,816	2,672
Leasing	322	378	455
Real estate	1,175	1,270	842

	At December 31,		
	2015	2014	2013
	(in millions of euro)		
Other	32	48	51
Total other balance at December 31,	8,372	9,348	8,581

*Due to customers**

The following table presents a breakdown of due to customers at December 31, 2015, December 31, 2014 and December 31, 2013. Interest rates paid on time deposits and savings deposits reflect market conditions and not all current accounts earn interest.

	At December 31,		
	2015	2014	2013 (restated)
	(in millions of euro)		
Current accounts	69,675	56,255	46,881
Deposits with agreed maturity	96,363	96,572	91,015
Deposits redeemable at notice	162,083	162,857	175,870
Repurchase agreements	488	2,025	1,474
Other due to customers	8,984	8,579	10,982
Total due to customers	337,593	326,288	326,222

*Short-term borrowings**

Short-term borrowings are borrowings with an original maturity of one year or less. These are included in Rabobank Group's consolidated statement of financial position under "Debt securities in issue". An analysis of the balance of short-term borrowings at December 31, 2015, December 31, 2014 and December 31, 2013 is provided below.

	At December 31,		
	2015	2014	2013
	(in millions of euro)		
Year-end balance	52,953	55,065	54,416
Average balance	55,087	56,434	53,389
Maximum month-end balance	65,076	59,842	63,765

Long-term borrowings

Long-term borrowings are borrowings with an original maturity of more than one year. These are included in Rabobank Group's consolidated statement of financial position under "Debt securities in issue" and "Other financial liabilities at fair value through profit or loss". An analysis of the balance of long-term borrowings at December 31, 2015, December 31, 2014 and December 31, 2013 is provided below.

	At December 31,		
	2015	**2014**	**2013**
	(in millions of euro)		
Year-end balance	139,029	153,739	160,015
Average balance	151,383	156,859	172,906
Maximum month-end balance	160,664	160,014	185,952

SELECTED FINANCIAL INFORMATION

The following selected financial data are derived from the audited consolidated financial statements of Rabobank Group for the year ended December 31, 2015, which have been audited by Ernst & Young Accountants LLP, the independent auditor in the Netherlands during the period covered by such financial statements, with the exception of the ratio loan impairment charges (in basis points of average lending), the latter being derived from the annual report of Rabobank Group. The data should be read in conjunction with the consolidated financial statements (and related notes), incorporated by reference herein and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Offering Circular. The Rabobank Group audited consolidated financial statements as of and for the years ended December 31, 2015 and 2014 have been prepared in accordance with IFRS as adopted by the European Union and comply with Part 9 of Book 2 of the Dutch Civil Code.

Pursuant to mandatory audit firm rotation rules in The Netherlands, PricewaterhouseCoopers Accountants N.V. replaced Ernst & Young Accountants LLP as Rabobank's independent auditor for financial periods beginning January 1, 2016.

Consolidated statement of financial position

	At December 31,	
	2015	**2014 (restated)**
	(in millions of euro)	
Assets		
Cash and balances at central banks	64,943	43,409
Loans and advanced to banks	31,210	45,962
Financial assets held for trading	3,472	4,279
Financial assets designated at fair value	2,196	4,325
Derivatives	48,113	56,489
Loans and advances to customers	458,618	461,787
Available-for-sale financial assets	37,773	39,770
Investments in associates and joint ventures	3,672	3,807
Goodwill and other intangible assets	1,493	2,059
Property and equipment	7,765	7,148
Investment properties	381	452
Current tax assets	193	211
Deferred tax assets	2,390	2,501
Other assets	7,999	8,560
Non-current assets held for sale	155	327
Total assets	**670,373**	**681,086**

	At December 31,	
	2015	**2014**
	(in millions of euro)	
Liabilities		
Due to banks	19,038	18,066
Due to customers	337,593	326,288
Debt securities in issue	174,991	189,060
Derivatives and other trade liabilities	55,129	67,560
Other liabilities	8,050	8,047
Financial liabilities designated at fair value	16,991	19,744
Provisions	993	794
Current tax liabilities	230	255
Deferred tax liabilities	575	473
Subordinated liabilities	15,503	11,928
Total liabilities	**629,093**	**642,215**

	At December 31,	
	2015	**2014**
	(in millions of euro)	
Equity		
Equity Rabobank and local Rabobanks	25,706	24,894
Equity instruments issued directly		
Rabobank Certificates	5,949	5,931
Capital Securities	7,826	6,349
	13,775	12,280
Equity instruments issued by subsidiaries		
Capital Securities	176	181
Trust Preferred Securities III to VI	1,131	1,043
	1,307	1,224
Other non-controlling interests	492	473
Total equity	**41,280**	**38,871**
Total equity and liabilities	**670,373**	**681,086**

Consolidated statement of income

	Year ended December 31,	
	2015	2014 (restated)
	(in millions of euro)	
Interest income	17,593	18,638
Interest expense	8,454	9,520
Net interest income	**9,139**	**9,118**
Fee and commission income	2,077	2,075
Fee and commission expense	185	196
Net fee and commission income	**1,892**	**1,879**
Income from associates	366	145
Net income from financial assets and liabilities at fair value through profit or loss	603	219
Gains/(losses) on available-for-sale financial assets	148	418
Other results	866	1,110
Income	**13,014**	**12,889**
Staff costs	4,786	5,086
Other administrative expenses	2,916	2,532
Depreciation	443	437
Operating expenses	**8,145**	**8,055**
Impairment losses on goodwill	623	32
Loan impairment charges	1,033	2,633
Regulatory levies	344	488
Operating profit before taxation	**2,869**	**1,681**
Taxation	655	(161)
Net profit	**2,214**	**1,842**
Of which attributed to Rabobank and local Rabobanks	880	620
Of which attributed to holders of Rabobank Certificates	387	385
Of which attributed to Capital Securities	809	705
Of which attributed to Trust Preferred Securities III to VI	63	74
Of which attributed to non-controlling interests	75	58
Net profit for the year	**2,214**	**1,842**

Financial ratios

	2015	2014
Total capital ratio	23.2%	21.3%
Tier 1 ratio	16.4%	16.0%
Common equity Tier 1 ratio	13.5%	13.6%
Equity capital ratio(1)	14.7%	14.4%
Loan impairment charges (in basis points of average lending)	24	60

Note:

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

RISK MANAGEMENT

Rabobank Group places a high priority on the management of risk and has extensive procedures in place for systematic risk management. Within Rabobank Group, the risk management policies relating to interest rate risk, market risk and liquidity risk are developed and monitored by the Risk Management Committee Rabobank Group ("**RMC**") in cooperation with the Risk Management Department. The RMC is responsible for financial and non-financial risk management, establishing risk policy, setting risk measurement standards, broadly determining limits and monitoring developments, and advising the Executive Board on all relevant issues regarding risk management.

The principal risks faced by Rabobank Group are credit risk, country risk, interest rate risk, liquidity risk, market risk, operational risk, legal risk and currency risk. Rabobank has implemented an economic capital framework to determine the amount of capital it should hold on the basis of its risk profile and desired credit rating. Economic capital represents the amount of capital needed to cover for all risks associated with a certain activity. The economic capital framework makes it possible to compare different risk categories with each other because all risks are 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 year ended December 31, 2015, Rabobank realized a RAROC, which is the ratio between net profit and average economic capital, after tax of 8.3%.

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 December 31, 2015, 49% of Rabobank Group's private sector lending consisted of loans to private individuals, mainly residential mortgages, which tend to have a very low risk profile in relative terms. The remaining 51% 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. The RMC establishes Rabobank Group's credit risk policy. Rabobank Group entities define and establish their own credit policies within this framework. In this context, the RMC Retail NL is responsible for domestic retail banking and the RMC WRR for wholesale banking and international retail banking. For corporate loans, a key concept in Rabobank Group's policy for accepting new clients is the "know your customer" principle, meaning that loans are granted only to corporate clients whose management, including their integrity and expertise, is known and considered acceptable by Rabobank Group. In addition, Rabobank Group is familiar with the industry in which a client operates and can assess its clients' financial performance. Corporate social responsibility implies responsible financing; accordingly, corporate social responsibility guidelines apply to the lending process as well.

With respect to the management of Rabobank Group's exposure to credit risk, Rabobank's Credit Risk Management Department and overall 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. Risk Management monitors Rabobank Group's credit portfolio and develops new methods for quantifying credit risks.

Risk profiling is also undertaken at the portfolio level using internal risk classifications for portfolio modelling. Internal credit ratings are assigned to borrowers by allocating all outstanding loans into various risk categories on a regular basis.

Rabobank Group uses the Advanced Internal Rating-Based ("**Advanced IRB**") approach for credit risk. This is the most risk-sensitive form of the CRD IV 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 Exposure At Default ("**EAD**"), Probability of Default ("**PD**") and Loss Given Default ("**LGD**"). It is partly on the basis of these parameters that Rabobank Group determines the economic capital and the Risk Adjusted Return On Capital (RAROC). These CRD IV 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 CRD IV 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. Rabobank Group's objective is to enter into long-term relationships with clients which are beneficial for both the client and Rabobank Group.

EAD is the expected exposure to the client in the event of, and at the time of, a counterparty's default. At year-end 2015, the EAD of the total Advanced IRB loan portfolio was €594 billion (2014: €582 billion). This EAD includes the expected future usage of unused credit lines. As part of its approval process Rabobank Group uses the Rabobank Risk Rating system, which indicates the counterparty's PD over a one-year period. The counterparties have been assigned to one of the 25 rating classes, including four default ratings. These default ratings are assigned if the customer defaults, the form of which varies from payment arrears of 90 days to bankruptcy. The weighted average PD of the total Advanced IRB loan portfolio is 0.98% (2014: 1.05%). This slight improvement in PD was caused by a change in the PD of existing debtors as well as by changes in the composition of the portfolio (inflow and outflow of clients), the implementation of new models and policy changes.

The following table shows the impaired loans (i.e. the amount of loans for which an allowance has been taken) of December 31, 2015, 2014 and 2013 per business unit as a percentage of private sector loans:

Impaired loans/private sector lending per business unit

	At December 31,		
	2015	**2014**	**2013**
	(in percentages)		
Domestic retail banking	3.0	3.0	3.0
Wholesale banking and international retail banking	5.4	3.9	4.1
Leasing	2.3	2.3	2.9
Real Estate	22.7	18.8	15.1
Rabobank Group	4.2	3.8	3.7

Loan impairment charges

Once a loan has been granted, ongoing credit management takes place as part of which new information, both financial and non-financial, is assessed. Rabobank monitors if the client meets all its obligations and whether it can be expected the client will continue to do so. If this is not the case, credit management is intensified, monitoring becomes more frequent and a closer eye is kept on credit terms. Guidance is provided by a special unit within Rabobank Group, particularly in case of larger and more complex loans granted to businesses whose continuity is at stake. If it is likely that the debtor will be unable to fulfil its contractual obligations, this is a matter of impairment and an allowance is made which is charged to income.

The following table sets forth Rabobank Group's loan impairment charges for the three years ended December 31, 2015, 2014 and 2013 per business unit as a percentage of private sector lending:

Loan impairment charges/average private sector lending per business unit

	Year ended December 31,		
	2015	**2014**	**2013**
	(in percentages)		
Domestic retail	0.12	0.48	0.45
Wholesale banking and international retail banking	0.53	0.44	0.57
Leasing	0.25	0.43	0.59
Real estate	0.56	3.64	2.78
Rabobank Group	0.24	0.60	0.59

Country risk

Rabobank Group uses a country limit system to manage transfer risk and collective debtor risk. After careful review, relevant countries are given an internal country risk rating, after which transfer limits and general limits are established.

Transfer limits are determined according to the net transfer risk, which is defined as total loans granted, less loans granted in local currency, less guarantees and other collateral obtained to cover transfer risk, and less a reduced weighting of specific products. The limits are allocated to the offices, which are themselves responsible for the day-to-day monitoring of the loans granted by them and for reporting on this to Risk Management.

At Rabobank Group level, the country risk outstanding, including additional capital requirements for transfer risk, is reported every quarter to the Risk Management Committee and the Country Limit Committee. The calculations of additional capital requirements for transfer risk are made in accordance with internal guidelines and cover all countries where transfer risk is relevant. Special Basel II parameters, specifically EATE (Exposure at Transfer Event), PTE (Probability of Transfer Event) and LGTE (Loss Given Transfer Event), are used to calculate the additional capital requirement for transfer risk. These calculations are made in accordance with internal guidelines and cover all countries where risk is relevant.

At December 31, 2015, the ultimate collective debtor risk for non-OECD countries was €24.7 billion and the net ultimate transfer risk before provisions for non-OECD countries was €15.4 billion, which corresponds to 2.3% of total assets (2014: 2.7%). It should be noted that reduced weighting of specific products is no longer included in this transfer risk figure.

Risk in non-OECD countries

					December 31, 2015	
Regions	**Europe**	**Africa**	**Latin America**	**Asia/ Pacific**	**Total**	**As% of total assets**
			(in millions of euros)			
Ultimate country risk (excluding derivatives)	818	466	10,335	13,123	24,742	3.7%
- of which in local currency exposure	148	178	5,604	3,377	9,307	
Net ultimate country risk before allowance	**670**	**288**	**4,731**	**9,746**	**15,435**	**2.3%**
						As% of total allowance
Total allowance for ultimate country risk	**10**	**—**	**144**	**191**	**346**	**4.1%**

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

Interest rate risk

Rabobank Group is exposed to structural interest rate risk in its balance sheet. Interest rate risk can result from, among other things, mismatches in assets and liabilities; for example, mismatches between the periods for which interest rates are fixed on loans and funds entrusted. Rabobank Group uses three indicators for managing, controlling and limiting short- and long-term interest rate risk: Basis Point Value, Income at Risk and Equity at Risk. Based on the Basis Point Value, Income at Risk and Equity at Risk analyses, the Executive Board forms an opinion with regard to the acceptability of losses related to projected interest rate scenarios, and decides upon limits with regard to the Group's interest rate risk profile.

Rabobank Group's short-term interest rate risk can be quantified by looking at the sensitivity of net interest income (interest income less interest expenses, before tax) for changes in interest rates. This "Income at Risk" figure represents the decline 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 behavior in reaction to interest rate movements and changes in the pricing policy of savings products. Historically, the applied interest rate scenarios were based on the assumption that all money and capital market interest rates will show an even and parallel increase/decline by 200 basis points during the first 12 months. However, given the current low interest rate environment and the assumption that interest rates will not fall further sharply if they are already (partially) negative, the 200 basis points down scenario has been replaced by a scenario that envisages interest rates declining by only a smaller number of basis points. At the end of 2015, for euro loans a decline of 2 basis points was assumed. This assumption was the same as at

December 31, 2014. However, in 2016 Rabobank adjusted its "Income at Risk" methodology in such a way that the size of the applied downward shock would be at least 10 basis points, meaning that interest rates could go further into negative territory. 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 100 basis points. The economic value of equity is defined as the present value of the assets less the present value of the liabilities plus the present value of the off-balance sheet items. In the 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, 2015 and December 31, 2014, the Income at Risk ("**IatR**") and Equity at Risk ("**EatR**") for Rabobank Group were as follows:

	2015	**2014**
	(in millions of euro, except percentages)	
Income at Risk (2 bp decline)	19	15
Equity at Risk	2.4%	0.4%

The current low interest rate environment received significant attention during 2015. For a bank in general a low interest rate environment is challenging for profitability. Non-interest bearing liabilities and liabilities with zero or very low interest rates, such as the equity and current account balances, are less profitable in the event of low interest rates. In 2015, the interest rate was in fact negative on the short end of the curve. In addition, a low interest environment is often accompanied by a flattening of the curve resulting in a bank making less profit on the transformation of short-term liabilities into longer term assets. Rabobank's scenario analysis shows that a further interest rate decline and flattening of the curve has negative consequences for interest income in the event of unchanging margins, particularly for retail businesses. The impact of this increases if the situation continues or the curve becomes more negative.

Liquidity risk

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

Responsibility for the day-to-day management of liquidity exposures, the raising of professional funding on the money market and the capital market, and the management of the structural position lies with Rabobank Group's Treasury Department. In keeping with the Basel principles, the policy is aimed at financing long-term loans by means of stable funding, specifically amounts due to customers and long-term funding from the professional markets. Rabobank Group's funding and liquidity risk policy also entails strictly limiting outgoing cash flows at the wholesale banking business, maintaining a large liquidity buffer and raising sufficient long-term funding in the international capital market. The retail banking division is assumed to be largely self-funding thanks to money raised from customers. The division raised more than enough money to fund operations in 2015 given low lending demand. Retail savings declined due to prepayments on mortgages.

Liquidity risk is an organization-wide matter and managed by Treasury Rabobank Group. Rabobank has developed several methods to measure and manage liquidity risk, including a method for calculating the survival period, i.e. the period that the liquidity buffer will hold up under severe market-specific or idiosyncratic stress. In the most severe stress scenario, it is assumed that Rabobank no longer has access to the capital markets, i.e. no long- or short-term debt can be issued or refinanced. During 2015, Rabobank more than satisfies the minimum survival period of three months in all the internally used scenarios.

Market risk

Market risk relates to the change in value of Rabobank Group's trading portfolio as a consequence of changes in market prices, such as interest rates, foreign exchange rates, credit spreads, commodity prices and equity share prices. The RMC-RG is responsible for developing and supervising market risk policies and monitors Rabobank Group's worldwide market risk profile. On a daily basis, the Market Risk Department measures and reports the market risk positions. Market risk is calculated based on internally developed risk models and systems, which are approved and accepted by the Dutch Central Bank. The internal "Value at Risk" model forms a key part of Rabobank's market risk framework. Value at Risk describes the maximum possible loss that Rabobank 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, 2015, the Value at Risk, based on a one-day holding period and 97.5% confidence level, fluctuated between €2.5 million (2014: €2.4 million) and €8.7 million (2014: €22.5 million), with an average of €4.8 million (2014: €3.8 million). The increase of the average Value at Risk compared to 2014 follows from changes in positions and activities. Value at Risk movements were limited and have mainly been driven by volatility in the financial markets, especially during the first half of 2015.

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

Operational risk

Operational risk is the risk of direct or indirect losses arising from inadequate or failed internal processes, people and systems or from external events. Possible legal and reputational risks are included while assessing and managing operational risks. Rabobank Group has a group-wide operational risk policy and it applies the Advanced Measurement Approach to its operational risk framework. The group-wide operational risk policy is based upon the principle that the primary responsibility for managing operational risks lies with Rabobank Group entities and should be part and parcel of the strategic and day-to-day decision-making process. The objective of operational risk management is to identify, measure, mitigate and monitor operational risk. The management of each Rabobank Group entity is responsible for developing policies and procedures to manage their specific operational risks in line with the Rabobank Group Operational Risk Management policy. Group Risk Management – Operational Risk Management ("**RM-ORM**") offers overview, support tools, expertise and challenge to the group entities and provides transparency in Rabobank Group to senior management. Examples of the instruments made available to facilitate operational risk management within each Rabobank Group entity include risk assessment and scenario analysis. All entities record operational incidents and report them on a quarterly basis to the Group Operational Risk Department which are, in turn, used for both operational risk management and measurement.

Legal risk

Rabobank Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, Rabobank Group is exposed to many forms of legal risk, which may arise in a number of ways. Rabobank Group faces risk where legal proceedings, whether private litigation or regulatory enforcement actions are brought against it. The outcome of such proceedings is inherently uncertain and could result in financial loss. Defending or responding to such proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if Rabobank Group is successful.

Currency risk

Currency risk is the risk of changes in income or equity as a result of currency exchange movements. In currency risk management, a distinction is made between positions in trading books and positions in banking books. In the trading books, currency risk is part of market risk and is controlled using Value at Risk and other limits, as are other market risks. This risk is monitored on a daily basis. The policy aims to prevent open positions whenever possible. The value at risk from currency risk exposure in the trading books stood at €0.4 million at December 31, 2015 (2014: €0.1 million). The non-trading books are only exposed to the translation risk on capital invested in foreign activities and on issues of hybrid equity instruments not denominated in euros. For the monitoring and management of translation risk, Rabobank uses a policy designed to protect the common equity Tier 1 ratio against the effects of exchange rate movements. Unhedged translation risks are measured using the Value at Risk method. Translation risks are measured using a confidence interval of 99.99% and an assumed horizon of one year.

GOVERNANCE OF RABOBANK GROUP

Rabobank structure & governance

Rabobank Group comprises Coöperatieve Rabobank U.A. (Rabobank) and its subsidiaries and participations in the Netherlands and abroad. Rabobank operates not only from the Netherlands but also from branches and representative offices all over the world. These branches and offices all form part of the legal entity Rabobank. Rabobank also conducts business through separate legal entities worldwide. Rabobank is a shareholder of such entities. Rabobank has its executive office in Utrecht, the Netherlands. Its statutory seat is in Amsterdam, the Netherlands. Rabobank uses various tradenames, such as “Rabobank”, “Rabobank Nederland”, “Rabobank International” and the names of the various local banks.

Rabobank has a banking license and the legal form of a cooperative. Rabobank’s cooperative identity goes back to the late 19th century when a group of farmers founded the first agricultural cooperative banks. Until January 1, 2016, the Dutch local banks were separate legal cooperative entities. On January 1, 2016, a legal merger under universal title (*onder algemene titel*) took place between Rabobank and all 106 local banks. Rabobank was the successor entity.

As a cooperative, Rabobank has members, not ordinary shareholders. Customers of Rabobank in the Netherlands have the opportunity to become members of Rabobank. At the moment, Rabobank has approximately 2 million members. Rabobank is a cooperative with excluded liability (*coöperatie*). Members do not make capital contributions to Rabobank and do not have claims on the equity of Rabobank. The members do not have any obligations and are not liable for the obligations of Rabobank.

Main characteristics of governance

Rabobank is a decentralized organization with decision making powers at both a local and central level.

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

The **local members' councils** consist of 30-50 members and have a statutory status. Local members' councils report to, and act as sparring partner of, the management team of the local bank on the quality of services and the contribution on social and sustainable development of the local environment. These councils have a number of formal tasks and responsibilities. One of the powers of the local members' council is appointment, suspension and dismissal of the local supervisory body, including its chairman.

The **local supervisory body** consists of 3 to 7 members and is part of the Department. It is a statutory body and has various tasks and responsibilities, including a supervisory role on the local bank. As part of that role, the executive board has granted the local supervisory body a number of authorizations in respect of material decisions of the management team chairman. The local supervisory body monitors the execution by the management team chairman of the local strategy. The local supervisory body also exercises the functional employer's role in relation to the management team chairman of the local bank. The supervisory body is accountable to the local members' council.

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

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

The members of the **supervisory board** of Rabobank are appointed by the General Members' Council on the recommendation of the supervisory board. Two thirds of the number of members of the supervisory board must be members of Rabobank. The supervisory board performs the supervisory role and is accountable to the General Members' Council. In this respect, the supervisory board monitors compliance with laws and regulations and inter alia achievement of Rabobank's objectives and strategy. The supervisory board has the power to approve material decisions of the executive board. The supervisory board also has an advisory role in respect to the executive board. The supervisory board has several committees, inter alia a risk committee and an audit committee, that perform preparatory and advisory work for the supervisory board.

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

The **executive board** of Rabobank is responsible for the management of Rabobank including the local banks and, indirectly, its affiliated entities. The executive board has the ultimate responsibility for defining and achieving the targets, strategic policy and associated risk profile, financial results and corporate social responsibility aspects. In addition, the executive board is in charge of Rabobank Groups' compliance with relevant laws and regulations. The executive board is the hierarchical employer of the management team chairmen of the local banks. The executive board members are appointed by the supervisory board and are accountable to the General Members' Council.

The **directors' conference** has a statutory basis but is not a decision-making body. It is a preparatory, informative and advisory meeting for proposals and policies concerning the business of the local banks. The executive board, management team chairmen of the local banks and directors of divisions that support local banks participate in this meeting.

Employee influence within Rabobank Group

Rabobank attaches great value to consultations with the various employee representative bodies. Employee influence within Rabobank Group has been enabled at various levels. Issues concerning the business of Rabobank are handled by Rabobank's Works Council. Subsidiaries 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.

Members of Supervisory Board and Executive Board

Supervisory Board of Rabobank

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

Name	Born	Year Appointed	Term Expires	Nationality
Wout (W.) Dekker, Chairman*....................	1956	2010	2016	Dutch
Irene (I.P.) Asscher-Vonk............................	1944	2009	2017	Dutch
Leo (L.N.) Degle	1948	2012	2016	German
Arian (A.A.J.M.) Kamp..............................	1963	2014	2018	Dutch
Leo (S.L.J.) Graafsma.................................	1949	2010	2018	Dutch
Erik (E.A.J.) van de Merwe.........................	1950	2010	2016	Dutch
Ron (R.) Teerlink...	1961	2013	2017	Dutch
Marjan (M.) Trompetter	1963	2015	2019	Dutch

* Subject to regulatory approval, Wout Dekker will hand over the role of Chairman of the Supervisory Board to Ron Teerlink, who is currently Vice Chairman, at the Meeting of the General Members Council on September 14 2016.

Mr. W. Dekker (Wout)

Date of birth November 10, 1956

Profession	Professional supervisory director
Main position	Chairman of the Supervisory Board of Rabobank
Nationality	Dutch
Auxiliary positions	**Supervisory Directorships:** – Member of the Supervisory Board of Randstad N.V. – Chairman of the Supervisory Board of Prinses Máxima Centrum – Shareholder/private investor in Zeeuws Investment Fund (stake of greater than 5%)
Date of first appointment to the Supervisory Board	June 2010
Current term of appointment to the Supervisory Board	June 2012 – June 2016

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

Date of birth	September 5, 1944
Profession	Professional supervisory director
Main position	None
Nationality	Dutch
Auxiliary positions	**Supervisory Directorships:** – Member of the Supervisory Board of Rabobank – Member of the Supervisory Board of KLM – Member of the Supervisory Board of Arriva Nederland – Member of the Supervisory Board of Philip Morris Holland **Other auxiliary positions:** – Chair of the National Arbitration Board for Schools (*Landelijke Geschillencommissie Scholen*) – Chair of The Dutch Museum Association (*Museumvereniging*)
Date of first appointment to the Supervisory Board	June 2009
Current term of appointment to the Supervisory Board	June 2013 – June 2017

Mr. L.N. Degle (Leo)

Date of birth	August 15, 1948
Profession	Professional director/supervisory director
Main position	None
Nationality	German
Auxiliary positions	**Supervisory Directorships:** – Member of the Supervisory Board of Rabobank – Member of the Supervisory Board of Berlage B.V.

	– Member of the Supervisory Board of Ten Kate B.V.
Date of first appointment to the Supervisory Board	September 2012
Current term of appointment to the Supervisory Board	September 2012 - September 2016

Mr. A. Kamp (Arian)

Date of birth	June 12, 1963
Profession	Entrepreneur, owner of a cattle farm
Main position	Cattle farmer and professional supervisory director
Nationality	Dutch
Auxiliary positions	**Supervisory Directorships:** – Member of the Supervisory Board of Rabobank – Vice-chairman Supervisory Board Koninklijke Coöperatie Agrifirm UA – Member of the Board of Stichting Beheer Flynth
Date of first appointment to the Supervisory Board	December 2014
Current term of appointment to the Supervisory Board	December 2014 – December 2018

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

Date of birth	March 29, 1949
Former profession	Public accountant/partner of audit, tax and advisory firm KPMG
Main position	Member of the Supervisory Board of Rabobank
Nationality	Dutch
Auxiliary position	– 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 Supervisory Board	September 2010 – June 2014

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

Date of birth	December 30, 1950
Profession	Advisor Professional director/ supervisory director
Main position	None
Nationality	Dutch
Auxiliary Positions	**Supervisory Directorships:** – Member of the Supervisory Board of Rabobank – Member of the Supervisory Board (and member of the audit

	committee) of Achmea B.V. – Chairman of the Supervisory Board (and audit committee) of Staalbankiers N.V. **Other auxiliary positions:** – Chairman of the Board of Governors of the postgraduate study 'Corporate Compliance and Integrity', VU University Amsterdam – Chairman of the Board of Supervision and Chairman of the audit committee of the Dutch Burns Foundation (*Nederlandse Brandwonden Stichting*) – Chairman of the Supervisory Council Euro Tissue Bank – Member of the Advisory Council of the Dutch Institute of Internal Auditors (IIA) – Member of the Arbitration committee of the Dutch Securities Institute (DSI) – Jury member for the Henri Sijthoff Award – Member of the Board of Stichting KidsRights Foundation – Chairman of the Governing Board of De Nieuwe Commissaris
Date of first appointment to the Supervisory Board	June 2010
Current term of appointment to the Supervisory Board	June 2012 – June 2016

Mr. R. Teerlink (Ron)

Date of birth	January 28, 1961
Profession	Management Consultant
Main position	Independent Management Consultant
Nationality	Dutch
Auxiliary positions	– Vice chairman of the Supervisory Board of Rabobank – Member of the Supervisory Board of Equens SE
Date of first appointment to the Supervisory Board	September 2013
Current term of appointment to the Supervisory Board	September 2013 – June 2017

Mrs. M. Trompetter (Marjan)

Date of birth	November 1, 1963
Profession	– Supervisory Director – Self-employed Management Consultant – Assistant Professor of Organisational Science, VU University Amsterdam
Main position	Supervisory Director

Nationality	Dutch
Auxiliary positions	**Supervisory Directorships:** – Member of the Supervisory Board of Rabobank – Member of Supervisory Board of Friesland Mental Health Care Association – Member of Supervisory Board of Rijnstate Hospital, Arnhem – Member of Supervisory Board of Salvation Army Foundation for Welfare and Health Care Services **Other auxiliary position:** – Chairman of the Board of the Dutch Cancer Society, Elburg Division
Date of first appointment to the Supervisory Board	September 2015
Current term of appointment to the Supervisory Board	September 2015 – September 2019

Executive Board of Rabobank

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

Name	Born	Year Appointed	Nationality
Wiebe (W.) Draijer, Chairman	1965	2014	Dutch
Bas (B.C.) Brouwers, member	1972	2016	Dutch
Berry (B.J.) Marttin, member	1965	2009	Dutch and Brazilian
Ralf (R.J.) Dekker, member	1957	2013	Dutch
Rien (H.) Nagel, member	1963	2013	Dutch
Jan (J.L.) van Nieuwenhuizen, member	1961	2014	Dutch
Petra (P.) van Hoeken, member	1961	2016	Dutch

Wiebe (W.) Draijer

Mr. Draijer was appointed as chairman of the Executive Board of Rabobank as of October 1, 2014. From January 1, 2016 until April 1, 2016, Mr. Draijer performed the role of interim CRO. Mr. Draijer served as President of the Social and Economic Council of the Netherlands from 2012 to 2014. Prior to that, he held several positions within management-consulting firm McKinsey & Company and worked as a journalist.

Auxiliary positions:	– Member of the supervisory board of the Dutch Banking Association (Nederlandse Vereniging van Banken) – Member of the supervisory board of Unico Banking Group – Member of the supervisory board of Museum Nemo/National Centre for Science and Technology

- Member of the supervisory board of the Kröller-Müller Museum
- Member of the supervisory board of Staatsbosbeheer (national nature conservation)

Bas (B.C.) Brouwers

Mr. Brouwers (1972) was appointed as CFO to the Executive Board of Rabobank as of January 1, 2016. Mr. Brouwers started his career in 1995 with KPMG International. From 1998, Mr. Brouwers worked at ING Group, where he held various positions in the field of finance and control. From 2007 to 2013 he worked for ING in Germany, at ING DiBa. Mr. Brouwers was CFO and director of ING DiBa from 2008 to 2013. From 2013, he was CFO of ING Nederland.

Ralf (R.J.) Dekker

Mr. Dekker was appointed to the Executive Board of Rabobank as of November 1, 2013. As COO Mr. Dekker is responsible for operational support of the banking services. He joined Rabofacet in 1993, where he (a.o.) acted as Director IT (1996-1998) and general manager (1998-2000). From 2000 until November 1, 2013 he acted as a member of the managing board of Rabobank International, Chief Operating Officer of Rabobank International and as a member of the Wholesale and Rural & Retail management teams of Rabobank International. Mr. Dekker currently acts as chairman of the board of commissioners of PT Bank Rabobank International Indonesia.

Auxiliary position:

- Member of the supervisory board of Rabohypotheekbank

Berry (B.J.) Marttin

Mr. Marttin was appointed to Rabobank's Executive Board as of July 1, 2009. Mr. Marttin joined Rabobank in 1990. Within the Executive Board, Mr. Marttin is responsible for the international retail network, the regional international operations, international risk management and Rabobank Development. He is also a member of the Management Team for Wholesale, Rural & Retail. From 1990 until 2004 he fulfilled a number of international positions within Rabobank. After several positions in Brazil and Curacao he served as Head of International Corporates in Hong Kong, Head of Risk Management in Indonesia and as General Deputy Manager for Rabobank Australia and New Zealand. Prior to his appointment to Rabobank's Executive Board, he was Chairman of the board of directors of Rabobank Amsterdam.

Auxiliary positions:

- Board Member, Unico Banking Group
- First Vice President of the Executive Team, American Chamber of Commerce
- Chairman of the International Advisory Board, Amsterdam University College
- Member of the Supervisory Board, Wageningen University
- Member of the Supervisory Board of IDH (Initiatief Duurzame Handel/Dutch Sustainable Trade Initiative)
- Member of the Dutch Trade Board
- Chairman of the Supervisory Board of De Lage Landen International B.V
- Member of the Board of Directors Rabohypotheekbank N.V.
- Member of the Board of Directors Rabobank International Holding B.V.

– Member of the Board of Directors RI Investment Holding B.V.
– Member of the Board of Rabobank Foundation
– Member of the Board Rabobank Australia Ltd.
– Member of the Board Rabobank New Zealand Ltd.
– Chairman of the Shareholders Council of Rabo Development
– Chairman of the Supervisory Board of Obvion N.V.
– Member of the Supervisory Board Stichting Nieuwe Fondsen

Rien (H.) Nagel

Mr. Nagel was appointed to Rabobank's Executive Board as of November 1, 2013, where he is responsible for services to retail banking, private banking and businesses in the Netherlands, as well as for the Cooperative and Governance division. Since 1987, Mr. Nagel held several managing positions in local Rabobanks before becoming director Retail Banking of Rabobank in 2013.

Auxiliary positions:

– Member of the Supervisory Board, DLL
– Member of the Supervisory Board, FGH Bank
– Member of General Management and Board of Directors, VNO-NCW (Confederation of Netherlands Industry and Employers)
– Board Member, Dutch Banking Association (NVB)
– Member of the Supervisory Board, Dutch Council for Cooperatives
– Member of the Supervisory Board, Het Utrechts Landschap
– Board Member, Utrecht Development Board
– Member of the Advisory Board, University Centre for Sports Medicine

Jan (J.L.) van Nieuwenhuizen

Mr. Van Nieuwenhuizen was appointed to Rabobank's Executive Board as of March 24, 2014. In the Executive Board Mr. Van Nieuwenhuizen is responsible for Rabobank's Dutch and international Wholesale Banking activities. From 1986 until 2009, Mr. Van Nieuwenhuizen fulfilled several international positions at Morgan Stanley, JP Morgan and NIBC. Since 2009, Mr. Van Nieuwenhuizen has been a member of the Management Team of Rabobank International, currently known as Wholesale, Rural & Retail, responsible for Trade and Commodity Finance, Corporate Finance and Private Equity until his appointment to the Executive Board.

Auxiliary positions:

– Member of the Supervisory Board of Rabo Real Estate Group
– Chairman of the Supervisory Board of FGH Bank

Mrs. P. Van Hoeken (Petra)

Mrs. Van Hoeken was appointed to Rabobank's Executive Board as of April 1, 2016 as CRO. From 2008 Mrs. Van Hoeken was CRO for Europe, the Middle East and Africa at RBS, covering credit, market and operational risk and regulatory risk and compliance. She has also held various international roles at ABN Amro, both in commercial and in risk management positions. Prior to her appointment to Rabobank's Executive Board, she was a member of the Executive Board of NIBC as CRO.

Auxiliary position:	–	Member of the Supervisory Board and the Audit & Risk Committee of the Nederlandse Waterschapsbank (NWB)

Administrative, management and supervisory bodies - conflicts of interests

The Issuer is not aware of any potential conflicts of interest between the duties to Rabobank and their private interests or other duties of the persons listed above under "Supervisory Board of Rabobank" and "Executive Board of Rabobank".

Administrative, management and supervisory bodies - business address

The business address of the members of Rabobank's Supervisory Board and Executive Board is Croeselaan 18, 3521 CB Utrecht, the Netherlands.

REGULATION OF RABOBANK GROUP

Rabobank is a bank organized under the laws of the Netherlands. The principal Dutch law on supervision applicable to Rabobank is the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), which entered into force on January 1, 2007 and under which Rabobank is supervised by the AFM and the Dutch Central Bank (*De Nederlandsche Bank N.V.*). Further, as of November 4, 2014, the ECB assumed certain supervisory tasks from the Dutch Central Bank and is now the competent authority responsible for supervising Rabobank Group's compliance with prudential requirements. Rabobank and the various Rabobank Group entities are also subject to certain European Union ("**EU**") legislation, which has a significant impact on the regulation of Rabobank Group's banking, asset management and broker-dealer businesses in the EU, and to the regulation and supervision of local supervisory authorities of the various countries in which Rabobank Group does business.

Basel Standards

Introduction

The Basel Committee develops international capital adequacy guidelines based on the relationship between a bank's capital and its risks, including, *inter alia,* credit, market, operational, liquidity and counterparty risks.

Credit Risk

To assess their 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 standardized risk weights set out in the Basel II capital guidelines and external credit ratings; it is the least complex. The two Internal Ratings Based Approaches allow banks to use internal credit rating systems to assess the adequacy of their capital. The Foundation Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Probability of Default". In addition to this component of credit risk, the Advanced Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Exposure at Default" and the "Loss Given Default". The Group has chosen the most sophisticated approach, the Advanced IRB approach.

In December 2014, the Basel Committee announced its intention to revisit the system of capital floors for internal models for credit risk. The Basel II framework originally introduced a capital floor as part of the transitional arrangements for banks using the Advanced IRB approach for credit risk. The objective of the floor was to ensure capital requirements did not fall below a certain percentage of banks' capital requirements under the previous Basel I framework. In its December 2014 consultation paper entitled "Capital floors: the design of a framework based on standardized approaches", the Basel Committee states that it views the role of a capital floor as an integral component of the capital framework.

Further, on December 10, 2015, the Basel Committee issued a second consultation document entitled "Revisions to the Standardized Approach for credit risk", which reintroduces the use of external ratings, in a non-mechanistic manner, for exposures to banks and corporates. This consultation document forms part of the Basel Committee's broader review of the capital framework to balance simplicity and risk sensitivity, and to promote comparability by reducing variability in risk-weighted assets across banks and jurisdictions.

This consultation is especially important given the proposed upcoming capital floors which will be based on the standardized approaches. The impact could be significant for internal ratings-based banks like Rabobank as its capital will be "floored" based on simplistic standardized approaches. A capital floor complements the leverage ratio introduced as part of Basel III. In March 2016 the Basel Committee issued a consultation on setting additional constraints on the use of internal model approaches for credit risk, in particular through the use of input floors. Together, these measures aim to reinforce the risk-weighted capital framework and promote confidence in the regulatory capital framework. The Basel Committee will conduct a comprehensive quantitative impact study ("**QIS**") in 2016. All calibrations in the consultative document are preliminary, and will be subject to review based on evidence from the QIS, to ensure adequate capitalization and overall consistency with other components of the capital framework. For further information, see “Recent Developments” below.

Prior to finalizing the revised standardized approach by the end of 2016, the Basel Committee will evaluate appropriate implementation arrangements, and will provide sufficient time for such implementation, taking into account the range of other reforms that have been, or are due to be, agreed by the Basel Committee. The implementation date has not yet been confirmed. Rabobank expects that the implementation date would not be until 2019 at the earliest, together with a phased-in implementation schedule.

See the risk factor entitled “Minimum regulatory capital and liquidity requirements”.

Market Risk

To assess their market risk, banks can choose between a “Standardized approach” or an alternative methodology based on own internal risk management models. Rabobank has permission from its supervisor to calculate the general and specific exposures using its internal Value-at-Risk (VaR) models.

Operational Risk

To assess their operational risk, banks can also choose between three approaches with different levels of sophistication, the most refined of which is the “Advanced Measurement Approach”. The Group has chosen the Advanced Measurement Approach.

Basel III Reforms

The Basel III framework, which is implemented in the EU by means of the CRD IV Directive and CRR (see “European Union Standards – The CRD IV Directive and CRR” below) sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. The Basel III Reforms include 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, under CRD IV, are gradually phased in from January 1, 2014 until January 1, 2018)). The total Tier 1 capital requirement has increased from 4% to 6% under CRD IV. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5% 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.

Capital requirements have been further supplemented by the introduction of a non-risk-based leverage ratio of 3% in order to limit an excessive build-up of leverage on a bank’s balance sheet. During the period from January 1, 2013 to January 1, 2017, the Basel Committee will monitor banks’ leverage data on a semi-annual basis in order to assess whether the proposed design and calibration of a minimum leverage ratio of 3% is appropriate over a full credit cycle and for different types of business models. This assessment will include consideration of whether a wider definition of exposures and an off-setting adjustment in the calibration would better achieve the objectives of the leverage ratio. The Basel Committee will also closely monitor accounting standards and practices to address any differences in national accounting frameworks that are material to the definition and calculation of the leverage ratio.

In addition, the Basel III Reforms have introduced two international minimum standards intended to promote resilience to potential liquidity disruptions over a 30 day horizon and limit over-reliance on short-term wholesale funding during times of buoyant market liquidity. The first one is referred to as the liquidity coverage ratio (the “**LCR**”) which is being gradually phased in from January 1, 2015. The LCR tests the short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficiently high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The second one is referred to as a net stable funding ratio (the "**NSFR**"), which will be introduced on January 1, 2018. The NSFR tests resilience over a longer period by requiring banks to hold a minimum amount of stable sources of funding relative to the liquidity profiles of the assets and the potential contingent liquidity needs arising from off-balance sheet commitments.

Recent Developments

In January 2016, the GHOS (Central Bank Governors and Heads of Supervision, which is the oversight body of the Basel Committee) agreed that the Basel Committee would complete its work to address the problem of excessive variability in risk-weighted assets by the end of 2016. The Basel Committee's program will include the following key elements:

- consultation on the removal of internal model approaches for certain risks (such as the removal of the Advanced Measurement Approach for operational risk); and
- consultation on setting additional constraints on the use of internal model approaches for credit risk, in particular through the use of input floors.

The GHOS will review the Basel Committee's proposals on the risk-weighted framework and the design and calibration of capital floors at or around the end of 2016.

There can be no assurance that the Basel Committee will not further amend the package of reforms described above. Further, the European Commission, the ECB and the Dutch Central Bank or the Dutch legislator may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital and liquidity requirements on Dutch banks. For example, the Basel Committee is currently undertaking a review of the complete regulatory capital framework. In the market, this review has been colloquially described as "Basel IV" given the potentially significant reforms.

European Union legislation

The CRD IV Directive and CRR

As of January 1, 2014, EC Directive 2006/48 and EC Directive 2006/49 were repealed by the CRD IV Directive. The CRD IV Directive, together with the CRR, implements the Basel III Reforms in the EEA. Both texts were published in the Official Journal of the European Union on June 27, 2013 and became effective on January 1, 2014 (except for capital buffer provisions which apply as of January 1, 2016). The CRD IV Directive was implemented into Dutch law by amendments to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) pursuant to an amendment act (the "**CRD IV/CRR Implementation Act**") which entered into force on August 1, 2014. The CRR has established a single set of harmonized prudential rules which apply directly to all banks in the EEA as of January 1, 2014, but with particular requirements being phased in over a period of time, to be fully applicable by various dates up to 2021. The harmonized prudential rules include own funds requirements, an obligation to maintain a liquidity coverage buffer (similar to the LCR, although the CRR obligation does not yet include a requirement to meet a ratio), a requirement to ensure that long-term obligations are adequately met under both normal and stressed conditions and the requirement to report on these obligations. The competent supervisory authorities will evaluate whether capital instruments meet the criteria set out in the CRR. The CRR also includes the obligation to report on a bank's leverage ratio (this requirement is similar to the leverage ratio requirement introduced by Basel III, however, the CRR does not yet include a requirement to meet a minimum ratio).

On January 17, 2014, a regulation on specific provisions set out in the CRD IV Directive and the CRR (*Regeling specifieke bepalingen CRD IV en CRR*) ("Dutch CRD IV and CRR Regulation"), as published by the Dutch Central Bank, entered into force. The Dutch CRD IV and CRR Regulation contains specific provisions relating to the CRD IV Directive and the CRR, such as the required common equity Tier 1 ratio of 4.5% and Tier 1 ratio of 6% and the capital conservation measures set out in CRD IV (restriction on distributions if a bank does not meet the combined buffer requirement). On April 29, 2014, the Dutch Central Bank announced that, pursuant to the CRD IV/CRR Implementation Act, it intends to impose an additional capital buffer requirement for Rabobank. This systemic risk buffer is equal to 3% of risk-weighted assets and will be phased in between 2016 and 2019.

Bank Recovery and Resolution Directive

The BRRD entered into force in July 2014. The bail-in tool with respect to eligible liabilities and the other measures set out in the BRRD (outlined below) were implemented into Dutch law on November 26, 2015. The stated aim of the BRRD is to provide relevant authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses.

The powers provided to resolution authorities in the BRRD include write-down and conversion powers to ensure relevant capital instruments (including the Notes) fully absorb losses at the point of non-viability of the issuing institution or its group, as well as a bail-in tool comprising a more general power for resolution authorities to write down the claims of unsecured creditors (including holders of the Notes) of a failing institution and/or to convert unsecured debt claims to equity or other instruments of ownership.

In addition, the BRRD provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks which satisfy the conditions for resolution, which may include (without limitation) the sale of the bank's business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments. See further the risk factor entitled "*Statutory loss absorption*".

On November 9, 2015, the FSB published its final principles regarding the loss-absorbing capacity of G-SIBs in resolution. The FSB principles seek to ensure that G-SIBs will have sufficient TLAC available in a resolution of such an entity, in order to minimize any impact on financial stability, ensure the continuity of critical functions and avoid exposing taxpayers to loss. On July 3, 2015, the EBA published a paper setting out the final Draft MREL RTS on the criteria for determining the MREL requirement under the BRRD. On May 23, 2016, the European Commission adopted the MREL RTS, although it remains subject to further review and consideration by the Council and the European Parliament. In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that, with effect from January 1, 2016 (i.e. the latest date for implementation of Article 45 of the BRRD) all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. The MREL RTS adopted by the European Commission provides for resolution authorities to allow institutions a short transitional period to reach the applicable MREL requirements.

The European Commission's proposal is in draft form, and may therefore be subject to change. If such proposals are implemented in their current form however, or if such proposals are harmonized with the requirements for TLAC, it is possible that Rabobank may have to issue a significant amount of additional MREL eligible liabilities (including potentially further Tier 2 Capital) in order to meet the new requirements within the required timeframes. See also the risk factors entitled "*FSB Proposals for Total Loss-Absorbing Capacity*", "*Proposals on the minimum requirement for own funds and eligible liabilities under BRRD*" and "*Risks relating to the FSB principles regarding TLAC and European Commission proposals regarding MREL*".

Supervision

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture combines the existing national authorities, the newly created European Systemic Risk Board and the following three European Authorities: the EBA, the European Insurance and

Occupational Pensions Authority and the European Securities and Markets Authorities ("**ESMA**"). These institutions have been in place since January 1, 2011.

However, as part the European Banking Union, two further regulations have been enacted: (i) a regulation for the establishment of a single supervisory mechanism (the "**SSM**") on the basis of which specific tasks relating to the prudential supervision of the most significant banks in the Euro area are conferred to the ECB; and (ii) a regulation amending the regulation which sets up the EBA. Regulation 1024/2013 (the "**SSM Framework Regulation**"), which establishes the SSM, was published in the Official Journal of the European Union on October 29, 2013 and entered into force on November 4, 2013. The SSM provides that the ECB carries out its tasks within a single supervisory mechanism comprised of the ECB and national competent authorities. The ECB and relevant competent authorities have formed joint supervisory teams ("**JST**") for the supervision of each significant bank or significant banking group within the Euro area. As the Rabobank Group qualifies as a significant group under the SSM and the SSM Framework Regulation, with effect from November 4, 2014, the day-to-day supervision of the Rabobank Group is now carried out by a JST. The ECB and national competent authorities are subject to a duty of cooperation in good faith, and an obligation to exchange information. Where appropriate, and without prejudice to the responsibility and accountability of the ECB for the tasks conferred on it by the SSM, national competent authorities shall be responsible for assisting the ECB. In view of the assumption of these supervisory tasks, in 2014 the ECB (together with the national competent authorities) carried out a comprehensive assessment, including a balance sheet assessment, as well as a related asset quality review and stress tests, of the banks in respect of which it took on responsibility for formal supervision. The ECB supervises Rabobank Group's compliance with prudential requirements, including (i) its own funds requirements, LCR, NSFR and the leverage ratio and the reporting and public disclosure of information on these matters, as set out in the CRR and (ii) the requirement to have in place robust governance arrangements, including fit and proper requirements for the persons responsible for the management of a bank, remuneration policies and practices and effective internal capital adequacy assessment processes, as set out in the Dutch Financial Supervision Act. The ECB is also the competent authority which assesses notifications of the acquisition of qualifying holdings in banks and has the power to grant a declaration of no objection for such holdings.

To complement the European Banking Union and the SSM, on July 14, 2014 the European Commission adopted the SRM Regulation to establish the SRM (each as defined, and further described, in the risk factor entitled "*Bank recovery and resolution regimes*"). The SRM Regulation establishes the Single Resolution Board that will manage the failing of any bank in the Euro area and in other EU member states participating in the European Banking Union. On the basis of the SRM, the Single Resolution Board is granted the same resolution tools as those set out in the Bank Recovery and Resolution Directive, including a bail-in tool. The SRM applies directly to banks covered by the SSM, including Rabobank.

Dutch regulation

Scope of the Dutch Financial Supervision Act

A bank is an undertaking the business of which is to take deposits or other repayable funds from the public, and to grant credits for its own account. Rabobank and various Group entities are banks and, because they are engaged in the securities business as well as the commercial banking business, each is considered a "universal bank". The ECB is formally the competent authority that supervises the majority of the Group's activities. The day-to-day supervision of the Rabobank Group is carried out by the JST for Rabobank Group. The AFM supervises primarily the conduct of business. Set forth below is a brief summary of the principal aspects of the Dutch Financial Supervision Act.

Licensing

Under the Dutch Financial Supervision Act, a bank established in the Netherlands is required to obtain a license before engaging in any banking activities. Now that the ECB has assumed its supervisory tasks under the SSM, the ECB is the formal supervisory authority to grant and revoke a banking license for banks in the Euro area including The Netherlands. The Dutch Central Bank shall prepare a draft decision if in its view a license should be granted and the ECB will take the formal decision. 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 supervisory board; and (iii) the bank must have a minimum level of own funds (*eigen vermogen*) of €5,000,000. In addition, a license may be refused if, among other things, the competent authority is of the view that (i) the persons who determine the day-to-day policy of the bank have insufficient expertise to engage in the business of the bank (fit and proper requirement), (ii) the policy of the bank is not (co-)determined by persons whose integrity is beyond doubt, or (iii) through a qualified holding in the bank, influence on the policy of such enterprise or institution may be exercised which is contrary to 'prudent banking policy' (*gezonde en prudente bedrijfsvoering*). The Dutch Central Bank is still competent to make the decision to refuse to grant a license on its own. In addition to certain other grounds, the license may be revoked if a bank fails to comply with the requirements for maintaining its license.

Reporting and investigation

A significant bank or significant banking group is required to file its annual financial statements with the ECB in a form approved by the ECB, which includes a statement of financial position and a statement of income that have been certified by an appropriately qualified auditor. In addition, a bank is required to file quarterly (and some monthly) statements, on a basis established by the ECB. The ECB has the option to demand additional reports.

Rabobank must file consolidated quarterly (and some monthly) reports as well as annual reports that provide a true and fair view of their respective financial position and results with the ECB. Rabobank's independent auditor audits these reports annually.

Solvency

The CRR regulations on solvency supervision entail - in broad terms minimum standards on bank capital adequacy and capital buffers. These regulations also impose limitations on the aggregate amount of claims (including extensions of credit) a bank may have against one debtor or a group of related debtors. Over time, the regulations have become more sophisticated, being derived from the capital measurement guidelines of first Basel II and then Basel III as described under "Basel standards" above and as laid down in EU directives described above under "European Union legislation". The regulations of the Dutch Central Bank on solvency supervision have been repealed by the Dutch CRD IV and CRR Regulation.

Liquidity

The regulations relating to liquidity supervision require that a bank maintains sufficient liquid assets against certain liabilities of the bank. The basic principle of the liquidity regulations is that liquid assets must be held against 'net' liabilities of banks (after netting out claims and liabilities in a maturity schedule) so that the liabilities can be met on the due dates or on demand, as the case may be. These regulations impose additional liquidity requirements if the amount of liabilities of a bank with respect to one debtor or group of related debtors exceeds a certain limit.

Structure

The Dutch Financial Supervision Act provides that a bank must obtain a declaration of no-objection before, among other things, (i) acquiring or increasing a qualifying holding in a bank, investment firm or insurer with its statutory seat in a state which is not part of the EEA, if the balance sheet total of that bank, investment firm or insurer at the time of the acquisition or increase amounts to more than 1% of the bank's consolidated balance sheet total, (ii) acquiring or increasing a qualifying holding in an enterprise, not being a bank, investment firm or insurer with its statutory seat in the Netherlands or in a state which is part of the EEA or in a state which is not part of the EEA, if the amount paid for the acquisition or increase, together with the amounts paid for a previous acquisition or increase of a holding in such enterprise, amounts to more than 1% of the consolidated own funds of the bank, (iii) taking over all or a major part of the assets and liabilities of another enterprise or institution, directly or indirectly, if the total amount of the assets or the liabilities to be taken over amounts to more than 1% of the bank's consolidated balance sheet total, (iv) merging with another enterprise or institution if the balance sheet total thereof amounts to more than 1% of the bank's consolidated balance sheet total or (v) proceeding with a financial or corporate reorganization. Under the SSM, the ECB is the supervisor formally taking the decision to grant a declaration of no-objection concerning a qualified holding. The request for a declaration of no-objection should be sent to the Dutch Central Bank. The Dutch Central Bank makes a draft decision and the ECB takes the formal decision. As of January 1, 2014, the definition of "qualifying holding" as set out in the CRR applies. "Qualifying holding" in the CRR is defined to mean a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking.

In addition, any person is permitted to hold, acquire or increase a qualifying holding in a Dutch bank, or to exercise any voting power in connection with such holding, only after such person has obtained a declaration of no objection from the ECB.

Governance and administrative organization

The ECB supervises the governance of significant banks and significant banking groups within the Netherlands. This includes the administrative organization of 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.

Intervention

On June 13, 2012, the Intervention Act entered into force and amended the Dutch Financial Supervision Act and the Dutch Bankruptcy Act (*Faillissementswet*). The Intervention Act aimed to empower the Dutch Central Bank and the Minister of Finance enabling them to deal with, inter alia, ailing Dutch banks prior to insolvency.

In addition to the Intervention Act, and partly amending it, on November 26, 2015 the Act on implementing the European framework for the recovery and resolution of banks and investment firms (*Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen*) came into force, implementing the BRRD. While the Intervention Act was amended following the adoption and implementation of the BRRD and the SRM Regulation, granting to the Dutch Central Bank powers including resolution tools contemplated by the BRRD, the powers of the Minister of Finance have remained. Under the Intervention Act the Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets of, claims of third parties on, or securities issued by or with the consent of a financial enterprise (*financiële onderneming*) or its parent, in each case if it has its corporate seat in the Netherlands, if in the Minister of Finance's opinion the stability of the financial system is in serious and immediate danger as a result of the situation in which the entity finds itself. In taking these measures, provisions in relevant Dutch legislation and the entity's articles of association may be set aside. Examples of immediate measures include the suspension of voting rights or of board members. The measures that can be taken by the Minister of Finance may only be used if other measures would not work, would no longer work, or would be insufficient. In addition, to ensure such measures are utilized appropriately the Minister of Finance must consult with the Dutch Central Bank in advance and the Dutch Prime Minister must agree with the decision to intervene. The Minister of Finance must further inform the AFM of his intentions, whereupon the AFM must give an instruction to Euronext Amsterdam to stop the trading in any securities that are expropriated. In the case of expropriation, the beneficiary of the relevant asset will be compensated for any damage that directly and necessarily results from the expropriation. It is unlikely that such compensation will cover all losses of the relevant beneficiary.

The single resolution board has additional intervention powers including the power to operate the bail-in tool as set out in the SRM and the Bank Recovery and Resolution Directive (see "- Bank Recovery and Resolution Directive").

Emergencies

The Dutch Financial Supervision Act contains an "emergency regulation" which can be declared in respect of a bank by a Dutch court at the request of the Dutch Central Bank if it finds *prima facie* evidence of a dangerous development regarding the bank's own funds, solvency or liquidity and there is a reasonable probability that this development cannot be sufficiently or promptly reversed. As of the date of the emergency, only the court-appointed administrators have the authority to exercise the powers of the bodies of the bank. A bank can also be declared in a state of bankruptcy by the court.

U.S. regulation

Regulation and Supervision in the United States

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

Rabobank and Utrecht-America Holdings, Inc. are bank holding companies that are financial holding companies within the meaning of the U.S. Bank Holding Company Act of 1956. As such, they are subject to the regulation and supervision of the Federal Reserve. The New York Branch is licensed and supervised by the New York State Department of Financial Services, and it is also supervised by the Federal Reserve. Rabobank, N.A. is a national bank subject to regulation, supervision and examination by the OCC.

Under U.S. law, the Group's activities and those of its subsidiaries in the United States are generally limited to the business of banking, and managing or controlling banks and certain other activities that are closely related to banking. So long as Rabobank and Utrecht-America Holdings, Inc. are financial holding companies under U.S. law, the Group may also engage in non-banking 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 non-financial activities as long as the company's U.S. operations do not exceed certain thresholds and certain other conditions are met. Rabobank is required to obtain the prior approval of the Federal Reserve before directly or indirectly acquiring the ownership or control of more than 5% of any class of voting shares of U.S. banks, certain other depository institutions, and bank or depository institution holding companies.

State-licensed branches and agencies of non-U.S. banks (such as the New York Branch) may not, with certain exceptions that require prior regulatory approval, engage as a principal in any type of activity not permissible for their federally chartered or licensed counterparts. Likewise, the U.S. federal banking laws also subject state branches and agencies to the same single-borrower lending limits that apply to federal branches or agencies, which are substantially similar to the lending limits applicable to national banks. These single-borrower lending limits are based on the worldwide capital of the entire non-U.S. bank.

The Federal Reserve may terminate the activities of any U.S. office of a non-U.S. bank if, among other things, it determines that the non-U.S. bank is not subject to comprehensive supervision on a consolidated basis in its home country or that there is reasonable cause to believe that such non-U.S. bank or its affiliate has violated the law or engaged in an unsafe or unsound banking practice in the United States or, for a non-U.S. bank that presents a risk to the stability of the U.S. financial system, the home country of the non-U.S. bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk. In addition, the Superintendent of Financial Services of the State of New York (the "**Superintendent**") may revoke any 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 licensed bank has violated any provision of any law, rule or regulation of the State of New York.

A major focus of U.S. governmental policy relating to financial institutions is aimed at preventing money laundering and terrorist financing and compliance with economic sanctions in respect of designated countries or activities. Failure of an institution to have policies and procedures and controls in place to prevent, detect and report money laundering and terrorist financing could in some cases have serious legal, financial and reputational consequences for the institution.

New York Branch

The New York Branch is licensed by the Superintendent to conduct a commercial banking business. Under New York Banking Law, the New York Branch is subject to the asset pledge requirements and is required to maintain eligible high-quality assets with banks in the State of New York. The Superintendent may also establish asset maintenance requirements for branches of non-U.S. banks. Currently, no such requirement has been imposed upon the New York Branch.

The New York Banking Law 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 and any assets of the non-U.S. bank located in the State of New York, regardless of whether such assets are assets of the New York branch), without prejudice to the rights of the holders of such claims to be satisfied out of other assets of the non U.S. bank. After such claims are paid, the Superintendent will turn over the remaining assets, if any, to the non-U.S. bank or its duly appointed liquidator or receiver.

The Dodd-Frank Act

The Dodd-Frank Act provides a broad framework for significant regulatory changes that extend to almost every area of U.S. financial regulation. The Dodd-Frank Act and other post-financial crisis regulatory reforms in the United States have increased costs, imposed limitations on activities and resulted in an increased intensity in regulatory enforcement.

Among other things, the Dodd-Frank Act requires that the lending and affiliate transaction limits applicable to Rabobank N.A. and the New York Branch take into account credit exposures arising from derivative transactions, securities borrowing and lending transactions, and repurchase and reverse repurchase agreements with counterparties.

Additionally, the Dodd-Frank Act provides U.S. regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk, which include any non-U.S. banking organization, such as the Rabobank Group, with a branch or agency in the United States or a U.S. bank subsidiary and U.S.$50 billion or more in total consolidated assets. On February 18, 2014, the Federal Reserve issued a final rule implementing these heightened standards. Under the final rule, the New York Branch will be subject to liquidity, risk management requirements, and in certain circumstances, asset maintenance requirements.

The Volcker Rule, adopted as part of the Dodd-Frank Act, limits the ability of banking entities and their affiliates to engage as principal in proprietary trading or to sponsor or invest in hedge, private equity or other similar funds or enter into certain covered transactions with certain covered funds, subject to certain exceptions and exemptions. However, certain non-U.S. banking organizations, such as certain non-U.S. banking entities within the Rabobank Group, are exempt from these limitations with respect to activities that are solely outside of the United States, subject to certain conditions.

On December 10, 2013, five U.S. federal financial regulatory agencies released the final version of the regulations implementing the Volcker Rule. The conformance period for the Volcker Rule generally ended on July 21, 2015, although the Federal Reserve has effectively granted a two-year extension for certain legacy funds. The Rabobank Group has brought its activities and investments into compliance and implemented a specific compliance program. During the conformance period that ended on July 21, 2015, the Rabobank Group analyzed the final rule, assessed how it would affect its relevant businesses and devised and implemented the related compliance strategy. With respect to the extended conformance period for certain legacy funds, the Rabobank Group will continue to analyses the final rule, assess how it will affect any relevant businesses and devise and implement an appropriate compliance strategy. Further implementation efforts may be necessary based on subsequent regulatory interpretations, guidelines or examinations.

In addition, Title VII of the Dodd-Frank Act, and subsequent regulation implementing various parts of Title VII of the Dodd-Frank Act, provide an extensive framework for the regulation of derivatives, including mandatory clearing, exchange trading and transaction reporting of certain derivatives, as well as rules regarding the registration of, and capital, margin and business conduct standards for, swap dealers and major swap participants. U.S. regulators have issued numerous regulations governing the derivatives markets as contemplated by the Dodd-Frank Act. For example, under the Dodd-Frank Act, with certain exceptions, entities that are swap dealers, major swap participants, security-based swap dealers and/or majority security-based swap participants are required to register with the CFTC, and/or SEC (as applicable), and are or will become subject to capital, margin, business conduct, recordkeeping and other requirements as related final regulations have been, or are in the process of being, implemented. Also, under the so-called swap “push-out” provisions of the Dodd-Frank Act, certain derivatives activities of FDIC-insured banks and uninsured U.S. branches of non-U.S. banks, such as Rabobank, N.A. and the New York Branch, respectively, could be restricted if such entities are registered swap dealers, major swap participants, security-based swap dealers and/or major security-based swap participants.

Additionally, the Dodd-Frank Act requires systemically important non-bank financial companies and large, interconnected financial institutions, including any non-U.S. bank with U.S.$50 billion or more in total consolidated assets that has a branch or agency in the United States (such as the Rabobank Group) to prepare and periodically submit to the Federal Reserve, the FDIC and the FSOC a plan for such company’s rapid and orderly resolution in the event of material financial distress or failure. The resolution plan requirements have been implemented through regulations issued by the Federal Reserve and the FDIC that establish rules and requirements regarding the submission and content of a resolution plan and procedures for review by the Federal Reserve and the FDIC. The Federal Reserve and the FDIC must determine that a company’s resolution plan is credible and would facilitate an orderly resolution of the company. A company that fails to submit a credible resolution plan may be subject to a range of measures imposed by the Federal Reserve and the FDIC, including more stringent capital, leverage or liquidity requirements; restrictions on growth, activities or operations; and requirements to divest assets or operations, as directed by the Federal Reserve and the FDIC.

Implementation of the Dodd-Frank Act and related final regulations is ongoing and has resulted in significant costs and potential limitations on the Rabobank Group’s businesses and may have a material adverse effect on the Rabobank Group’s 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 December 31, 2015 and at December 31, 2014:

	At December 31,	
	2015	**2014 (restated)**
	(in millions of euro)	
Capitalization of Rabobank Group		
Equity Rabobank and local Rabobanks	25,706	24,894
Equity instruments issued directly		
- Rabobank Certificates	5,949	5,931
- Capital Securities	7,826	6,349
	13,775	12,280
Equity instruments issued by subsidiaries		
- Capital Securities	176	181
- Trust Preferred Securities III to VI	1,131	1,043
	1,307	1,224
Other non-controlling interests	492	473
Total equity	**41,280**	**38,871**
Subordinated liabilities	15,503	11,928
Long-term debt securities in issue	119,822	131,907
Short-term debt securities in issue	52,953	55,065
Total capitalization	**239,859**	**237,771**
Breakdown of reserves and retained earnings		
Revaluation reserves – available-for-sale financial assets	512	643
Revaluation reserve – pensions	(175)	(196)
Other reserves	(113)	(81)
Retained earnings	25,482	24,528
Total reserves and retained earnings	**25,706**	**24,894**

There has been no material change in the capitalization of Rabobank Group since December 31, 2015.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately U.S.$1,485,690,000, 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" for purposes of ERISA or Code Section 4975 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 has been provided by the Issuer or any of its affiliates to 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.

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 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's performance, or the Holder's acquisition (by way of issue or transfer to it), holding and/or disposal of the Notes.

United States

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

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**"), its legislative history, existing and proposed 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 or to holders subject to special rules, such as certain financial institutions, individual retirements accounts and other tax-deferred accounts, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, U.S. citizens or lawful permanent residents living abroad, 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, entities or arrangements treated as partnerships for the U.S. federal income tax purposes, or other pass-through entities, persons holding the Notes as part of a straddle, hedge, conversion transaction or other integrated transaction for U.S. federal income tax purposes or investors holding the Notes in connection with a trade or business conducted outside the United States. 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.

This summary assumes that the Notes will have an issue price equal to their stated redemption price at maturity or will be issued with less than a statutorily defined *de minimis* amount of original issue discount ("**OID**"), and as such assumes that the Notes will be considered to be issued without OID for U.S. federal income tax purposes.

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 domestic trust for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the entity or arrangement will generally depend upon the status of the partner and the activities of the entity or arrangement. Any entity or arrangement treated as a partnership for U.S. federal income tax purposes considering an investment in the Notes should consult its tax advisor regarding the tax consequences to it and its partners of the purchase, ownership and disposition of the Notes.

The summary of U.S. federal income tax consequences set out below is for general information only. All 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 tax laws, as well as any state, local, non-U.S., or other tax laws and possible changes in tax law.

Characterization of the Notes

As discussed above under "*Risk Factors—Statutory loss absorption*" and "*Risk Factors—Bank recovery and resolution regimes*", in certain circumstances, the amounts payable under the Notes could be reduced or converted into equity or other instruments of ownership of the Bank by the applicable regulator. 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 will be 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 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 capital 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.

Any such capital gain or loss will be long-term 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 Reporting and Backup Withholding

In general, payments of principal, 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 a 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.

U.S. Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of the Notes, including requirements related to the holding of certain foreign financial assets.

The foregoing discussion is included for general information only. Accordingly, each prospective purchaser is urged to consult with their tax adviser with respect to the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, including the application and effect of the laws of any state, local, non-U.S., or other jurisdiction.

PLAN OF DISTRIBUTION (CONFLICT OF INTEREST)

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:

Underwriter	**Principal Amount of Notes**
	U.S.$
Citigroup Global Markets Inc.	356,250,000
Credit Suisse Securities (USA) LLC	356,250,000
Goldman, Sachs & Co.	356,250,000
J.P. Morgan Securities LLC	356,250,000
Rabo Securities USA, Inc.	75,000,000
Total	1,500,000,000

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, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and J.P. Morgan Securities LLC (together, the "**Joint Lead Managers**") 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 Joint Lead Managers. 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 Joint Lead Managers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The Joint Lead Managers 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.

RSI, an affiliate of the Bank, is participating as an underwriter in this offering. Because of this relationship, a "conflict of interest" exists within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc., or FINRA. Accordingly, the offering will be conducted in accordance with the applicable provisions of FINRA Rule 5121. In accordance with FINRA Rule 5121, RSI will not confirm initial sales to accounts over which it exercises discretionary authority without the prior written approval of the account holders.

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), currencies, commodities, credit default swaps and other 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 (Winding Up and Miscellaneous Provisions) 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 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) of the SFA, or any person pursuant to Section 275(1A) of the SFA, 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.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment or supplement thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), any underwriters through whom the Notes may be offered will not be required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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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U.S.$1,500,000,000 3.750% Subordinated Notes due 2026

Offering Circular
July 14, 2016

Joint Lead Managers

Citigroup
Credit Suisse
Goldman, Sachs & Co.
J.P. Morgan

Co-Manager

Rabo Securities