

IMPORTANT NOTICE

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION.

THE FOLLOWING OFFERING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: This offering document is being sent at your request and by accepting the e mail and accessing this offering document, you shall be deemed to have represented to us that you consent to delivery of such offering document by electronic transmission.

You are reminded that this offering document has been delivered to you on the basis that you are a person into whose possession this offering document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering document to any other person. You will not transmit this offering document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the underwriters.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer in such jurisdiction.

This offering document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of Barclays Capital Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC nor any person who controls each of them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this offering document distributed to you in electronic format and the hard copy version available to you on request from of Barclays Capital Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC.

This offering document is not an offer to sell securities and is not soliciting an offer to buy securities in any jurisdiction where the offer or sale of securities is not permitted.

This Canadian Offering Memorandum constitutes an offering of the securities described herein in the provinces of Alberta, Ontario and Québec only, and only to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell these securities. This Canadian Offering Memorandum is not, and under no circumstances is to be construed as, an advertisement or a public offering of these securities in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of these securities, and any representation to the contrary is an offence.

This Canadian offering memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this offering. By their acceptance of this Canadian offering memorandum, investors agree that they will not transmit, reproduce or make available to any person, other than their professional advisers, this Canadian offering memorandum or any of the information contained herein. No person has been authorized to give any information or to make any representations about the issuer not contained in this Canadian offering memorandum. Any such information or representation which is given or received must not be relied upon by any investor.

**CANADIAN OFFERING MEMORANDUM
DATED MAY 14, 2015**



Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), New York Branch

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

(the “Issuer”)

Private Placement in Canada of

U.S.\$1,000,000,000 3.375% Notes due 2025

(the “Securities”)

THE OFFERING

This Canadian Offering Memorandum constitutes an offering by the Issuer of the Securities. The Issuer will pay interest on the Securities on May 21 and November 21 of each year, commencing on November 21, 2015. The Securities will mature on May 21, 2025.

In Canada, the Securities are being offered (the “Offering”) on a private placement basis in the provinces of Alberta, British Columbia, Ontario and Québec only (the “Jurisdictions”) through one or more of the underwriters named in the Terms Supplement (as defined below) (collectively, the “Agents”) who are permitted under applicable securities laws to offer and sell the Securities in the Jurisdictions. The Securities have not been nor will they be qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the Securities in Canada will be made on a basis which is exempt from the prospectus requirements of Canadian securities laws. Canadian investors should refer to the Terms Supplement (as defined below) and the sections entitled “Summary of the Program”, “Certain Investment Considerations”, “Terms and Conditions of the Notes”, “Use of Proceeds” and “Plan of Distribution” contained in the Offering Circular (as defined below) for additional information pertaining to the Securities and the terms of the Offering.

RELATIONSHIP BETWEEN THE AGENTS OR CERTAIN OF THEIR AFFILIATES AND AN AFFILIATE OF THE ISSUER

Certain of the Agents or their affiliates have a lending relationship with the Issuer. For more information on potential conflicts of interest, see “Plan of Distribution” in the Offering Circular and “Supplemental Plan of Distribution” in the Terms Supplement and Product Supplement.

Accordingly, the Issuer may be considered a “connected issuer” (as such term is defined in National Instrument 33-105 - Underwriting Conflicts) of Barclays Capital Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC (collectively, the “Agents”) and their Canadian Affiliates. The Issuer is currently in

compliance with the credit facilities underlying the relationships mentioned above, and no breach thereof has been waived by any of the Agents or their related issuers. The decision to distribute these Securities, including the terms of this offering, was made through negotiations between the Issuer and the Agents. Other than as disclosed in the Offering Document (as defined below) the financial position of the Issuer has not materially changed since the execution of such credit facilities.

ADDITIONAL INFORMATION ABOUT THIS CANADIAN OFFERING MEMORANDUM

The Offering is described fully in the attached Terms Supplement No. 1 dated May 14, 2015 (the "Terms Supplement"), the Product Supplement No. 1 dated May 11, 2015 (the "Product Supplement") and the Offering Circular dated May 11, 2015 (the "Offering Circular", together with the Terms Supplement and the Product Supplement, the "Offering Document"), the full text of which is included in and form part of this Canadian Offering Memorandum. The Offering Document incorporates by reference certain documents as described in the Offering Document. The Offering Document may be supplemented by one or more term sheets containing pricing and other related information ("Term Sheets") sent to you by the Agents. For greater certainty, the definition Term Sheets only includes the term sheets described above, and it does not include the contents of any electronic roadshow for the Offering or rating agency reports. The full text of all Term Sheets, if any, concerning the Offering shall also be incorporated by reference into this Canadian Offering Memorandum and deemed to form a part of it. Accordingly, the term "Canadian Offering Memorandum" means this introductory Canadian supplement, together with the attached Offering Document and any Term Sheets.

Except as otherwise provided herein, capitalized and other terms used within this Canadian Offering Memorandum without definition have the meanings assigned to them in the Offering Document. The Offering of the Securities in Canada is being made solely pursuant to this Canadian Offering Memorandum, and any decision to purchase the Securities should be based solely on information contained within this document. No person has been authorized to give any information or to make any representations concerning this Offering other than as contained herein. Statements made within this Canadian Offering Memorandum are as of the date of this Canadian Offering Memorandum unless expressly stated otherwise. Neither the delivery of this Canadian Offering Memorandum at any time, nor any other action with respect hereto, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof.

The information in the Offering Document has not been prepared with regard to matters that may be of particular concern to Canadian investors. Canadian investors should consult with their own legal, financial and tax advisers concerning the information in the Offering Document and as to the suitability of an investment in the Securities in their particular circumstances.

The Securities are not deposit liabilities of the Issuer and neither the Securities nor any investment in the Securities are insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency or deposit insurance agency of Canada, the United States, the Netherlands or any other jurisdiction. See "Terms and Conditions of the Notes" in the Offering Document.

Rabobank's Canadian branch is listed on Schedule III to the *Bank Act* (Canada) and is subject to regulation by the Office of the Superintendent of Financial Institutions (Canada). The Securities will be issued from Rabobank, New York Branch and not from its Canadian branch.

Unless otherwise specified in the Offering Document, the Securities are denominated in, and all payments of principal and interest will be made in, U.S. dollars. Accordingly, the Canadian dollar value of the Securities will fluctuate with changes in the rate of exchange between the U.S. dollar and the Canadian dollar.

RESALE RESTRICTIONS

The Securities have not been nor will they be qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the Securities in the Jurisdictions will be made on a basis which is exempt from the prospectus requirements of Canadian securities laws.

Accordingly, any resale of the Securities must be made: (i) through an appropriately registered dealer or in accordance with an exemption from the dealer registration requirements of applicable provincial securities laws; and (ii) in accordance with, or pursuant to an exemption from, or in a transaction not subject to, the prospectus requirements of applicable provincial securities laws. These Canadian resale restrictions may in some circumstances apply to resales made outside of Canada. **Purchasers of Securities are advised to seek Canadian legal advice prior to any resale of the Securities, both within and outside of Canada.**

REPRESENTATIONS AND AGREEMENT BY PURCHASERS

Each purchaser of Securities in Canada will be deemed to have represented to the Issuer, the Agents and each agent participating in the sale of the Securities that the purchaser or any ultimate purchaser for which such purchaser is acting as agent:

- (a) is resident in one of the Jurisdictions and not in any other province or territory of Canada;
- (b) is basing its investment decision solely on the final version of this Canadian Offering Memorandum and not on any other information (including, but not limited to, advertisements in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada) concerning the Issuer or the Offering;
- (c) has reviewed and acknowledges the terms referred to above under the heading “Resale Restrictions”;
- (d) and is entitled under applicable provincial securities laws to purchase the Securities without the benefit of a prospectus qualified under those securities laws, and without limiting the generality of the foregoing the purchaser is an “accredited investor” as defined in Section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions* (“NI 45-106”) and, if relying on Subsection (m) of the definition of that term, is not a person created or being used solely to purchase or hold securities as an accredited investor;
- (e) is either purchasing Securities as principal for its own account, or is deemed to be purchasing Securities as principal by applicable law;
- (f) is a “permitted client” as defined in Section 1.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*; and
- (g) acknowledges that the Securities are being distributed in Canada on a private placement basis only and agrees to resell the Securities only in accordance with the requirements of applicable securities laws.

LANGUAGE OF DOCUMENTS

Each purchaser of Securities in Canada hereby agrees that it is the purchaser’s express wish that all documents evidencing or relating in any way to the sale of the Securities be drafted in the English language only. *Chaque acheteur au Canada des valeurs reconnaît que c’est sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des valeurs mobilières soient rédigés uniquement en anglais.*

CANADIAN TAX CONSIDERATIONS

THIS CANADIAN OFFERING MEMORANDUM DOES NOT ADDRESS THE CANADIAN TAX CONSEQUENCES OF THE ACQUISITION, HOLDING OR DISPOSITION OF THE SECURITIES. PROSPECTIVE PURCHASERS OF SECURITIES ARE STRONGLY ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE CANADIAN AND OTHER TAX CONSIDERATIONS APPLICABLE TO THEM.

INDIRECT COLLECTION OF PERSONAL INFORMATION

By purchasing these Securities, the purchaser acknowledges that the Issuer, the Agents and their respective agents and advisers may each collect, use and disclose the purchaser’s name and other specified personally identifiable information (“Information”), including the amount of Securities it has purchased, to Canadian securities regulatory authorities and for purposes of meeting legal, regulatory and audit requirements and as otherwise permitted or required by law or regulation. The purchaser consents to the disclosure of that information.

Notice to Ontario Purchasers

By purchasing these Securities, the purchaser acknowledges that personal information such as the purchaser’s name: (A) will be disclosed to the relevant Canadian securities regulatory authorities, including Ontario Securities Commission, and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws and the purchaser consents to the disclosure of the Information; (B) is being collected indirectly by the applicable Canadian securities regulatory authority under the authority granted to it in securities legislation and; (C) is being collected for the purposes of the administration and enforcement of the applicable securities legislation. By purchasing these Securities, the purchaser shall be deemed to have authorized such indirect collection of personal information by the relevant Canadian securities authorities. Questions about such indirect collection of Information should be directed to the Administrative Support Clerk, Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8 or to the following telephone number: (416) 593-3684.

RIGHTS OF ACTION (Ontario Purchasers)

Ontario Securities Commission Rule 45-501 provides that when an offering memorandum, such as this Canadian Offering Memorandum, is delivered to an investor to whom securities are distributed in reliance upon the “accredited investor” prospectus exemption in Section 2.3 of NI 45-106, the rights referred to in Section 130.1 of the *Securities Act* (Ontario) (“Section 130.1”) are applicable unless the prospective purchaser is:

- (a) a Canadian financial institution, meaning either:

- (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under Section 473(1) of that Act;
- (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;
- (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the Bank Act (Canada),
- (c) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada), or
- (d) a subsidiary of any person referred to in paragraphs (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1 provides purchasers who purchase securities offered by an offering memorandum with a statutory right of action against the issuer of securities and any selling securityholder for rescission or damages in the event that the offering memorandum or any amendment to it contains a “misrepresentation”, without regard to whether the purchaser relied on the “misrepresentation”. “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made.

In the event that this Canadian Offering Memorandum, together with any amendment, is delivered to a prospective purchaser of Securities in connection with a trade made in reliance on Section 2.3 of NI 45-106, and this Canadian Offering Memorandum contains a misrepresentation which was a misrepresentation at the time of purchase of the Securities, the purchaser will have a statutory right of action against the Issuer and the selling securityholder(s), if any, for damages or, while still the owner of the Securities, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that:

- (a) no action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or in the case of any other action, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action;
- (b) the defendant will not be liable if it proves that the purchaser purchased the Securities with knowledge of the misrepresentation;
- (c) the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Securities as a result of the misrepresentation relied upon;
- (d) in no case will the amount recoverable exceed the price at which the Securities were offered to the purchaser; and
- (e) the statutory right of action for rescission or damages is in addition to and does not derogate from any other rights or remedies the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and you should refer to the complete text of those provisions.

ENFORCEMENT OF LEGAL RIGHTS

The directors and officers of the Issuer and the selling securityholder(s), if any, as well as any experts named in this document are likely to be located outside of Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Issuer or those persons. All or a substantial portion of the assets of the Issuer and those persons is likely to be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Issuer or those persons in Canada or to enforce a judgment obtained in Canadian courts against the Issuer or those persons outside of Canada.

Each purchaser acknowledges that it has been notified that: (i) the Agents are not registered as securities dealers in any province or territory of Canada (or, if any are so registered, they are not relying upon their registration status to trade the Securities); (ii) all or substantially all of the assets of the Agents may be situated outside of Canada; and (iii) there may be difficulty enforcing legal rights against the Agents for these reasons.

TERMS SUPPLEMENT NO. 1 DATED MAY 14, 2015
(to Product Supplement No. 1 dated May 11, 2015 and the Offering Circular dated May 11, 2015)



Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), New York Branch
(a cooperative with limited liability established under the laws of the Netherlands and having its statutory seat in Amsterdam, the Netherlands)

U.S.\$1,000,000,000 3.375% Notes due May 21, 2025

The notes will be senior unsecured obligations of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (“**Rabobank**”), New York Branch. **Any payment on the notes is subject to the credit risk of Rabobank. The notes 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 a number of risks. See “Risk Factors” in the accompanying Product Supplement No. 1 dated May 11, 2015.**

Issuer:	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., New York Branch
Maturity Date:	May 21, 2025
Aggregate Principal Amount:	U.S.\$1,000,000,000
Expected Ratings*:	Aa2/A+ (Moody’s/S&P)
Legal Format:	Exempt from SEC registration pursuant to Section 3(a)(2) of the Securities Act
Documentation:	This Terms Supplement qualifies, forms part of, and is subject to Product Supplement No. 1 dated May 11, 2015 and the Medium Term Note Program Offering Circular dated May 11, 2015 (the “ Offering Circular ”) (including information incorporated by reference herein and therein).
Pricing Date:	May 14, 2015
Original Issue Date:	May 21, 2015 (T+5)
Interest Rate:	3.375% per annum payable semi-annually in arrears
Original Issue Price:	99.865% of the aggregate principal amount
Benchmark Treasury:	UST 2.000% due February 2025
Benchmark Treasury Price and Yield:	97-28 ¾; 2.241%
Spread to Benchmark Treasury:	1.15% (115 basis points)
Yield to Maturity:	3.391%
Interest Payment Dates:	Semi-annually in arrears on May 21 and November 21, subject to the Business Day Convention, commencing on November 21, 2015 and ending on the Maturity Date.
Regular Record Dates:	The 15 th calendar day prior to the relevant Interest Payment Date or Maturity Date, as applicable, regardless of whether such day is a Business Day
Additional Issuances:	We may, at any time and from time to time, without your consent, “re-open” these series of notes and issue additional notes having the same terms and conditions as the notes offered hereby (other than the issue date, the date that interest begins to accrue, issue price and, in some cases, the first interest payment date). Any election to re-open these series of notes will be based upon market conditions at that time. Additional notes issued, if any, will be consolidated to form a single series and be fungible with and will have the same CUSIP number as the respective notes offered hereby.

*** A credit rating is not a recommendation to buy, sell, or hold the notes, and may be subject to revision or withdrawal at any time by the assigning rating agency.**

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY STATE SECURITIES LAWS. THE NOTES ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(a)(2) OF THE SECURITIES ACT.

Business Day Convention:	Following Business Day
Day Count Convention:	30/360, Unadjusted
Business Day:	Any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in The City of New York or London, England generally are authorized or obligated by law or executive order to close. No additional interest will accrue on the notes as a result of any postponement and no adjustment will be made to the length of the relevant interest period.
Optional Redemption:	Not Applicable
Minimum Denominations:	U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof
Governing Law:	New York
Agreement with Respect to the Exercise of Bail-in Power:	By its acquisition of the notes, each holder of notes will acknowledge, agree to be bound by, and consent to the exercise of, any Bail-in Power (as defined in the Offering Circular) by the relevant Dutch resolution authority (as defined in the Offering Circular), as described in more detail in the Offering Circular under “Terms and Conditions of the Notes—Agreement with Respect to the Exercise of Bail-in Power.”
No Listing:	The notes will not be listed on any securities exchange or interdealer quotation system.
CUSIP:	21688AAE2
ISIN:	US21688AAE29
Calculation Agent:	Rabobank, New York Branch
Agents:	Barclays Capital Inc.; Goldman, Sachs & Co.; J.P. Morgan Securities LLC; Morgan Stanley & Co. LLC

THE NOTES CONSTITUTE UNCONDITIONAL LIABILITIES OF THE ISSUER. THE NOTES ARE NOT BANK DEPOSITS AND ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BANK INSURANCE FUND OR ANY UNITED STATES OR DUTCH GOVERNMENTAL OR DEPOSIT INSURANCE AGENCY OR ENTITY.

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 AGENT HAS AGREED THAT IT WILL NOT DISTRIBUTE THIS TERMS SUPPLEMENT 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.

FORWARD-LOOKING STATEMENTS

This Terms Supplement includes forward-looking statements. All statements other than statements of historical facts included in this Terms Supplement, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Rabobank and its members, subsidiaries and affiliates ("**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 Rabobank Group will operate in the future. Among the important factors that could cause Rabobank Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the competitive nature of the banking business in the Netherlands; credit and other risks of lending; volatility in Dutch and international equity markets; government regulation and tax matters; the outcome of legal or regulatory disputes and proceedings; and changes in Dutch economic conditions, political events, interest rates, exchange rates and inflation. These forward-looking statements speak only as of the date of this Terms Supplement. 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.

This Terms Supplement, Product Supplement No. 1 dated May 11, 2015 (the “Product Supplement”) and the related Offering Circular dated May 11, 2015 are submitted on a confidential basis to prospective investors for informational use solely in connection with the consideration of the purchase of the notes. Their use for any other purpose is not authorized. They may not be copied or reproduced in whole or in part nor may they be distributed or any of their contents be disclosed to anyone other than the prospective investors to whom they are submitted.

The contents of this Terms Supplement are not to be construed as legal, business or tax advice. The notes described in this Terms Supplement, the Product Supplement and the Offering Circular are not appropriate for all investors, and involve important legal and tax consequences and investment risks, which should be discussed with your professional advisors. You should be aware that the laws of certain jurisdictions (including laws that require brokers to ensure that investments are suitable for their customers) may limit the availability of the notes in those jurisdictions.

Except as set forth in this Terms Supplement, no person is authorized to give any information or make a representation regarding the notes and, if given or made, such information or representation must not be relied on. The Issuer is offering to sell, and is seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. This Terms Supplement, the Product Supplement and the Offering Circular do not constitute an offer to sell, or a solicitation of an offer to buy, any notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this Terms Supplement nor any sale made hereunder implies that there has been no change in the affairs of the Issuer or its affiliates or that the information in this Terms Supplement is correct as of any date after the date hereof.

You must (i) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Terms Supplement, the Product Supplement and the related Offering Circular and the purchase, offer or sale of the notes and (ii) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales; neither the Issuer nor any of its affiliates shall have any responsibility therefor.

An investment in the notes is subject to a number of risks. Prospective purchasers should consider carefully all of the information set forth in this Terms Supplement, in the Offering Circular and in the Product Supplement accompanying this Terms Supplement and, in particular, the risks described in the Offering Circular and the Product Supplement.

SUPPLEMENTAL DESCRIPTION OF THE NOTES

The notes will be issued under a second amended and restated fiscal and paying agency agreement dated May 13, 2013, as may be amended or supplemented from time to time (the “**Second Amended and Restated Fiscal and Paying Agency Agreement**”), between the Issuer and Deutsche Bank Trust Company Americas, as fiscal agent, registrar, transfer agent and paying agent (the “**Fiscal Agent**”, a “**Registrar**”, a “**Transfer Agent**”, a “**Paying Agent**”). The Second Amended and Restated Fiscal and Paying Agency Agreement may be further amended or supplemented from time to time.

The following is a brief summary of certain terms and conditions of the notes offered by this Terms Supplement and of the Second Amended and Restated Fiscal and Paying Agency Agreement. This summary does not purport to be complete and is subject to and is qualified in its entirety by reference to the notes and the Second Amended and Restated Fiscal and Paying Agency Agreement, including the definitions of certain terms. The Second Amended and Restated Fiscal and Paying Agency Agreement is available for inspection by prospective purchasers and holders of the notes at the offices of the Fiscal Agent. If any item in the following summary of certain terms and conditions of the notes offered by this Terms Supplement differs in any way from the description of the notes in the Offering Circular, you should rely on this description.

Specified Currency

U.S. dollars (“**U.S.\$**” or “**USD**”).

Form of Note

The notes will be evidenced by one or more global certificates issued by the Issuer, each representing a number of individual notes which will be deposited with and registered in the name of DTC or its nominee. For more information, see “Terms and Conditions of the Notes—General Terms of the Notes” and “—Payments of Interest and Redemption Amount” in the accompanying Offering Circular.

Minimum Denominations

U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof.

Interest

The notes will bear interest at a fixed rate per annum, as specified on the front cover of this Terms Supplement, computed on the basis of a 360-day year of twelve 30-day months. The first interest period will begin on, and include, the Original Issue Date and end on, but exclude, the first Interest Payment Date. Each subsequent interest period will begin on, and include, the Interest Payment Date for the preceding interest period and end on, but exclude, the next following Interest Payment Date. Unless earlier redeemed or repurchased, the final interest period will end on, but exclude, the Maturity Date.

Interest Payment Dates

Interest will be paid semi-annually in arrears on May 21 and November 21, subject to the Business Day Convention, commencing on November 21, 2015 and ending on the Maturity Date.

Regular Record Dates

Interest will be paid on the notes to holders of record of each note as at the 15th calendar day prior to the relevant Interest Payment Date or Maturity Date, as applicable, regardless of whether such day is a Business Day.

Maturity Date

May 21, 2025, subject to adjustments, as described in the accompanying Product Supplement.

Corporate Trust Office

When we refer to corporate trust office with respect to your notes, we mean the office of the Fiscal Agent at which at any particular time its corporate trust business in New York, New York shall be principally administered, which office as of the date of this Terms Supplement is located at 60 Wall Street, 27th Floor, Mail Stop NYC60-2710, New York, NY 10005.

Supplemental Provisions Relating To The Notes While In Global Form

In addition to the provisions found under the heading “Clearance and Settlement” found in the accompanying Offering Circular, the following provisions will apply.

We have obtained the information in this section concerning Clearstream Banking S.A., (“**Clearstream**”) and Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and the book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

The notes will be represented exclusively by one or more global certificates in registered form without receipts, interest coupons or talons (each a “**Global Certificate**”). The Global Certificates will be deposited with a custodian for, and registered in the name of, The Depository Trust Company (“**DTC**”) or its nominee. Ownership of beneficial interests in the Global Certificates will be limited to persons who have accounts with DTC (each, a “**DTC Participant**”), or persons who hold interests through DTC Participants. Ownership of beneficial interests in the Global Certificates will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants), which may include depositaries (each, a “**U.S. Depository**”) for Euroclear and Clearstream, as described below.

Clearstream

Clearstream has advised us that it is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations (“**Clearstream Participants**”) and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*). Clearstream Participants are financial institutions around the world, including other securities brokers and dealers, underwriters, banks, trust companies, clearing corporations and certain other organizations and may include the Agents. In the United States, Clearstream Participants are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly.

Distributions with respect to interests in a Global Certificate held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depository for Clearstream.

Euroclear

Euroclear has advised us that it was created in 1968 to hold securities for participants of Euroclear (“**Euroclear Participants**”) and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash.

Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the “**Euroclear Operator**”) under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation (the “**Cooperative**”). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Agents. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

Because the Euroclear Operator is a Belgian banking corporation, the Euroclear Operator is regulated and examined by the Belgian Banking, Finance and Insurance Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law, which we will refer to herein as the “**Terms and Conditions**.” The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions with respect to interests in the Global Certificates held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depository for Euroclear.

Euroclear has further advised us that investors that acquire, hold and transfer interests in the Global Certificates by book-entry through accounts with the Euroclear Operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the Global Certificates.

Global Clearance and Settlement Procedures

The primary distribution of interests in the Global Certificates will be cleared through DTC and will be settled in immediately available cash. Secondary market trading between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in immediately available 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. Secondary market trading between Clearstream Participants and/or Euroclear Participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

Cross-market transfers between persons holding interests in a Global Certificate directly or indirectly through DTC, on the one hand, and Euroclear Participants or Clearstream Participants on the other hand, will be effected in DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective U.S. Depository. Such cross market transactions, however, will require delivery instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depository to take action to effect final settlement on its behalf by delivering or receiving interests in a Global Certificate through DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to their respective U.S. Depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear Participant or Clearstream Participant purchasing an interest in a Global Certificate from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date. Such credit or any transactions in interests in a Global Certificate settled during such processing day will be reported to the relevant Euroclear Participant or Clearstream Participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Certificate by or through a Euroclear Participant or Clearstream Participant to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

If interests in a Global Certificate are cleared only through Euroclear and Clearstream (and not DTC), you will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices, and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers, and other institutions are open for business in the United States. In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among participants of DTC, Clearstream and Euroclear, 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 we nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective direct or indirect participants of their obligations under the rules and procedures governing their operations. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of the securities in certificated form. These laws may impair the ability to transfer beneficial interests in a Global Certificate. Beneficial owners may experience delays in receiving distributions on their interests in a Global Certificate since distributions will initially be made to DTC and must then be transferred through the chain of intermediaries to the beneficial owner's account.

SUPPLEMENTAL PLAN OF DISTRIBUTION

The Issuer has agreed to sell to Barclays Capital Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC (the “Agents”) and the Agents have severally agreed to purchase the aggregate principal amount of the notes, as set forth opposite their names in the table below:

Agent	Principal Amount of Notes
Barclays Capital Inc.	U.S.\$250,000,000
Goldman, Sachs & Co.	U.S.\$250,000,000
J.P. Morgan Securities LLC	U.S.\$250,000,000
Morgan Stanley & Co. LLC	U.S.\$250,000,000
Total	U.S.\$1,000,000,000

Some of the Agents and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and selling concessions for these transactions.

In addition, in the ordinary course of their business activities, the Agents and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Agents or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Agents 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 the Issuer’s securities, including potentially the notes offered hereby. Any such credit default swaps and short positions could adversely affect future trading prices of the notes offered hereby. The Agents 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. For more details, see “Supplemental Plan of Distribution” in the accompanying Product Supplement.

The Issuer expects to deliver the notes against payment for the notes on the Original Issue Date indicated in this Terms Supplement, which is expected to be five business days following the Pricing Date. Accordingly, purchasers who wish to transact in the notes prior to the Original Issue Date may be required to specify alternative settlement arrangements to prevent a failed settlement.

PRODUCT SUPPLEMENT NO. 1 dated May 11, 2015
(To Offering Circular dated May 11, 2015)



Rabobank

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank),
*(a cooperative (coöperatie) with limited liability established under the laws of The Netherlands
and having its statutory seat in Amsterdam, The Netherlands)*

New York Branch, as Issuer
and
Utrecht Branch, as Issuer
Irrevocably and Unconditionally Guaranteed by the New York Branch
Medium-Term Notes

The Medium-Term Notes (the “Notes”) are debt securities of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), a cooperative entity formed under the laws of The Netherlands with its statutory seat in Amsterdam, The Netherlands issued by each of Rabobank (the “Utrecht Branch”) and Rabobank, New York Branch, a branch duly licensed in the State of New York, (the “New York Branch”) and together with the Utrecht Branch, the “Issuers” and each an “Issuer”). The Notes issued by the Utrecht Branch will be irrevocably and unconditionally guaranteed by the New York Branch, (in such capacity, the “Guarantor”), pursuant to a guarantee issued by the New York Branch (the “Guarantee”). Notes issued under this Program will be issued by either the Utrecht Branch or the New York Branch. None of the Notes that may be issued under this Program will be co-issued by the Issuers. The Notes and the Guarantee represent direct, unsecured and unsubordinated general obligations of the Issuers and the Guarantor, respectively, and will rank pari passu in right of payment with all other such obligations of either Issuer and the Guarantor, respectively, except for obligations of the relevant Issuer and the Guarantor given priority by law.

The Notes may be Fixed Rate Notes or Floating Rate Notes with interest payable on the Interest Payment Dates, in each case as described in the accompanying Offering Circular and with specific terms specified in the applicable Terms Supplement.

The Notes will mature on the maturity date set forth in the applicable Terms Supplement, subject to adjustments and, if applicable, the right of the relevant Issuer to redeem the Notes prior to the maturity date as described herein or in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, the minimum denomination of the Notes (the “Minimum Denomination”) will be \$250,000 for Notes issued by the New York Branch and \$25,000 for Notes issued by the Utrecht Branch. The Notes will not be exchanged for or resold in amounts less than the Minimum Denomination, except that any Notes held in excess of the Minimum Denomination may be resold to the relevant Issuer or with the relevant Issuer’s prior written consent to any dealer, in integral multiples of \$1,000 thereof, provided that none of the respective Issuers, the Guarantor or any dealer shall be obligated to repurchase any Notes at any time. The Depository Trust Company (“DTC”) will act as securities depository for the Notes and will record ownership and transfer of the Notes in book-entry form only.

The applicable Terms Supplement will describe the specific terms of a series of the Notes to which it relates, including any changes to the terms set forth in this Product Supplement or the accompanying Offering Circular. Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Offering Circular or the applicable Terms Supplement.

For information regarding the Issuers and the Guarantor, please see the accompanying Offering Circular and documents incorporated therein by reference.

Investing in the Notes involves certain risks. See “Risk Factors” beginning on page S-6 herein and any additional Risk Factors described in the applicable Terms Supplement.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (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 LIABILITIES OF THE RESPECTIVE ISSUER, AND THE GUARANTEE CONSTITUTES AN UNCONDITIONAL 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 U.S. DEPOSIT INSURANCE FUND, THE DUTCH DEPOSIT GUARANTEE SCHEME OR ANY OTHER U.S. OR DUTCH GOVERNMENTAL OR DEPOSIT INSURANCE AGENCY OR ENTITY.

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This Product Supplement, the applicable Terms Supplement and the Offering Circular are confidential and are being furnished by the relevant Issuer in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling prospective investors to consider the purchase of the Notes. Any reproduction or distribution of this Product Supplement, the applicable Terms Supplement and/or the Offering Circular, in whole or part, and any disclosure of their contents or use of any information herein or therein for any purpose other than considering an investment in the Notes is prohibited.

Notwithstanding anything to the contrary contained herein, all persons may disclose to any and all persons, without limitation of any kind, the U.S. federal, state and local tax treatment of the Notes, any fact relevant to understanding the U.S. federal, state and local tax treatment of the Notes and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment and that may be relevant to understanding such tax treatment. However, no person may disclose the name of or identifying information with respect to any party identified herein or any pricing term or other nonpublic business or financial information that is unrelated to the purported or claimed U.S. federal, state or local tax treatment of the Notes and is not relevant to understanding the purported or claimed U.S. federal, state and local tax treatment of the Notes. The distribution of this Product Supplement and the applicable Terms Supplement and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Product Supplement, the related Terms Supplement and the Offering Circular come are required by the Issuers and the Guarantor to inform themselves about and to observe any such restrictions. The Notes offered hereby have not been reviewed, recommended or endorsed by the Securities and Exchange Commission (the “**Commission**”) or any state or foreign securities commission or regulatory authority. Furthermore, the foregoing authorities have not reviewed, confirmed or determined the accuracy or adequacy of this Product Supplement, the applicable Terms Supplement or the accompanying Offering Circular. Any representation to the contrary is a criminal offense.

Each purchaser of the Notes of any series will be furnished a copy of this Product Supplement, the applicable Terms Supplement and the Offering Circular and any related amendments or supplements to this Product Supplement, the applicable Terms Supplement and the Offering Circular. By receiving this Product Supplement, the applicable Terms Supplement and the Offering Circular you acknowledge that (i) you have been afforded an opportunity to request from the relevant Issuer and the Guarantor, if applicable, and to review, and have received, all additional information you consider to be necessary to verify the accuracy and completeness of the information herein, (ii) you have not relied on any person other than the relevant Issuer in connection with your investigation of the accuracy of such information or your investment decision and (iii) except as provided pursuant to clause (i) above, no person has been authorized to give any information or to make any representation concerning the Notes of such series other than those contained in this Product Supplement, the applicable Terms Supplement or the Offering Circular and, if given or made, such other information or representation should not be relied upon as having been authorized by the relevant Issuer or the Guarantor.

All investors should have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investing in and holding the Notes. Investment in the Notes should be made only by purchasers who are able and prepared to bear the substantial risks of investing therein. In making an investment decision, investors must rely on their own examination of the relevant Issuer, the Guarantor, if applicable, the terms of the Notes and the offering, including the merits and risks involved. By accepting delivery of this Product Supplement, prospective investors will be deemed to have acknowledged the need to conduct their own thorough investigation and to exercise their own due diligence before considering an investment in the Notes.

NOTICE TO INVESTORS

EACH PURCHASER WILL BE REQUIRED TO AGREE THAT IT WILL COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE NOTES OR POSSESSES OR DISTRIBUTES THE OFFERING CIRCULAR, THE PRODUCT SUPPLEMENT, THE TERMS SUPPLEMENT OR ANY OFFERING MATERIAL AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES AND THE ISSUERS AND THE GUARANTOR SHALL NOT HAVE ANY RESPONSIBILITY THEREFOR.

NONE OF THE ISSUERS, THE GUARANTOR OR ANY OF THE DEALERS, REPRESENTS THAT THE NOTES MAY AT ANY TIME LAWFULLY BE SOLD IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY JURISDICTION, OR PURSUANT TO ANY EXEMPTION AVAILABLE THEREUNDER OR ASSUMES ANY RESPONSIBILITY FOR FACILITATING SUCH SALE.

EACH PURCHASER WILL BE REQUIRED TO COMPLY WITH SUCH OTHER ADDITIONAL RESTRICTIONS AS THE RELEVANT ISSUER AND THE PURCHASER SHALL AGREE AND AS SHALL BE SET OUT IN THIS PRODUCT SUPPLEMENT AND THE TERMS SUPPLEMENT.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OR REGISTERED WITH ANY OTHER GOVERNMENTAL AUTHORITY. THE ISSUERS ARE OFFERING AND SELLING THE NOTES IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(a)(2) OF THE SECURITIES ACT, WHICH PERMITS BANKS TO OFFER AND SELL THEIR OWN SECURITIES WITHOUT REGISTRATION. THEREFORE, SOME OF THE PROTECTIONS FOR INVESTORS PROVIDED BY THE SECURITIES ACT WILL NOT APPLY TO A PURCHASE OF THE NOTES.

THE NOTES WILL NOT BE ISSUED UNDER A TRUST INDENTURE AND WILL NOT BE SUBJECT TO THE PROVISIONS OF THE TRUST INDENTURE ACT OF 1939. THEREFORE, THE HOLDERS WILL NOT BE ENTITLED TO PROTECTIONS OF THE TRUST INDENTURE ACT.

REFERENCES IN THIS PRODUCT SUPPLEMENT TO “WE,” “OUR,” OR “US” REFER TO COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., A COOPERATIVE ENTITY ESTABLISHED UNDER THE LAWS OF THE NETHERLANDS WITH ITS STATUTORY SEAT IN AMSTERDAM, THE NETHERLANDS, AND ITS SUBSIDIARIES, OR THE RELEVANT ISSUER, WHERE THE CONTEXT REQUIRES.

SUMMARY

*This summary includes questions and answers that highlight selected information from the accompanying Offering Circular and this Product Supplement to help you understand the Notes. You should carefully read the entire Offering Circular, this Product Supplement and the accompanying Terms Supplement to fully understand the terms of the Notes, as well as the principal tax and other considerations that are important to you in making a decision about whether to invest in the Notes. You should, in particular, carefully review the section entitled “Risk Factors,” which highlights certain risks, to determine whether an investment in the Notes is appropriate for you. All of the information set forth below is qualified in its entirety by the more detailed explanation set forth elsewhere in the Offering Circular and this Product Supplement. **The Terms Supplement will contain certain specific information and terms of the Notes and may also add, update or change the information contained in the Offering Circular or this Product Supplement. If any information in the applicable Terms Supplement is inconsistent with the Offering Circular or this Product Supplement, you should rely on the information in that Terms Supplement. It is important for you to consider the information contained in all the offering documents in making your investment decision.***

Questions and Answers

What are the Notes?

The Medium-Term Notes are debt securities which may be issued by the New York Branch or the Utrecht Branch. Notes issued by the Utrecht Branch will be guaranteed by the New York Branch. The Notes and the Guarantee will represent direct, unsecured and unsubordinated general obligations of the respective Issuer and the Guarantor, if applicable, and will rank *pari passu* in right of payment with all other such obligations of the relevant Issuer and the Guarantor, respectively, except for such obligations of the relevant Issuer and the Guarantor given priority by law.

How will interest on the Notes be calculated?

Fixed Rate Note. Fixed Rate Notes will pay interest from the Issue Date (as described in the accompanying Offering Circular) at one or more fixed rates, which will be zero in the case of a zero-coupon Note. Unless otherwise specified in the applicable Terms Supplement, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Floating Rate Note. Floating Rate Notes will pay interest (if any) from the Issue Date at a rate or interest rate formula, which may be subject to a Maximum Interest Rate and/or a Minimum Interest Rate, based on one or more of the following rates or indices plus or minus a Spread and/or multiplied by a Spread Multiplier:

- CD Rate;
- CMS Rate;
- CMT Rate;
- Commercial Paper Rate;
- CPI;
- 11th District Cost of Funds Rate;
- Federal Funds Effective Rate;
- Federal Funds Open Rate;
- Euro Interbank Offered Rate (“**EURIBOR**”);
- London Interbank Offered Rate (“**LIBOR**”);

- Prime Rate;
- Treasury Rate; or
- any other base rate, index or indices, interest rate formula or combination of fixed rate and floating rate or inverse floating rate, baskets of any of the aforementioned rates or indices, or any other asset or measure of financial performance as provided in the applicable Terms Supplement.

Interest on each Note (if any) may be paid on monthly, quarterly, semi-annual or annual Interest Payment Dates (as described in the Offering Circular) and/or at maturity, as specified in the applicable Terms Supplement.

What will I receive upon maturity of the Notes?

At maturity, we will pay you the stated principal amount of your Notes, plus accrued and unpaid interest (if any).

How does the Optional Redemption feature work?

We may, in our sole discretion, redeem the Notes, in whole or in part (the “**Optional Redemption**”) on a date set forth in the applicable Terms Supplement (the “**Redemption Date**”) upon at least 15 calendar days’ notice to the Holder or Holders of the Notes. If we redeem the Notes on any Redemption Date, we will pay the stated principal amount plus accrued and unpaid interest (if any) to each Holder on the Redemption Date, or if such day is not a Business Day (as described in the Offering Circular), the following Business Day. To the extent we exercise our Optional Redemption, each Holder shall receive only the stated principal amount plus any accrued and unpaid interest (if any) to the related Redemption Date and shall receive no further payments in respect of the Notes.

What about taxes?

Please read carefully the section entitled “Certain U.S. Federal Income Tax Consequences” in the Offering Circular and any discussion regarding U.S. federal income taxation contained in the applicable Terms Supplement. You should consult your own tax adviser about an investment in any of our Notes in light of your particular tax situation.

What about liquidity?

The Notes are most suitable for purchase and holding until the maturity date. We cannot assure you that a secondary market for the Notes will develop or that, if it develops, such market will prove to be liquid. In addition, the Notes will not be listed on any securities exchange and, while certain dealers may choose to make a market in the Notes for some or all of the period during which the Notes are outstanding, none of us, any of our affiliates nor any dealers are required to make a market or, if they choose to make a market, to continue to maintain such market for the entire period during which the Notes are outstanding. You should understand that any market making price quoted by any dealer will be net of all or a portion of the commission paid to the dealers. Since the liquidity of the Notes may be limited, if you decide to liquidate Notes prior to maturity, you may have to sell the Notes at a substantial discount from the principal amount.

Who are the Issuers and the Guarantor?

The Issuers are the Utrecht Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), a cooperative entity established under the laws of The Netherlands with its statutory seat in Amsterdam, The Netherlands and the New York Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank). The New York Branch will guarantee Notes issued by the Utrecht Branch. Notes issued under this Program will be issued by either the Utrecht Branch or the New York Branch. None of the Notes that may be issued under this Program will be co-issued by the Issuers.

Under New York law, (a) the New York Branch, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, which may be increased at the discretion of the New York Superintendent of

Financial Services (the “**Superintendent**”), (b) the Superintendent may take possession of the assets of the New York Branch, wherever located, and any other property and business of the bank located in New York for the benefit of the New York Branch’s creditors, including the beneficiaries of the Guarantee, if, among other things, the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) deteriorates or such bank is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in the Netherlands or otherwise and (c) the Superintendent will only turn over such assets or other property to the bank or any liquidator or receiver after all of the claims of the creditors of the New York Branch, including the beneficiaries of the Guarantee, have been satisfied and discharged.

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 New York Branch, as Guarantor for the obligations of the Utrecht Branch, does not provide a separate means of recourse.

For more details, see “Rabobank Group” in the Offering Circular.

RISK FACTORS

An investment in the Notes may be subject to a number of risks not associated with similar investments in a conventional debt security. Prospective purchasers should consider carefully all of the information set forth herein, in the Offering Circular and in the applicable Terms Supplement and, in particular, the following risks and the particular risks described in the Offering Circular and in the applicable Terms Supplement in connection with an investment in the Notes.

RISK FACTORS GENERALLY APPLICABLE TO THE NOTES

The interest rate on your Floating Rate Notes may fluctuate and decrease in the future and the maximum rate you are entitled to receive may be capped

Because the interest rate on Floating Rate Notes may vary from time to time, there will be significant risks not associated with a conventional fixed rate debt security. These risks include fluctuation of the applicable interest rate and the possibility that, in the future, the interest rate on your Notes will decrease and may be zero, subject to any Minimum Interest Rate specified in the applicable Terms Supplement. As a result, the applicable interest and yield rate may be substantially less than the rate of interest that issuers with comparable credit ratings would pay on conventional fixed rate debt securities with a similar term. We have no control over a number of matters that may affect interest and yield rates, including economic, financial, political, regulatory and judicial events that are important in determining the existence, magnitude and longevity of these risks and their results.

If the applicable Terms Supplement specifies that your Floating Rate Notes are subject to a Maximum Interest Rate, the rate of interest that will accrue on the Floating Rate Notes during any Reset Period (as defined below) will never exceed the specified Maximum Interest Rate.

Our credit ratings may affect the value of the Notes

The payment of any amount due on the Notes is subject to our ability to pay amounts due on the Notes, and therefore, investors are subject to our credit risk. In addition, any decline in our credit ratings, any adverse changes in the market's view of our creditworthiness or any increase in our credit spreads are likely to adversely affect the value of the Notes prior to maturity.

On November 4, 2014, Standard & Poor's Financial Services LLP ("**S&P**"), a credit rating agency lowered its long-term credit rating of Rabobank from AA- to A+ and its short-term credit rating of Rabobank from A-1+ to A-1. The outlook remains "negative".

On December 31, 2014, Fitch Ratings ("**Fitch**"), a credit rating agency, affirmed Rabobank's long-term issuer default rating ("**IDR**") of AA- and Rabobank's viability rating ("**VR**") of aa-, with a "negative" outlook.

On March 17, 2015, Moody's Investors Service, Inc. ("**Moody's**"), a credit rating agency, placed Rabobank's long-term debt and deposit ratings of Aa2 under review with "direction uncertain."

A rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. Thus, a negative outlook indicates that the issuer's credit rating may be downgraded in the medium term. Consequently, actual or anticipated declines in our credit ratings may affect the market value of your Notes. There is no assurance that the rating will remain unchanged during the term of the Notes of any series.

The ratings represent the relevant rating agency's assessment of our financial condition and ability to pay our 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.

Your principal will be paid back to you only if you hold the Notes to maturity

You will be entitled to receive at least the stated principal amount of your Notes if you hold your Notes to the Maturity Date (or the Redemption Date, if applicable). Because the Notes are our senior unsecured obligations, payment of any amount at maturity is subject to our ability to pay our obligations as they become due.

Payments on the Notes may be limited or delayed

If we were to default on payments due on the Notes or become insolvent, all payments of principal and/or interest owed to you could be limited or delayed. Application of Dutch insolvency law or Bail-in Power by the relevant Dutch resolution authority could affect the Issuers' and the Guarantor's ability to make payments on the Notes.

Under New York law, (a) the New York Branch, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, which may be increased at the discretion of the Superintendent, (b) the Superintendent may take possession of the assets of the New York Branch, wherever located, and any other property and business of the bank located in New York for the benefit of the New York Branch's creditors, including the beneficiaries of the Guarantee, if, among other things, the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) deteriorates or such bank is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in The Netherlands or otherwise and (c) the Superintendent will only turn over such assets or other property to the bank or any liquidator or receiver after all of the claims of the creditors of the New York Branch, including the beneficiaries of the Guarantee, have been satisfied and discharged. Although the New York Banking Law provides that the assets of the New York Branch would, in the first instance, be marshaled to pay the claims of creditors of the New York Branch, there can be no assurance that you would receive a full return of your investment or that payment would not be delayed because of the Superintendent's possession. 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 New York Branch, as Guarantor for the obligations of the Utrecht Branch, does not provide a separate means of recourse.

Any payment on the Notes is subject to exercise of any Bail-in Power by the relevant Dutch resolution authority (as defined under "Terms and Conditions of the Notes – Agreement with Respect to the Exercise of Bail-in Power" in the accompanying Offering Circular). Accordingly, if any Bail-in Power is exercised you may lose all or a part of the value of your investment in the Notes or receive a different security, which may be worth significantly less than the Notes and which may have significantly fewer protections than those typically afforded to debt securities. See "Holders of Notes agree to be bound by the exercise of any Bail-In Power by the relevant Dutch resolution authority" in the accompanying Offering Circular.

The Notes will be unsecured and rank behind any secured creditors to the extent of the value of the collateral securing their claims

Holders of any secured indebtedness will have claims that are prior to your claims as Holders of the Notes to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of our secured indebtedness will have prior claim to our assets that constitute their collateral. Holders of the Notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the Notes. In that event, because the Notes will not be secured by any of our assets, it is possible that our remaining assets might be insufficient to satisfy your claims in full.

We are more likely to exercise our Optional Redemption when prevailing interest rates are relatively low

If specified in the applicable Terms Supplement, the Notes will be subject to our right to redeem the Notes. We are more likely to exercise our Optional Redemption when prevailing interest rates are low relative to the interest rate applicable to the Notes, and you may not be able to reinvest the stated principal amount of the Notes plus any accrued and unpaid interest on the related Redemption Date in a comparable security at an effective interest rate as high as the interest rate on the Notes being called. Your ability to realize market value appreciation is limited by our

right to redeem the Notes prior to the maturity date. As a result, even if we do not exercise our option to redeem the Notes, our ability to do so may adversely affect the value of your Notes. It will be our sole option whether to redeem your Notes prior to maturity and therefore, the term of your Notes may vary.

You will not receive interest payments after the Redemption Date

To the extent we exercise our Optional Redemption right, you will receive the stated principal amount of the Notes plus any accrued and unpaid interest on the related Redemption Date and you will not receive any additional amount or further interest payments after such Redemption Date.

There can be no assurance that a secondary market will develop for the Notes

Under normal market conditions, the Notes are most suitable for purchasing and holding to maturity. The Notes of any series will have no established trading market when issued and we cannot assure you that a secondary market for the Notes of such series will develop, or that if it develops, that such secondary market will be liquid. We do not intend to apply for listing of the Notes on any securities exchange, or for trading in any established market. None of us, our affiliates or any other dealer has any obligation to provide a secondary market. Therefore, you may not be able to sell your Notes easily or at prices that will provide you with a yield comparable to similar investments that have a developed secondary market. In addition, to the extent that the total aggregate principal amount of the Notes being offered is not purchased by investors, one or more of our affiliates or dealers or their affiliates may agree to purchase the unsold portion for investment, to the extent permitted by applicable law. As a result, upon completion of the offering, our affiliates may hold a portion of the issued Notes as set forth in the applicable Terms Supplement, and therefore adversely affect the price of the Notes in any secondary market.

There is a higher risk of illiquidity for the Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and significantly more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Notes.

The inclusion of commissions in the original issue price is likely to adversely affect secondary market prices of the Notes

Assuming no change in market conditions or any other relevant factors, the price, if any, at which the dealers are willing to purchase Notes in secondary market transactions will likely be lower than the original issue price, since the original issue price will include, and secondary market prices are likely to exclude, commissions paid with respect to the Notes. In addition, any such prices may differ from values determined by pricing models used by the dealers, as a result of dealer discounts, mark-ups or other transaction costs.

The Notes will not be registered with the Commission or listed on any exchange

The Notes and the Guarantee are not registered under the Securities Act or under any state laws. We will offer the Notes of a particular series and the Guarantee pursuant to an exemption from the registration requirements of the Securities Act contained in Section 3(a)(2) of the Securities Act. Neither the Commission 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 Product Supplement, the Offering Circular or any Terms Supplement. The Notes will not be listed on an organized securities exchange. This may adversely affect the liquidity and, therefore, the value of the Notes.

Neither the Notes nor the Guarantee are insured by the FDIC

Neither the Notes nor the Guarantee are deposit liabilities of the relevant Issuer or the Guarantor, respectively, and neither the Notes nor the Guarantee or your investment in the Notes are insured by the United States Federal Deposit Insurance Corporation (“**FDIC**”), the United States Deposit Insurance Fund, the Dutch Deposit Guarantee Scheme or any U.S. or Dutch governmental or deposit insurance agency.

The Calculation Agent may have economic interests adverse to your interests

Unless otherwise specified in the applicable Terms Supplement, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) will be the Calculation Agent for the Notes. The economic interests of the Calculation Agent and other of our affiliates are potentially adverse to your interests as an investor in the Notes. As Calculation Agent, the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) will determine, as applicable, the interest rate, amount of interest, and additional amount, if any, you will receive at maturity. Determinations made by the Calculation Agent may adversely affect the payout to you. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on us and each Holder of the Notes. In addition, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) may hedge the Notes. Consequently, in its capacity as the Calculation Agent, it may have economic interests adverse to those of the Holders, including with respect to certain determinations and judgments that it must make.

You may not rely on either Issuer, the Guarantor or any of the dealers as to the legality of your acquisition of the Notes

None of the Issuers, the Guarantor, any of the dealers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it. A prospective purchaser may not rely on the Issuer, the Guarantor, any of the dealers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.

You should determine whether to acquire the Notes based on your own independent review and appropriate professional advice

Each prospective purchaser of the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

You may not be able to enforce civil judgments in The Netherlands that you obtain against either Issuer or the Guarantor in U.S. courts

The Issuers are either the Utrecht Branch or the New York Branch of a bank formed under the laws of The Netherlands. Some directors and officers reside outside of the United States, principally in The Netherlands. In addition, substantially all of the Issuers' assets are located in The Netherlands. As a result, it will be necessary for you to comply with the law of The Netherlands in order to obtain an enforceable judgment against the Issuers' directors or officers or with respect to its assets, including a judgment to foreclose upon such assets. While the Issuers have consented to have the New York Branch accept service of process for any civil action brought against it in the United States in connection with the offer and sale of the Notes in the United States, it may not be possible for you to (i) effect service of process against the Issuers' directors and/or officers and (ii) realize in the United States upon judgments against such persons obtained in such courts predicated upon the civil liabilities of such persons, including any judgments predicated upon the United States federal securities laws, to the extent such judgments exceed such person's United States assets.

You will not benefit from the floating interest rate determined at any time other than on an interest determination date

The floating interest rate, and thus the interest payment amount you will receive on the relevant Interest Payment Date will be based only on the floating interest rate on the applicable interest determination date. Therefore, for example, if the floating interest rate dropped precipitously prior to the interest determination date, the

interest payment amount for that Reset Period may be significantly less than it would otherwise have been had the floating interest rate been determined on a day prior to such decline in such floating interest rate. Although actual floating interest rate may be higher if determined at other times during the Reset Period than on the interest determination date for that period, you will not benefit from the floating interest rate determined at any time other than on an interest determination date.

Changes in the calculation methodology of a floating interest rate may adversely affect the value of your Floating Rate Notes

Each floating interest rate defined herein is calculated and published without regard to the relevant Issuer or your Notes. The interest payment amount you receive on each Interest Payment Date and the market value of your Notes may be adversely affected if the methodology used to calculate the floating interest rate specified in the applicable Terms Supplement is altered or if the floating interest rate ceases to be published.

Beginning in 2008, concerns were raised that some of the member banks surveyed by the British Bankers' Association (the "BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations were initiated by regulators and governmental authorities in various jurisdictions (including in the United States, United Kingdom, Europe Union, Japan and Canada). If manipulation of LIBOR or another inter-bank lending rate occurred, it may have resulted in that rate being artificially lower (or higher) than it otherwise would have been.

In September 2012, the U.K. government published the results of its review of LIBOR (commonly referred to as the "Wheatley Review"). The Wheatley Review made a number of recommendations for changes with respect to LIBOR including the introduction of statutory regulation of LIBOR, the transfer of responsibility for LIBOR from the BBA to an independent administrator, changes to the method of compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate-setting. Based on the Wheatley Review, final rules for the regulation and supervision of LIBOR by the Financial Conduct Authority (the "FCA") were published and came into effect on April 2, 2013 (the "FCA Rules"). In particular, the FCA Rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts of interest policy and appropriate systems and controls. ICE Benchmark Administration Limited (the "ICE Administration") has been appointed as the independent LIBOR administrator, effective February 1, 2014. See the Rabobank Group consolidated financial statements 2014, under note 4.10 "Legal and arbitration proceedings" for further information.

It is not possible to predict the effect of the FCA Rules, any changes in the methods pursuant to which the LIBOR rates are determined and any other reforms to LIBOR that will be enacted in the U.K. and elsewhere, which may adversely affect the trading market for LIBOR-based securities. In addition, any changes announced by the FCA, the ICE Administration or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If that were to occur and to the extent that the value of your securities is affected by reported LIBOR rates, the level of interest payments and the value of the securities may be affected. Further, uncertainty as to the extent and manner in which the Wheatley Review recommendations will continue to be adopted and the timing of such changes may adversely affect the current trading market for LIBOR-based securities and the value of the Notes. As a result, the interest payment amount for your Notes may be significantly less than it would have been had you invested in a conventional fixed rate debt security.

In a similar manner, each floating interest rate defined herein may be subject to various complex and unpredictable distortions. Such distortions may cause the floating interest rate to be artificially high or low. Depending upon the method for calculating the interest payment amount specified in the applicable Terms Supplement, an artificially high or low floating interest rate could adversely affect the interest payment amount that you receive on an Interest Payment Date or the market value of your Notes.

The method by which each floating interest rate will be calculated in the event that the current floating interest rate is no longer available is described in this Product Supplement under "Description of Notes—Floating Rate

Notes.” If the floating interest rate is calculated using an alternative method, the interest payment amount you receive on an Interest Payment Date or the market value of your Notes may be adversely affected.

DESCRIPTION OF THE NOTES

General

The Notes and the Guarantee will represent direct, unsecured and unsubordinated general obligations of the respective Issuer and the Guarantor, if applicable, and will rank *pari passu* in right of payment with all other such obligations of such Issuer and the Guarantor, respectively.

The particular terms of any Notes will be set forth in the applicable Terms Supplement. The terms and conditions set forth in this “Description of the Notes” will apply to each Note, unless otherwise specified herein or in the applicable Terms Supplement and in such Note.

As provided in the Fiscal and Paying Agency Agreement, Deutsche Bank Trust Company Americas will serve as the Fiscal Agent under the Notes.

Terms to be Specified in the Terms Supplement of the Notes

The Terms Supplement relating to each Note will describe the following terms, as applicable:

- the price at which the Note will be issued, expressed as a percentage of the aggregate principal amount thereof (the “**Original Issue Price**”);
- the date on which the Note will be issued (the “**Original Issue Date**”);
- the stated maturity date;
- whether the Note is a Fixed Rate Note or a Floating Rate Note;
- in the case of a Fixed Rate Note, the *per annum* interest rate or rates, if any, or the method of calculating the rate and, the Interest Payment Dates (monthly, quarterly, semi-annually, annually, at maturity or otherwise);
- in the case of a Floating Rate Note:
 - the interest rate basis or bases;
 - the initial interest rate, if any;
 - the interest reset date or dates;
 - the Reset Period or periods;
 - the Interest Payment Date or dates (monthly, quarterly, semi-annually, annually, at maturity or otherwise);
 - the interest determination date or dates;
 - the calculation date or dates;
 - the Maximum Interest Rate, if any;
 - the Minimum Interest Rate, if any;
 - the Spread, if any;
 - the Spread Multiplier, if any;

- any other terms relating to the particular method of calculating the interest rate for the Note and, if so specified in the applicable Terms Supplement, that we may change the Spread and/or Spread Multiplier prior to the stated maturity and, if so, the basis or formula for the change, if any;
- whether the Note is a zero coupon Note and, if so, the yield to maturity;
- whether the Note will be an inflation-protected note;
- the regular record date or dates if other than as set forth below;
- whether the Optional Redemption is applicable and, if so, the provisions relating to the redemption; and
- any other terms on which we will issue the Notes.

Payment at Maturity

At maturity, we will pay you the stated principal amount of your Notes, plus accrued and unpaid interest (if any). Any payment at maturity is subject to our ability to satisfy our obligations as they become due.

Evidence of the Notes

The Notes will be evidenced by one or more global certificates issued by us, each representing a number of individual Notes. You will not have the right to receive actual possession of security certificates representing any Notes, except under limited circumstances; instead, the Notes will be represented by one or more global certificates which will be deposited with and registered in the name of DTC or its nominee. DTC will act as securities depository for the Notes and will record ownership and transfer of the Notes in book-entry form only. Participants in DTC and other securities intermediaries will record security entitlements in respect of the Notes by individual investors. For more information, see “Provisions Relating to the Notes While in Global Form” in the accompanying Offering Circular.

Denomination and Minimum Denomination

The Notes will be denominated in U.S. dollars. Unless otherwise specified in the applicable Terms Supplement, the Minimum Denomination of the Notes will be \$250,000 for Notes issued by the New York Branch and \$25,000 for Notes issued by the Utrecht Branch. The Notes will not be exchanged for or resold in amounts less than the Minimum Denomination, except that any Notes held in excess of the Minimum Denomination may be resold to the Issuer thereof, or with the relevant Issuer’s prior written consent to any dealer, in integral multiples of \$1,000 thereof, provided that none of the Issuers, the Guarantor or any dealer shall be obligated to repurchase any Notes at any time.

Fixed Rate Notes

Fixed Rate Notes may bear one or more annual rates of interest during the periods specified in the applicable Terms Supplement. Unless otherwise specified in the applicable Terms Supplement, interest on a Fixed Rate Note will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest payments in respect of the Fixed Rate Notes will equal the amount of interest accrued from and including the immediately preceding Interest Payment Date in respect of which interest has been paid or duly made available for payment (or from and including the Issue Date, if no interest has been paid with respect to the applicable Note) to but excluding the related Interest Payment Date, maturity date, redemption date or repayment date, as the case may be.

Unless otherwise specified in the applicable Terms Supplement, the Interest Payment Dates for Fixed Rate Notes will be as follows:

<u>Interest Payments</u>	<u>Interest Payment Dates</u>
Monthly	Fifteenth day of each calendar month or, if not a Business Day, the next succeeding Business Day, commencing the first succeeding calendar month following the month in which the Note is issued.
Quarterly	Fifteenth day of every third month or, if not a Business Day, the next succeeding Business Day, commencing in the third succeeding calendar month following the month in which the Note is issued.
Semi-Annual	Fifteenth day of every sixth month or, if not a Business Day, the next succeeding Business Day, commencing in the sixth succeeding calendar month following the month in which the Note is issued.
Annual	Fifteenth day of every twelfth month or, if not a Business Day, the next succeeding Business Day, commencing in the twelfth succeeding calendar month following the month in which the Note is issued.

Unless otherwise specified in the applicable Terms Supplement, the regular record date with respect to any Interest Payment Date will be the date 15 calendar days prior to such Interest Payment Date, whether or not such date is a Business Day. If the Interest Payment Date or maturity date for any Fixed Rate Note is not a Business Day, all payments to be made on that day with respect to the Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable as a result of the delayed payment.

Floating Rate Notes

Unless otherwise specified in the applicable Terms Supplement, each Floating Rate Note will bear interest at a rate determined by reference to an interest rate or interest rate formula, referred to in this Product Supplement as the “**Base Rate**,” which may be adjusted by adding to or subtracting from the base rate a fixed number of basis points, referred to as the “**Spread**,” and/or by multiplying the base rate by a fixed interest factor, referred to as the “**Spread Multiplier**,” each as further described below. Interest payments in respect of the Floating Rate Notes will equal the amount of interest accrued from and including the immediately preceding Interest Payment Date in respect of which interest has been paid or duly made available for payment (or from and including the Original Issue Date, if no interest has been paid with respect to the applicable Note) to but excluding the related Interest Payment Date, maturity date, redemption date or repayment date, as the case may be. In addition, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States Federal law of general application.

The applicable Terms Supplement will designate one or more of the following base rates as applicable to each Floating Rate Note:

- the Certificate of Deposit Rate (a “**CD Rate Note**”);
- the Constant Maturity Swap Rate (a “**CMS Rate Note**”);
- the Constant Maturity Treasury Rate (a “**CMT Rate Note**”);
- the Commercial Paper Rate (a “**Commercial Paper Rate Note**”);
- the Consumer Price Index (a “**CPI Floating Rate Note**”);
- the 11th District Cost of Funds Rate (an “**11th District Cost of Funds Note**”);
- the Federal Funds Effective Rate (a “**Federal Funds Effective Rate Note**”);

- the Federal Funds Open Rate (a “**Federal Funds Open Rate Note**”);
- the Euro Interbank Offered Rate (a “**EURIBOR Note**”);
- London Interbank Offered Rate (a “**LIBOR Note**”);
- the Prime Rate (a “**Prime Rate Note**”);
- the Treasury Rate (a “**Treasury Rate Note**”); or
- any other base rate or interest rate formula as is set forth in that Terms Supplement and in the Floating Rate Note.

The rate derived from the applicable interest rate basis will be determined in accordance with the related provisions below. The interest rate in effect on each day will be based on:

- if that day is an Interest Reset Date (as defined below), the rate determined as of the Interest Determination Date (as defined below) immediately preceding that Interest Reset Date; or
- if that day is not an Interest Reset Date, the rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date.

The “**Spread**” is the number of basis points to be added to or subtracted from the related interest rate basis or bases applicable to a Floating Rate Note. The “**Spread Multiplier**” is the percentage of the related interest rate basis or bases applicable to a Floating Rate Note by which the interest rate basis or bases will be multiplied to determine the applicable interest rate. The “**Index Maturity**” is the period to maturity of the instrument or obligation with respect to which the related interest rate basis or bases will be calculated.

Unless a Floating Rate Note is designated as a Floating Rate/Fixed Rate Note or an inverse Floating Rate Note, or as having an addendum attached or having other/additional provisions apply, in each case relating to a different interest rate formula, the particular Floating Rate Note will be a regular Floating Rate Note, and will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

- plus or minus the applicable Spread, if any;
- multiplied by the applicable Spread Multiplier, if any; or
- if both a Spread and a Spread Multiplier applies, multiplied by the applicable Spread Multiplier, and then plus or minus the applicable Spread.

Commencing on the first Interest Reset Date, the rate at which interest on a regular Floating Rate Note is payable will be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the initial interest rate.

Floating Rate/Fixed Rate Notes

If a Floating Rate Note is designated as a Floating Rate/Fixed Rate Note, and unless otherwise specified in the applicable Terms Supplement, the particular Floating Rate Note will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

- plus or minus the applicable Spread, if any;
- multiplied by the applicable Spread Multiplier, if any; or
- if both a Spread and a Spread Multiplier applies, multiplied by the applicable Spread Multiplier, and then plus or minus the applicable Spread.

Commencing on the first Interest Reset Date, the rate at which interest on a Floating Rate/Fixed Rate Note is payable will be reset as of each Interest Reset Date; provided, however, that:

- the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the initial interest rate; and
- the interest rate in effect commencing on the fixed rate commencement date will be the fixed interest rate, if specified in the applicable Terms Supplement, or, if not so specified, the interest rate in effect on the day immediately preceding the fixed rate commencement date.

Fixed Rate/Floating Rate Notes

If a Floating Rate Note is designated as a Fixed Rate/Floating Rate, and unless otherwise specified in the applicable Terms Supplement, the particular Floating Rate Note will bear interest at the fixed interest rate specified in the applicable Terms Supplement. Commencing on the floating rate commencement date and on each Interest Reset Date thereafter, the Floating Rate Note will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

- plus or minus the applicable Spread, if any;
- multiplied by the applicable Spread Multiplier, if any; or
- if both a Spread and a Spread Multiplier applies, multiplied by the applicable Spread Multiplier, and then plus or minus the applicable Spread.

Inverse Floating Rate Notes

If a Floating Rate Note is designated as an “**Inverse Floating Rate Note**,” and unless otherwise specified in the applicable Terms Supplement, the particular Floating Rate Note will bear interest at the fixed interest rate, minus the rate determined by reference to the applicable interest rate basis or bases multiplied by the applicable Spread Multiplier, if any; provided, however, that interest on an Inverse Floating Rate Note will not be less than zero. Commencing on the first Interest Reset Date, the rate at which interest on an Inverse Floating Rate Note is payable will be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the initial interest rate.

Calculation Agent

We will appoint a calculation agent (the “**Calculation Agent**”) to calculate interest rates on Floating Rate Notes. Unless otherwise specified in the applicable Terms Supplement, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) will act as the Calculation Agent for each Floating Rate Note. All determinations to be made by the Calculation Agent will be at its sole discretion and will, in the absence of manifest error, be conclusive for all purposes and binding on the Holders of the Notes.

The interest rate applicable to each interest Reset Period will be determined by the Calculation Agent on the Calculation Date (as defined below), except with respect to LIBOR, which will be determined on the particular interest determination date. Upon request of the registered Holder of a Floating Rate Note, the Calculation Agent will disclose the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding Interest Reset Date with respect to the particular Floating Rate Note. The “**Calculation Date**,” if applicable, pertaining to any Interest Determination Date will be the earlier of:

- the tenth calendar day after the particular interest determination date or, if such day is not a Business Day, the next succeeding Business Day; and
- the Business Day immediately preceding the applicable Interest Payment Date or the maturity, as the case may be.

Maximum and Minimum Interest Rates

Any Floating Rate Note may also have either or both of the following:

- a maximum numerical interest rate limitation, or ceiling, on the rate of interest that may accrue during any Reset Period (“**Maximum Interest Rate**”).
- a minimum numerical interest rate limitation, or floor, on the rate of interest that may accrue during any Reset Period (“**Minimum Interest Rate**”).

The interest rate on any Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis. This limit may not apply to Notes in which \$2,500,000 or more has been invested, including Notes purchased by an agent or agents in such aggregate principal amount or more for resale to investors.

All fractional numbers resulting from any calculation relating to a note will be rounded nearest eight decimal places with five one-billionths rounded upward, (e.g. .098765545 being rounded up to .09876555). All amounts used in or resulting from any calculation relating to a note will be rounded to the nearest cent, in the case of U.S. dollars, the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, or to the nearest one hundred-thousandth of a unit, in the case of a currency exchange rate, with one-half cent, one-half of a corresponding hundredth of a unit or one-half of a hundred-thousandth of a unit or more being rounded upward.

Interest Reset Dates

Each Floating Rate Note will bear interest from, and including, its Original Issue Date to, but excluding, the first Interest Reset Date for the Note at the initial interest rate set forth on the face of the Note and in the applicable Terms Supplement. Thereafter, the interest rate on each Floating Rate Note for each Reset Period (as described below) will be equal to the interest rate calculated by reference to the base rate (*i.e.*, the interest rate basis by reference to which the interest rate is determined) specified on the face of the Note and in the applicable Terms Supplement plus or minus the Spread, if any, and/or times the Spread Multiplier, if any. The Spread and/or Spread Multiplier for a Floating Rate Note may be subject to adjustment during a Reset Period under circumstances specified in the Note and in the applicable Terms Supplement.

The interest rate on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semi-annually or annually, as specified on the face of the Note and in the applicable Terms Supplement (the “**Reset Period**”). The first day of each Reset Period is referred to in this Product Supplement as an “**Interest Reset Date.**” Unless otherwise specified in the applicable Terms Supplement, the Interest Reset Dates will be:

Reset Period	Interest Reset Dates
Daily	Each Business Day.
Weekly	Wednesday of each week; except that in the case of Treasury Rate Notes that reset weekly, the Interest Reset Date will be Tuesday of each week.
Monthly	The 15 th day of each month.
Quarterly	The 15 th day of the four specified months of each year.

<u>Reset Period</u>	<u>Interest Reset Dates</u>
Semi-Annual	The 15 th day of the two specified months of each year.
Annual	The 15 th day of the specified month of each year.

The interest rate with respect to Floating Rate/Fixed Rate Notes will be determined by reference to the applicable floating rate prior to the applicable fixed rate commencement date and will remain at the applicable fixed rate or rates thereafter.

If an Interest Reset Date for a Floating Rate Note would otherwise be a day that is not a Business Day, the Interest Reset Date for that Floating Rate Note will be postponed to the next day that is a Business Day, except that, in the case of a LIBOR Note, if that Business Day is a day in the next succeeding calendar month, the Interest Reset Date will be the immediately preceding London Business Day. As used in this Product Supplement, a “**London Business Day**” means a day on which dealings in deposits in the Designated LIBOR Currency (as defined below) are transacted in the London interbank market. Each adjusted rate will be applicable on and after the Interest Reset Date to which it relates to, but not including, the next succeeding Interest Reset Date or to maturity.

Interest Determination Date

The interest rate for each Reset Period will be the rate determined by the Calculation Agent as of the Calculation Date pertaining to the Interest Determination Date that relates to the Interest Reset Date for such Reset Period. Unless otherwise specified in the applicable Terms Supplement, the “**Interest Determination Date**” for a Reset Period is the day the Calculation Agent will refer to when determining the new interest rate at which a floating rate will reset, and will be as follows:

<u>Type of Note</u>	<u>Interest Determination Dates</u>
CD Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
CMS Rate Note	The second U.S. Government Securities Business Day (as described below) preceding the Interest Reset Date.
CMT Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
Commercial Paper Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
CPI Floating Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
11 th District Cost of Funds Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
Federal Funds Effective Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
Federal Funds Open Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.

<u>Type of Note</u>	<u>Interest Determination Dates</u>
EURIBOR Note	The second Euro Business Day immediately preceding the Interest Reset Date that commences the subsequent Reset Period. As used in this Product Supplement, “ Euro Business Day ” means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System, or any successor system, is open for business.
LIBOR Note	The second London Business Day immediately preceding the Interest Reset Date that commences the subsequent Reset Period.
Prime Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
Treasury Rate Note	The day on which Treasury bills would normally be auctioned of the week in which the Interest Reset Date that commences the Reset Period falls. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on Tuesday, except that such auction may be held on the preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Interest Determination Date pertaining to the Reset Period commencing in the next succeeding week.

The Interest Determination Date relating to a Floating Rate Note with an interest rate that is determined by reference to two or more interest rate bases will be the most recent Business Day that is at least two Business Days preceding the applicable Interest Reset Date for each interest rate for the applicable Floating Rate Note on which each interest rate basis is determinable.

Interest Payments

Except as provided below or in the applicable Terms Supplement, interest on Floating Rate Notes will be payable on the “**Interest Payment Dates**” as follows and in each case at maturity:

<u>Reset Period</u>	<u>Interest Payment Dates</u>
Daily	Either monthly, on the 15th day of each month, or quarterly, on the 15th day of the four specified months of each year, as specified in the applicable Terms Supplement;
Weekly	Either monthly, on the 15th day of each month, or quarterly, on the 15th day of the four specified months of each year, as specified in the applicable Terms Supplement;
Monthly	Either monthly, on the 15th day of each month, or quarterly, on the 15th day of the four specified months of each year, as specified in the applicable Terms Supplement;
Quarterly	The 15th day of each of the four specified months of each year, beginning in the specified month immediately following the date the Note was issued;
Semi-Annual	The 15th day of each of the two specified months of each year, beginning in the specified month immediately following the date the Note was issued;
Annual	The 15th day of the specified month of each year, beginning in the specified month immediately following the date the Note was issued;

If any Interest Payment Date, other than at maturity, for any Floating Rate Note is not a Business Day for the Floating Rate Note, the Interest Payment Date will be postponed to the next day that is a Business Day for the Floating Rate Note, except that in the case of a LIBOR Note, if the Business Day for the Floating Rate Note is in the next succeeding calendar month, the Interest Payment Date will be the immediately preceding Business Day. If the maturity for any Floating Rate Note falls on a day that is not a Business Day, all payments to be made on the day

with respect to the Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable on the date of payment for the period from and after the due date as a result of the delayed payment.

Accrued interest is calculated by multiplying the face amount of a Note by an accrued interest factor. Unless otherwise specified in the applicable Terms Supplement, the accrued interest factor will be computed by adding the interest factors calculated for each day from the Original Issue Date, or from the last date to which interest has been paid or duly provided for, to but excluding the date for which accrued interest is being calculated. Unless otherwise specified in the Terms Supplement, the interest factor for each such day will be computed by dividing the interest rate applicable to that date by 360, in the case of CD Rate Notes, CMS Rate Notes, Commercial Paper Rate Notes, CPI Floating Rate Notes, 11th District Cost of Funds Rate Notes, Federal Funds Effective Rate Notes, Federal Funds Open Rate Notes, Prime Rate Notes and LIBOR Notes, or by the actual number of days in the year, in the case of CMT Rate Notes and Treasury Rate Notes. The interest factor for Floating Rate Notes as to which the interest rate is calculated with reference to two or more interest rate bases will be calculated in each period in the same manner as if only the applicable interest rate basis specified in the applicable Terms Supplement applied.

The Calculation Agent will, upon the request of the Holder of any Floating Rate Note, provide the interest rate then in effect and, if different, the interest rate that will become effective as a result of a determination made on the most recent Interest Determination Date with respect to the Note.

CD Rate

Each CD Rate Note will bear interest at the interest rate (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any) specified in such CD Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**CD Rate**” means, with respect to any CD Rate Interest Determination Date, the rate on such date for negotiable certificates of deposit having the Index Maturity specified in such CD Rate Note, as published by the Board of Governors of the Federal Reserve System in “Statistical Release H.15(519), Selected Interest Rates”, or any successor publication (“**H.15(519)**”), under the heading “CDs (secondary market)”. If such rate is not so published by 3:00 P.M., New York City time on the Calculation Date pertaining to such CD Rate Interest Determination Date, the CD Rate shall be the rate on such CD Rate Interest Determination Date for negotiable certificates of deposit of the Index Maturity designated in the CD Rate Notes as published by the Federal Reserve Bank of New York in its daily update of H.15(519) (“**H.15 Daily Update**”) under the heading “CDs (secondary market)”. If, by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in H.15(519) or H.15 Daily Update, the CD Rate on such CD Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date, of three major U.S. money market banks in the market for negotiable certificates of deposit, selected by the Calculation Agent, with a remaining maturity closest to the Index Maturity designated in such CD Rate Note in a denomination of \$1,000,000; provided, however, that if the banks are not quoting as specified in this sentence, the CD Rate shall be the CD Rate in effect immediately prior to such CD Interest Determination Date.

CMS Rate

Each CMS Rate Note will bear interest at the interest rate (calculated with reference to the CMS Rate and the Spread and/or Spread Multiplier, if any) specified in such CMS Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**CMS Rate**” means, with respect to any CMS Interest Determination Date, the rate displayed in the Reuters Page TGM42276 (as described below).

- The “**Reuters Page TGM42276 Swap Rate**” shall be the rate displayed on the Reuters Page TGM42276 (or any other page as may replace such page on that service or any successor service, for the purpose of displaying the Constant Maturity Swap rate) by 11:00 A.M., New York City time, on the CMS Rate Interest Determination Date under the heading (or any successor heading) “RATES AS AT 11:00 EST” under the column for the Index Maturity specified in the applicable Terms Supplement for such CMS Rate Interest Determination Date.

- If the above rate is no longer displayed on the relevant page, or if not displayed by 11:00 A.M., New York City time, on the CMS Rate Calculation Date, then the CMS Rate will be the rate for U.S. dollar swaps with a maturity of the Index Maturity designated in the applicable Terms Supplement, expressed as a percentage, which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 A.M., New York City time, on the CMS Rate Interest Determination Date.
- If that information is no longer displayed by 11:00 A.M., New York City time, on the CMS Rate Calculation Date, then the CMS Rate will be a percentage determined on the basis of the mid-market semi-annual swap rate quotations provided by five leading swap dealers in the New York City interbank market at approximately 11:00 A.M., New York City time, on the CMS Rate Interest Determination Date. For this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the Index Maturity designated in the applicable Terms Supplement commencing on the Reset Date with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/ 360 day count basis, is equivalent to “LIBOR Reuters” with a maturity of three months. The Calculation Agent will select the five swap dealers after consultation with the securities depository for the Notes and will request the principal New York City office of each of those dealers to provide a quotation of its rate. If at least three quotations are provided, the CMS Rate for that CMS Rate Determination Date will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event of equality, one of the highest and one of the lowest quotations. If fewer than three swap dealers selected by the Calculation Agent are quoting as described above, the CMS Rate will be the CMS Rate in effect on that CMS Rate Determination Date or, if that CMS Rate Determination Date is the first CMS Rate Determination Date, the initial rate.
- “**Reuters Screen ISDAFIX1 Page**” means the display on Reuters page (or any successor services) “ISDAFIX1” (or any other page as may replace that page on that service) for the purpose of displaying rates or prices comparable to that floating rate payment).
- “**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income department of its members be closed for the entire day for purposes of trading in U.S. government securities.

CMT Rate

Each CMT Rate Note will bear interest at the interest rate (calculated with reference to the CMT Rate and the Spread and/or Spread Multiplier, if any) specified in such CMT Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**CMT Rate**” means, with respect to any CMT Interest Determination Date, the rate displayed on the designated CMT Reuters page under the column for the designated CMT maturity index (as defined below) in the following manner:

- If the Designated CMT Reuters page (as defined below) is FRBCMT, the CMT Rate will be the rate displayed on the CMT Interest Determination Date.
- If the Designated CMT Reuters page (as defined below) is FEDCMT, the CMT Rate will be the average for the week or for the month, as specified in the applicable Terms Supplement, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date occurs.
- If no Designated CMT Reuters page is specified in the applicable Terms Supplement, the Designated CMT Reuters page will be FEDCMT for the most recent week.

If no rate appears on the Designated CMT Reuters page as indicated above, the following procedures will be followed in the order set forth below:

(1) If the rate is no longer displayed on the relevant page or is not displayed by 3:30 P.M. New York City time on the related Calculation Date, then the CMT Rate for the CMT Interest Determination Date will be the Treasury constant maturity rate for the designated CMT maturity index as published in H.15(519) or another recognized electronic source for displaying the rate.

(2) If this rate is no longer published or is not published by 3:30 P.M. New York City time on the related Calculation Date, then the CMT Rate on the CMT Interest Determination Date will be the Treasury constant maturity rate for the designated CMT maturity index as of the CMT Interest Determination Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury.

(3) If the rate cannot be determined on the related Calculation Date in accordance with the foregoing provisions, then the Calculation Agent will calculate the CMT Rate on the CMT Interest Determination Date as follows:

- The CMT Rate will be a yield to maturity based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Interest Determination Date, reported, according to their written records, by three leading U.S. government securities dealers in New York City, for Treasury securities. The Treasury securities will be the most recently issued direct non-callable fixed rate obligations of the United States Treasury (“**Treasury Notes**”), with an original maturity of approximately the designated CMT maturity index and a remaining term to maturity of not less than the designated CMT maturity index minus one year in a Representative Amount (as defined below). If two Treasury Notes with an original maturity as described above have remaining terms to maturity equally close to the designated CMT maturity index, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.
- The three government securities dealers referenced above will be identified from five such dealers who are selected by the Calculation Agent, one of which may be an agent in the offering of the CMT Rate Note, by eliminating the dealers with the highest and lowest quotations, or in the event of equality of the quotations, one of the highest and/or lowest quotations.
- If only three or four dealers provide quotations, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated.

(4) If the Calculation Agent is unable to obtain at least three Treasury Notes quotations as described in (3) above, the CMT Rate on the CMT Interest Determination Date will be calculated by the Calculation Agent based on offer prices for certain alternative Treasury Notes as follows:

- The rate will be a yield to maturity based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M. New York City time on the CMT Interest Determination Date reported, according to their written records, by three leading U.S. government securities dealers in New York City, for Treasury Notes with an original maturity of the number of years that is the next highest to the designated CMT maturity index and a remaining maturity closest to the Index Maturity specified in the applicable Terms Supplement, and in a Representative Amount (as defined below).
- If two Treasury Notes with an original maturity, as described above, have remaining terms to maturity equally close to the designated CMT maturity index, the Calculation Agent will obtain quotations for the Treasury Notes with the shorter remaining term to maturity and will use those quotations to calculate the CMT Rate as set forth above.
- The three government securities dealers referenced above will be identified from five such dealers who are selected by the Calculation Agent, one of which may be an agent in the offering of the CMT Rate Note, by eliminating the dealers with the highest and lowest quotations, or in the event of equality, one of the highest and/or lowest quotations.

- If only three or four dealers provide quotations, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest quotes will be eliminated.

(5) If fewer than three dealers selected by the Calculation Agent provide quotations as described in (4) above, the CMT Rate determined as of the CMT Interest Determination Date will be the CMT Rate determined by the Calculation Agent acting in good faith in light of the commercial circumstances.

“Designated CMT Reuters page” means the display on the Reuters service, or any successor service on the page specified in the applicable Terms Supplement, or any other page as may replace such page on that service, or any successor service, for the purpose of displaying Treasury Constant Maturities as reported in H.15(519).

“Designated CMT maturity index” means the original period to maturity of the U.S. Treasury securities, specified in the applicable Terms Supplement for which the CMT Rate will be calculated. As of the date of this Product Supplement, these periods can be one, three or six months or one, two, three, five, seven, ten, twenty or thirty years. If no such maturity is specified in the applicable Terms Supplement, the designated CMT maturity index will be two years.

“Representative Amount” means an amount determined by the Calculation Agent that is representative for a single transaction in the relevant market at the relevant time.

The CMT Rate for a U.S. Treasury security maturity as published as of any Business Day is intended to be indicative of the yield of a U.S. Treasury security having as of that Business Day a remaining term to maturity equivalent to its maturity. The CMT Rate as of any Business Day is based upon an interpolation by the U.S. Treasury of the daily yield curve of outstanding U.S. Treasury securities. This yield curve, which relates the yield on a U.S. Treasury security to its time to maturity, is based on the over-the-counter market bid yields on actively-traded U.S. Treasury securities. Such yields are calculated from composites of quotations reported by leading U.S. government securities dealers, which may include the Calculation Agent and one or more affiliates of the agents. Certain constant maturity yield values are read from the yield curve. Interpolation from the yield curve provides a theoretical yield for a U.S. Treasury security having ten years to maturity, for example, even if no outstanding U.S. Treasury security has as of that date exactly ten years remaining to maturity.

The information relating to the CMT Rate in this Product Supplement is derived from public sources. Neither we nor the Calculation Agent has independently verified any such information. Neither we nor the Calculation Agent shall have any responsibility for any error or omissions in the calculation and publication of the CMT Rate.

Commercial Paper Rate

Each Commercial Paper Rate Note will bear interest at the interest rate (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in such Commercial Paper Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, **“Commercial Paper Rate”** means, with respect to any Commercial Paper Interest Determination Date, the Money Market Yield (calculated as specified below) in respect of the discount rate on that date for commercial paper having the Index Maturity specified in such Commercial Paper Rate Note as published in H.15(519) under the heading “Commercial Paper – Nonfinancial.” If such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, the Commercial Paper Rate shall be the Money Market Yield in respect of the discount rate on that Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified in the Commercial Paper Rate Note as published in H.15 Daily Update under the heading “Commercial Paper – Nonfinancial.” If by 3:00 P.M., New York City time, on such Calculation Date such discount rate is not yet published in H.15(519), H.15 Daily Update or other recognized electronic source for the purpose of displaying the applicable rate, the Commercial Paper Rate for that Commercial Paper Interest Determination Date shall be calculated by the Calculation Agent and shall be the Money Market Yield in respect of the arithmetic mean of the offered discount rates of three leading dealers of commercial paper in New York, New York selected by the Calculation Agent (after consultation with the Branch) as of 11:00 A.M., New York City time, on that Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified in the Commercial

Paper Rate Note and placed for an industrial issuer whose bond rating is “AA,” or the equivalent from a nationally recognized statistical rating agency; provided, however, that if the dealers selected by the Calculation Agent are not quoting such rates, the Commercial Paper Rate shall be the Commercial Paper Rate in effect immediately prior to such Commercial Paper Interest Determination Date.

“Money Market Yield” shall be a yield (expressed as a percentage rounded, if necessary, to the nearest one hundred-thousandth of a percent, with five millionths of a percent rounded upwards) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

CPI Floating Rate

Each CPI Floating Rate Note will bear interest at the interest rate calculated by reference to the formulas set out below which include a Spread and/or Spread Multiplier, as specified in the applicable Terms Supplement.

The CPI Floating Rate Notes are Floating Rate Notes paying an interest rate linked to changes in the CPI. The “CPI” is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers reported monthly by the Bureau of Labor Statistics of the U.S. Department of Labor (“BLS”) and reported on Bloomberg page CPURNSA or any successor service to Bloomberg. You should read “Public Information Regarding the CPI” elsewhere in this Product Supplement for additional information regarding the CPI. The historical levels of the CPI from January 2002 to February 2012 are set forth under the heading “Public Information Regarding the CPI – Historical Information” elsewhere in this Product Supplement. Historical levels of the CPI, however, are not necessarily indicative of future levels of the CPI.

Unless otherwise specified in the applicable Terms Supplement, interest will accrue on the CPI Floating Rate Notes at a floating rate linked to the CPI as described below. The floating rate will never be less than zero percent per annum, regardless of changes in the CPI. However, because the floating rate is tied to changes in the CPI, investors in CPI Floating Rate Notes bear the risk that the floating rate in any Reset Period could be as low as zero percent. Interest on any Interest Payment Date is payable in arrears and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

There are two types of CPI Floating Rate Notes: “additive CPI Floating Rate Notes” and “multiplicative CPI Floating Rate Notes”.

- For additive CPI Floating Rate Notes, the interest rate is calculated in accordance with the following formula:

$$\text{Interest Rate} = \frac{\text{CPI}_t - \text{CPI}_{t-12}}{\text{CPI}_{t-12}} + \text{Spread}$$

The inclusion of the Spread in the interest rate equation allows the investor to receive additional interest, if any, equal to the Spread per annum above the year-over-year percentage change in the CPI_t compared to the CPI_{t-12}, in respect of any Reset Period.

- For multiplicative CPI Floating Rate Notes, the interest rate is calculated in accordance with the following formula:

$$\text{Interest Rate} = \frac{\text{CPI}_t - \text{CPI}_{t-12}}{\text{CPI}_{t-12}} \times \text{Spread Multiplier}$$

The Spread Multiplier in the interest rate equation represents the leverage component of the CPI Floating Rate Notes. The year-over-year CPI component must be positive in order to receive any interest. In addition, only when the Spread Multiplier is greater than one is it possible for an investor to receive an enhanced return relative to the year-over-year increase in CPI, if any, on the CPI Floating Rate Notes in respect of any Reset Period.

In each case the terms below will have the following meanings:

CPI_t = CPI for the third calendar month prior to the calendar month of the applicable Interest Payment Date, as reported on Bloomberg page CPURNSA or any successor service, which third calendar month we refer to as the reference month; and

CPI_{t-12} = CPI for the twelfth month prior to the applicable reference month, as reported on Bloomberg page CPURNSA or any successor service.

Formulas for both the additive CPI Floating Rate Notes and the multiplicative CPI Floating Rate Notes are based on the year-over-year percentage change in CPI with a three month lag which accommodates the publishing cycle of the BLS.

The Calculation Agent will determine the applicable CPI on each Interest Reset Date and the floating interest rate.

If, while the CPI Floating Rate Notes are outstanding, the CPI is not published because it has been discontinued or has been substantially altered, an applicable substitute index will be chosen to replace the CPI for purposes of determining interest on the CPI Floating Rate Notes. The applicable index will be that chosen by the Secretary of the Treasury for the Department of the Treasury's Inflation-Linked Treasuries as described at 62 Federal Register 846-874 (January 6, 1997) or, if no such securities are outstanding, the substitute index will be determined by the Calculation Agent in good faith and in accordance with general market practice at the time.

Public Information Regarding the CPI

The consumer price index for all urban consumers, or the CPI, is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Customers published monthly by the BLS. The BLS makes available almost all consumer price index data and press releases immediately at the time of release. This material may be accessed electronically by means of the BLS' home page or on Bloomberg page CPURNSA or any successor service to Bloomberg.

According to the publicly-available information provided by the BLS, the consumer price index is a measure of the average change in prices over time of goods and services purchased by households. The CPI covers households of wage earners, clerical workers, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force. The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and other goods and services that people buy for day-to-day living. Prices are collected in 87 urban areas across the country from housing units and retail establishments – department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of fuels and a few other items are obtained every month in all 87 locations. Prices of most other commodities and services are collected every month in the three largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits or telephone calls of the BLS' trained representatives. In calculating the index, price changes for the various items in each location are averaged together with weights, which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. The index measures price change from a designed reference base, which is 1982-84, for which the CPI equals 100. An increase of 16.5 percent from the reference base, for example, is shown as 116.5.

The BLS has made numerous technical and methodological changes to the consumer price index over the last 25 years, and it is likely to continue to do so. Examples of recent methodological changes include:

- the use of regression models to adjust for the quality improvements in various goods (televisions, personal computers, etc.);
- the introduction of geometric averages to account for consumer substitution within consumer price index categories; and
- changing the housing/shelter formula to improve rental equivalence estimation.

These changes and any future changes could reduce the level of the consumer price index and therefore lower the interest payable on the CPI Floating Rate Notes.

The BLS occasionally rebases the consumer price index. The current standard reference base period is 1982-1984 = 100. The consumer price index was last rebased in May 1988. Prior to the release of the consumer price index for May 1988, the standard reference base was 1967 = 100. If the BLS rebases the consumer price index during the time the CPI Floating Rate Notes are outstanding, the Calculation Agent will continue to calculate inflation using the existing base year in effect for the consumer price index at the time of issuance of the CPI Floating Rate Notes as long as the old consumer price index is still published. The conversion to a new reference base does not affect the measurement of the percent changes in a given index series from one time period to another, except for rounding differences. Thus, rebasing might affect the published “headline” number often quoted in the financial press; however, the inflation calculation for the CPI Floating Rate Notes should not be adversely affected by any such rebasing because the old-based consumer price index can be calculated by using the percent changes of the new rebased consumer price index to calculate the levels of the old consumer price index (because the two series should have the same percent changes).

Historical Information

Provided below are historical levels of the CPI as reported by the BLS for the period from January 2005 to March 2015. We obtained the historical information included below from Bloomberg Financial Markets without independent verification and we believe such information to be accurate.

The historical levels of the CPI should not be taken as an indication of future levels of the CPI. No assurance can be given as to the level of the CPI for any future month. The CPI may not increase or decrease in the future in accordance with any of the trends depicted by the historical information in the table below. Moreover, the size and frequency of any fluctuations in the CPI level in the future may be significantly different from those indicated in the table.

You cannot predict the future performance of the CPI Floating Rate Notes or Inflation Linked Notes or of the CPI based on the historical levels of the CPI.

The following table sets forth the CPI from January 2005 to March 2015, as reported by the BLS.

Month	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
January	233.7	233.9	230.3	226.7	220.2	216.7	211.1	211.1	202.4	198.3	190.7
February	234.7	234.8	232.2	227.7	221.3	216.7	212.2	211.7	203.5	198.7	191.8
March	236.1	236.3	232.8	229.4	223.5	217.6	212.7	213.5	205.4	199.8	193.3
April		237.1	232.5	230.1	224.9	218.0	213.2	214.8	206.7	201.5	194.6
May		237.9	232.9	229.8	225.0	218.2	213.9	216.6	207.9	202.5	194.4
June		238.3	233.5	229.5	225.7	218.0	215.7	218.8	208.4	202.9	194.5
July		238.3	233.6	229.1	225.9	218.0	215.4	220.0	208.3	203.5	195.4
August		237.9	233.9	230.4	226.5	218.3	215.8	219.1	207.9	203.9	196.4
September		237.9	234.1	231.4	226.9	218.4	216.0	218.8	208.5	202.9	198.8
October		237.4	233.5	231.3	226.4	218.7	216.2	216.6	208.9	201.8	199.2
November		236.2	233.1	230.2	226.2	218.8	216.3	212.4	210.2	201.5	197.6
December		234.8	233.0	229.6	225.7	219.2	215.9	210.2	210.0	201.8	196.8

Movements in the CPI that have occurred in the past are not necessarily indicative of changes that may occur in the future, which may be wider or more confined than those that have occurred historically.

Disclaimer by the Issuers, Guarantor and the Calculation Agent

All information in this Product Supplement relating to the CPI is derived from publicly available information released by the BLS and other public sources. Neither the Issuers nor the Guarantor nor the Calculation Agent has independently verified any such information. Neither the Issuers nor the Guarantor nor the Calculation Agent shall have any responsibility for any error or omissions in the calculation and publication of the CPI by the BLS.

11th District Cost of Funds Rate

Each 11th District Cost of Funds Rate Note will bear interest at the interest rate (calculated with reference to the 11th District Cost of Funds Rate and the Spread and/or Spread Multiplier, if any) specified in such 11th District Cost of Funds Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**11th District Cost of Funds Rate**” means, with respect to any Interest Determination Date relating to any 11th District Cost of Funds Rate Interest Determination Date, the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such 11th District Cost of Funds Rate Interest Determination Date falls, as set forth under the caption “11th DIST COFI” on Reuters COFI ARMS Page as of 11:00 A.M., San Francisco time, on such 11th District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Reuters COFI ARMS Page on any related 11th District Cost of Funds Rate Interest Determination Date, the 11th District Cost of Funds Rate for such 11th District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the 11th Federal Home Loan Bank District that was most

recently announced (the “**Index**”) by the FHLB of San Francisco as such cost of funds for the calendar month immediately preceding the date of such announcement. If the FHLB of San Francisco fails to announce such rate for the calendar month immediately preceding such 11th District Cost of Funds Rate Interest Determination Date, then the 11th District Cost of Funds Rate determined as of such 11th District Cost of Funds Rate Interest Determination Date shall be the 11th District Cost of Funds Rate in effect immediately prior to such 11th District Cost of Funds Rate Interest Determination Date.

Federal Funds Effective Rate

Each Federal Funds Effective Rate Note will bear interest at the interest rate (calculated with reference to the Federal Funds Effective Rate and the Spread and/or Spread Multiplier, if any) specified in such Federal Funds Effective Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**Federal Funds Effective Rate**” means, with respect to any Federal Funds Effective Rate Interest Determination Date, the rate on that date for Federal Funds as published in H.15(519) under the heading “Federal Funds (effective)” and displayed on Reuters (or any successor service) on page FEDFUNDS1 (or any successor page as may replace such page on that service or any successor service for the purpose of displaying the Federal Funds (effective) Rate) under the caption “EFFECT”. For the avoidance of doubt, the Federal Funds Effective Rate for any Federal Funds Effective Rate Interest Determination Date is the rate published for the immediately preceding Business Day.

If the rate does not so appear on Reuters page FEDFUNDS1 or is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to that Federal Funds Effective Rate Interest Determination Date, then the Federal Funds Effective Rate for that Federal Funds Effective Rate Interest Determination Date will be the rate on that Federal Funds Effective Rate Interest Determination Date as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the heading “Federal Funds (effective).”

If the rate is not yet published by 3:00 P.M. New York City time, on the Calculation Date pertaining to that Federal Funds Effective Rate Interest Determination Date, then the Federal Funds interest rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates as of 9:00 A.M., New York City time, on that Federal Funds Effective Rate Interest Determination Date for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent; provided, however, that if the brokers selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate with respect to that Federal Funds Effective Rate Interest Determination Date will be the Federal Funds Effective Rate last in effect on that Federal Funds Effective Rate Interest Determination Date.

Federal Funds Open Rate

Each Federal Funds Open Rate Note will bear interest at the interest rate (calculated with reference to the Federal Funds Open Rate and the Spread and/or Spread Multiplier, if any) specified in such Federal Funds Open Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**Federal Funds Open Rate**” means, with respect to any Federal Funds Open Rate Interest Determination Date, the rate for U.S. dollar federal funds as published in H.15(519) under the heading “Federal Funds (open)” and displayed on Reuters (or any successor service) screen page 5. If the Federal Funds Open Rate cannot be determined in this manner, the following procedures will apply:

- If the rate described above is not displayed on Reuters screen page 5 at 3:00 P.M., New York City time, on the relevant calendar day, unless the calculation is made earlier and the rate is available from that source at that time, then the Federal Funds Open Rate for the relevant Federal Funds Open Rate Interest Determination Date, will be the rate for that day displayed on the FFPREBON Index page on Bloomberg (which is the Fed Funds Opening Rate as reported by Prebon Yamane (or a successor) on Bloomberg).

- If the rate described above is not displayed on Reuters screen page 5 and does not appear on the FFPREBON Index on Bloomberg at 3:00 P.M., New York City time, on the relevant calendar day, unless the calculation is made earlier and the rate is available from that source at that time, the Federal Funds Open Rate will be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar Federal Funds, arranged before 9:00 A.M., New York City time, on the Federal Funds Open Rate Interest Determination Date, quoted by three leading brokers of U.S. dollar Federal Funds transactions in New York City selected by the Calculation Agent.
- If fewer than three brokers selected by the Calculation Agent are quoting as described above, the Federal Funds Open Rate on the Federal Funds Open Rate Interest Determination Date will be the Federal Funds Open Rate last in effect on the Federal Funds Open Rate Interest Determination Date.

EURIBOR

Each EURIBOR Note will bear interest at the interest rate (calculated by reference to EURIBOR and the Spread and/or Spread Multiplier, if any) specified in such EURIBOR Note and in the applicable Terms Supplement.

Unless otherwise indicated in the applicable Terms Supplement, “**EURIBOR**” means the interest rate for deposits in euros designated as “EURIBOR” and sponsored jointly by the European Banking Federation and ACI — The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing that rate. The EURIBOR will be determined in the following manner:

- EURIBOR will be the offered rate for deposits in euros having the Index Maturity specified in the applicable Terms Supplement, as that rate appears on the Reuters screen EURIBOR01 page as of 11:00 A.M., Brussels time, on the EURIBOR Interest Determination Date.
- If the rate described above does not so appear on the Reuters screen EURIBOR01 page, the EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on the EURIBOR Interest Determination Date, at which deposits of the following kind are offered to prime banks in the euro-zone interbank market by the principal euro-zone office of each of four major banks in that market selected by the Calculation Agent: euro deposits having the specified Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount. The Calculation Agent will request the principal euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant EURIBOR Interest Determination Date will be the arithmetic mean of the quotations.
- If fewer than two quotations are provided as described above, EURIBOR for such calendar day will be the arithmetic mean of the rates for loans of the following kind to leading euro-zone banks quoted, at approximately 11:00 A.M., Brussels time on such Interest Reset Date, by three major banks in the euro-zone selected by the Calculation Agent: loans of euros having the specified Index Maturity, beginning on such Interest Reset Date, and in a representative amount.
- If fewer than three banks selected by the Calculation Agent are quoting as described above, EURIBOR for the calendar day will be EURIBOR in effect on the last immediately preceding calendar day on which the EURIBOR was available.

LIBOR

Each LIBOR Note will bear interest at the interest rate (calculated by reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in such LIBOR Note and in the applicable Terms Supplement.

Unless otherwise indicated in the applicable Terms Supplement, “LIBOR” will be determined by the Calculation Agent in accordance with the following provisions:

- With respect to any LIBOR Interest Determination Date, LIBOR will be, as specified in the applicable Terms Supplement, either:
 - if “LIBOR Reuters” is specified in the Note and the applicable Terms Supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides for only a single rate, in which case the single rate will be used) for deposits in the Designated LIBOR Currency (as defined below) having the Index Maturity specified in the Note and the applicable Terms Supplement, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, which appear on the Designated LIBOR Page specified in the Note and the applicable Terms Supplement as of 11:00 A.M., London time, on that LIBOR Interest Determination Date, if at least two offered rates appear (unless, as described above, only a single rate is required) on the Designated LIBOR Page; or
 - if “LIBOR Bloomberg” is specified in the Note and the applicable Terms Supplement, the rate for deposits in the Designated LIBOR Currency having the Index Maturity designated in the Note and the applicable Terms Supplement, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, which appears on the Designated LIBOR Page specified in the Note and the applicable Terms Supplement as of 11:00 A.M., London time, on such LIBOR Interest Determination Date.

Notwithstanding the foregoing, if fewer than two offered rates appear on the Designated LIBOR Page with respect to LIBOR Reuters (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case the single rate will be used), or if no rate appears on the Designated LIBOR Page with respect to LIBOR Bloomberg, whichever may be applicable, LIBOR with respect to that LIBOR Interest Determination Date will be determined as if the parties had specified the rate as follows:

With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear in the Designated LIBOR Page with respect to LIBOR Reuters (unless the specified Designated LIBOR Page by its terms provided for only a single rate, in which case the single rate will be used), or on which no rate appears on the Designated LIBOR Page with respect to LIBOR Bloomberg, as the case may be, the Calculation Agent will request that the principal London offices of each of four major banks in the London interbank market, as selected by the Calculation Agent, provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity specified in the Note and the applicable Terms Supplement, commencing on the second London Business Day immediately following the LIBOR Interest Determination Date, to prime banks in the London interbank market as of 11:00 A.M., London time, on the LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in that market at that time. If at least two quotations are so provided, then LIBOR on the LIBOR Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the Interest Reset Date will be the arithmetic mean of the rates quoted as of 11:00 A.M. New York time, on the Interest Reset Date by three major banks in New York City for loans in the Designated LIBOR Currency to leading global banks, commencing on the Interest Reset Date having the Index Maturity specified in the Note and the applicable Terms Supplement and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in that market at that time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of the LIBOR Interest Determination Date will be LIBOR in effect on the LIBOR Interest Determination Date.

“**Designated LIBOR Currency**” means, with respect to any LIBOR Note, the currency, if any, specified in the Note and the applicable Terms Supplement as the Designated LIBOR Currency or, if no currency is specified in the Note and the applicable Terms Supplement, U.S. dollars.

“**Designated LIBOR Page**” means either:

- if “**LIBOR Reuters**” is specified in the Note and the applicable Terms Supplement, the display on Reuters (or any successor service) for the purpose of displaying the London interbank rates of major banks for the applicable Designated LIBOR currency; or

- if “**LIBOR Bloomberg**” is specified in the Note and the applicable Terms Supplement, the display on Bloomberg page BBAM1<GO> (or any successor service) for the purpose of displaying the London interbank rates of major banks for the applicable Designated LIBOR Currency.

If neither “LIBOR Reuters” nor “LIBOR Bloomberg” is specified in the Note and the applicable Terms Supplement, LIBOR for the applicable Designated LIBOR Currency will be determined as if LIBOR Reuters (and, if the U.S. dollar is the Designated LIBOR Currency, page LIBOR01 (or any successor page on that service or any successor service)) had been chosen.

Prime Rate

Each Prime Rate Note will bear interest at the interest rate (calculated by reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in such Prime Rate Note and in the applicable Terms Supplement.

Unless otherwise indicated in the applicable Terms Supplement, “**Prime Rate**” means, with respect to any Prime Interest Determination Date, the rate set forth in H.15(519) on that date under the heading “Bank prime loan.” For the avoidance of doubt, the Prime Rate for any Prime Interest Determination Date is the rate published for the immediately preceding Business Day.

If the rate is not published by 3:00 P.M., New York City time on the Calculation Date pertaining to that Prime Interest Determination Date, the Prime Rate will be the rate on that date published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the heading “Bank prime loan.”

If the rate is not published either in H.15(519), H.15 Daily Update or such other electronic source by 3:00 P.M., New York City time, on the Calculation Date pertaining to that Prime Interest Determination Date, the Prime Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank named on the Reuters Screen USPRIME1 Page (as defined below) as that bank’s prime rate or base lending rate as in effect as of 11:00 A.M., New York City time, for that Prime Interest Determination Date, or, if fewer than four rates appear on the Reuters Screen USPRIME1 Page for that Prime Interest Determination Date, the rate will be the arithmetic mean of the prime rates (quoted on the basis of the actual number of days in the year divided by 360) as of the close of business on that Prime Interest Determination Date by at least two of the three major money center banks in The City of New York selected by the Calculation Agent from which quotations are requested.

If fewer than two quotations are quoted as described above, the Prime Rate for that Prime Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the prime rates quoted in The City of New York on that date by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, having total equity capital of at least U.S. \$500,000,000 and being subject to supervision or examination by a Federal or State authority, selected by the Calculation Agent to quote such rate or rates; provided, however, that if the Prime Rate is not published in H.15(519) and the banks or trust companies selected are not quoting as mentioned in this sentence, the Prime Rate with respect to that Prime Interest Determination Date will be the interest rate otherwise in effect on that Prime Interest Determination Date.

“**Reuters Screen USPRIME 1 Page**” means the display designated as page “USPRIME 1” on Reuters (or such other page as may replace the page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Treasury Rate

Each Treasury Rate Note will bear interest at the interest rate (calculated by reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in such Treasury Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**Treasury Rate**” means, with respect to any Treasury Interest Determination Date, the rate for the most recent auction of direct obligations of the United States (“**Treasury Bills**”) having the Index Maturity specified in the applicable Terms Supplement and the Note and published under the heading “INVEST RATE” on the display on Reuters (or any successor service) on page USAUCTION10 (or any other page as may replace that page on that service or any successor service for the purpose of displaying the 3-month Treasury Bill Rate) or page USAUCTION11 (or any other successor page as may replace that page on that service or any successor service for the purpose of displaying the 3-month Treasury Bill Rate).

If the rate described in the prior paragraph does not so appear by 3:00 P.M., New York City time, on the related Calculation Date, the Treasury Rate on the Treasury Rate Interest Determination Date shall be the Bond Equivalent Yield of the auction rate of the Treasury Bills as announced by the United States Department of the Treasury.

In the event that the auction rate is not so announced by the United States Department of the Treasury on the Calculation Date, or if no auction of Treasury Bills is held, then the Treasury Rate on such Treasury Rate Interest Determination Date shall be the Bond Equivalent Yield of the rate on such Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity as published in H.15(519) under the heading “U.S. government securities/Treasury bills/secondary market” or, if not yet published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the Treasury Rate Interest Determination Date of such Treasury Bills as published in Federal Reserve Statistical Release H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the rate, under the heading “U.S. government securities/Treasury bills/secondary market.”

If the rate is not yet published in H.15(519), H.15 Daily Update or other recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Treasury Rate on the Treasury Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on the Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of the Treasury Rate Interest Determination Date will be the Treasury Rate in effect on the Treasury Rate Interest Determination Date.

“**Bond Equivalent Yield**” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal, “N” refers to a 365-day or 366-day year, as the case may be, and “M” refers to the actual number of days in the applicable interest Reset Period.

Redemption and Repurchase

Unless the applicable Terms Supplement states otherwise, we may redeem the Notes prior to maturity, at our election, in whole or in part, from time to time upon not less than 15 nor more than 60 days’ written notice to the Fiscal Agent. The Redemption Date will be any Interest Payment Date on which the relevant Issuer elects to exercise the Optional Redemption unless otherwise specified in the applicable Terms Supplement. If we redeem the Notes on any Redemption Date, we will pay the stated principal amount plus accrued and unpaid interest (if any) to each Holder on the Redemption Date, or if such day is not a Business Day (as described in the Offering Circular), the following Business Day. To the extent we exercise our Optional Redemption, each Holder shall receive only the stated principal amount plus any accrued and unpaid interest (if any) to the related Redemption Date and shall receive no further payments in respect of the Notes. The applicable Terms Supplement will specify the Redemption Dates and prices. The Notes will not be subject to any sinking fund.

We or our agents may, at any time, purchase Notes at any price in the open market or otherwise. Notes that we purchase in this manner may, at our discretion, be held, resold or surrendered to the Fiscal Agent for cancellation.

Repayment at Option of Holder

Unless the applicable Terms Supplement states otherwise, the Holder of the Notes does not have the option to demand that the Notes are repayable prior to maturity. If the applicable Terms Supplement provides that the Notes will be repayable prior to maturity at such Holder's option, it will also specify the repayment dates and prices.

In order for a Note to be repaid prior to maturity, the Fiscal Agent must receive, at the office of the Corporate Trust Office of the Fiscal Agent in The City of New York at 60 Wall Street, 27th Floor Mail Stop 60-2710, New York, NY 10005, Attention: Trust and Securities Services, at least 30 but not more than 45 days' notice of the option to exercise this repayment option. Once this notice is delivered, it may not be revoked.

If the applicable Terms Supplement provides that the Notes will be repayable prior to maturity at the Holder's option, a Holder may exercise the early repayment option, unless the applicable Terms Supplement states otherwise, for less than the entire principal amount of the Notes that it owns provided that the principal amount of Notes that remain outstanding after repayment is an authorized denomination. Unless otherwise specified in the applicable Terms Supplement, such authorized denomination is any integral multiple of \$1,000.

The depositary or its nominee will be the direct Holder of the Notes and, therefore, will be the only entity that can exercise a right to repayment, if any. In order to ensure that the depositary or its nominee will timely exercise such right to repayment, you must instruct the broker or other direct or indirect participant through which you hold an interest in such Notes to notify the depositary of your desire to exercise the right to repayment. Different firms have different cut-off times for accepting instructions from their customers. Accordingly, you should consult the broker or other direct or indirect participant through which you hold an interest in the Notes in order to ascertain the cut-off time by which such an instruction must be given in order for timely notice to be delivered to the depositary.

Reissuances or Reopening Issuances

We may from time to time, without notice to, or the consent of, the Holders, reissue or "reopen" the Notes. These further issuances, if any, will be consolidated to form a single series with the originally issued Notes and will have the same terms as the originally issued Notes, except for the issue date and the issue price of such further notes, and will trade interchangeably with the originally issued Notes immediately upon settlement, provided that in order for the further notes to have the same CUSIP number as the originally issued Notes, such further notes will be part of a qualified reopening of the originally issued Notes for U.S. federal income tax purposes.

Guarantee

Pursuant to the Guarantee, the New York Branch unconditionally and irrevocably guarantees to each Holder of each series of Notes issued by the Utrecht Branch the payments of principal and interest (if any) or other amounts due and payable or deliverable on, or exchangeable for, such Notes, if such amounts have not been received by such Holder at the time such payment is due and payable, as applicable (after giving effect to all the applicable cure periods). Under the terms of the Guarantee, the Guarantor has waived diligence, 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 against the Utrecht Branch in respect of the obligations covered by the Guarantee. The Guarantee provides that in the event of a default in payment of any amounts due to the Holder or Holders of any Notes, such Holder or Holders may institute legal proceedings directly against the Guarantor to enforce the Guarantee without first proceeding against the Utrecht Branch. The Guarantee (i) is a direct, general, unconditional, unsecured and unsubordinated obligation of the Guarantor and ranks *pari passu* with all other unconditional, unsecured and unsubordinated contingent obligations of the Guarantor, except those mandatorily preferred by law, (ii) is a continuing guarantee, (iii) is irrevocable and (iv) is a guarantee of payment and delivery of the amounts due and payable or deliverable under the Notes and not of collection. The Guarantee shall not be discharged except by the payment and delivery of all amounts due and payable or deliverable under the Utrecht Branch Notes. The Guarantee, however, does not obligate the Guarantor or any other party to make a secondary market in the Notes of any series or to make any payments with respect to any secondary market transactions.

Under New York law, (a) the New York Branch, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, which may be increased at the discretion of the Superintendent, (b) the Superintendent may take possession of the assets of the New York Branch, wherever located, and any other property and business of the bank located in New York for the benefit of the New York Branch's creditors, including the beneficiaries of the Guarantee, if, among other things, the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) deteriorates or such bank is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in The Netherlands or otherwise and (c) the Superintendent will only turn over such assets or other property to the bank or any liquidator or receiver after all of the claims of the creditors of the New York Branch, including the beneficiaries of the Guarantee, have been satisfied and discharged.

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 New York Branch for the obligations of the Utrecht Branch, does not provide a separate means of recourse.

USE OF PROCEEDS AND HEDGING

The Issuers will use the net proceeds from the sale of the Notes for the purposes we describe in the accompanying Terms Supplement under “Use of Proceeds”. We or our affiliates may also use those proceeds in transactions intended to hedge the issuer’s obligations under the Notes as described below. The original issue price of the Notes includes the dealer’s commissions (as shown on the cover page of the applicable Terms Supplement) paid with respect to the Notes and the cost of hedging our obligations.

In anticipation of the sale of the Notes, we and/or our affiliates expect to enter into hedging transactions involving purchases listed or over-the-counter options, futures and/or other instruments linked to the fixed interest rate or floating interest rate, on or before the pricing date.

We and/or our affiliates may acquire a long or short position in securities similar to your Notes from time to time and may, in our or their sole discretion, hold or resell those securities.

In the future, we and/or our affiliates expect to close out hedge positions relating to the Notes and perhaps relating to other notes with returns linked to the fixed interest rate or floating interest rate. We expect these steps to involve sales of instruments linked to fixed interest rate or floating interest rate on or shortly before an Interest Payment Date or the Final Valuation Date.

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, any of the Issuers or Dealers, 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, Keogh plans and other plans subject to Section 4975 of the Code (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 relevant Issuer or Dealer 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.

The following five prohibited transaction class exemptions (“**PTCEs**”) issued by the U.S. Department of Labor 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 any of the Issuers or Dealers, directly or through its affiliates, may be considered a party in interest or disqualified person with respect to many Plans, unless otherwise specified in the applicable Offering Circular Supplement, the Notes may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “**Plan Asset Entity**”) or any person investing “plan assets” (within the meaning of Department of Labor Regulation Section 2510.3-101, as modified by ERISA Section 3(42)) 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, the service-provider exemption or any other applicable exemption. Unless specified otherwise in the applicable Offering Circular Supplement, 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 subject to Similar Laws and is not purchasing such securities on behalf of or with “plan assets” of any Plan, Plan Asset Entity or Non-ERISA Arrangement subject to Similar Laws 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 (or any other applicable exemption) and (b) neither the Issuers nor any of their affiliates are (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 either Issuer or any of its affiliates of any rights in connection with the Notes.

In addition to considering the consequences of holding the Notes, Plans, Plan Asset Entities and Non-ERISA Arrangements purchasing the Notes should also consider the possible implications of owning any underlying security that an investor may receive upon an optional or mandatory exchange of the Notes at maturity or otherwise. The Issuers and Dealers, and their affiliates, expressly disclaim acting as a fiduciary or providing any advice to any Plan, Plan Asset Entity or Non-ERISA Arrangement subject to Similar Laws in connection with any such person's acquisition, holding or management of any Notes. 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.

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 Issuers or Dealers or any of their 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.

SUPPLEMENTAL PLAN OF DISTRIBUTION

The Notes will be issued pursuant to a distribution agreement under which Barclays Capital Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., HSBC Securities (USA) Inc., Incapital LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, Rabo Securities USA, Inc., RBC Capital Markets, LLC and any other dealers to the program (each, a “**Dealer**” and, collectively the “**Dealers**”), have agreed to purchase, and we have agreed to sell, the principal amount of Notes set forth in the applicable Terms Supplement. Each Dealer proposes initially to offer the Notes directly to the public at the public offering price set forth in the applicable Terms Supplement. The Dealers may allow a concession to other dealers as set forth in the applicable Terms Supplement. After the initial offering of the Notes, the Dealers may vary the offering price and other selling terms from time to time.

In the future, either Issuer or its affiliates may repurchase and resell the offered Notes in secondary market transactions with resales being made at prices related to the prevailing market prices at the time of resale or at negotiated prices. For more information about the plan of distribution and possible secondary market activities, see “Plan of Distribution” in the accompanying Offering Circular.

The Dealer may use the applicable Terms Supplement, this Product Supplement and accompanying Offering Circular in the initial sale of any Notes. In addition, the Dealer may use the applicable Terms Supplement, this Product Supplement and the accompanying Offering Circular in a secondary market transaction for any Notes after its initial sale. In connection with an offering, any securities dealer may distribute the applicable Terms Supplement, this Product Supplement and accompanying Offering Circular electronically. Unless the Dealer informs the purchaser otherwise in the confirmation of sale, the applicable Terms Supplement, this Product Supplement and accompanying Offering Circular may be used in a secondary market transaction.

To the extent the aggregate principal amount of Notes offered pursuant to the applicable Terms Supplement is not purchased by investors, one or more of the Issuers’ affiliates or agents may agree to purchase for investment the unsold portion. As a result, upon completion of an offering, affiliates of the Issuers may own an amount of the Notes offered in such offering, as specified in the applicable Terms Supplement.

You should rely only on the information incorporated by reference or provided in the applicable Terms Supplement, this Product Supplement and accompanying Offering Circular. Neither Issuer has authorized anyone to provide you with different information. The relevant Issuer is not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this Product Supplement is accurate as of any date other than the date first appearing on the front of the document.

The Notes are being offered pursuant to the registration exemption contained in Section 3(a)(2) of the Securities Act.

No offers, sales or deliveries of Notes, or distribution of this Product Supplement or the Offering Circular or any other offering material relating to Notes, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the relevant Issuer or any Dealer.

Conflict of Interest

The Issuers may sell the Notes through an affiliate, Rabo Securities USA, Inc. Therefore, a conflict of interest within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc. may exist where Rabo Securities USA, Inc. participates in the distribution of the Notes. See “Plan of Distribution” in the accompanying Offering Circular.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, either Issuer and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for the transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of either Issuer or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with us routinely hedge their credit exposure consistent with their customary risk management policies. Typically, such Dealers 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 issued under the Program. Any such short positions could adversely affect future trading prices of Notes. The Dealers 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.



Rabobank

*Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank),
(a cooperative (coöperatie) with limited liability established under the laws of The Netherlands
and having its statutory seat in Amsterdam, The Netherlands)*

**New York Branch, as Issuer
and
Utrecht Branch, as Issuer
Guaranteed by The New York Branch**

U.S. \$30,000,000,000 Medium Term Note Program

Under the Medium Term Note Program (the “**Program**”) of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) (“**Rabobank**” or the “**Bank**”), a cooperative entity formed under the laws of The Netherlands with its statutory seat in Amsterdam, The Netherlands, each of Rabobank (the “**Utrecht Branch**”) and Rabobank, New York Branch, a branch duly licensed in the State of New York, (the “**New York Branch**”) and together with the Utrecht Branch, the “**Issuers**” and each an “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may, from time to time, issue medium term notes (the “**Notes**”). The Notes issued under this Program will be issued by either Issuer. None of the Notes that may be issued under this Program will be co-issued by the Issuers. The Notes will be offered from time to time in one or more series and in amounts, at prices and on terms to be determined at the time of sale and to be set forth in a related product supplement to this Offering Circular (the “**Product Supplement**”) and a related terms supplement (“**Terms Supplement**”, and together with the Product Supplement, the “**Offering Circular Supplement**”). The information contained in this Offering Circular is qualified in its entirety by the supplementary information contained in such Offering Circular Supplement.

All payments and deliveries of principal, premium (if any), interest (if any) or other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, any series of Notes issued by the Utrecht Branch will be irrevocably and unconditionally guaranteed by the New York Branch (in such capacity, the “**Guarantor**”), pursuant to a guarantee issued in connection with such series (each such guarantee, the “**Guarantee**”). 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 New York Branch for the obligations of the Utrecht Branch does not provide a separate means of recourse.

Investing in the Notes involves certain risks. See the sections entitled “Certain Investment Considerations” beginning on page 10 of this Offering Circular and “Risk Factors” in the Offering Circular Supplement. The notes may be subject to investment risk, including possible loss of principal.

The Notes and the Guarantee have not been registered under the Securities Act of 1933 (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. Neither the Securities and Exchange Commission (the “**SEC**”) nor any state securities commission has approved or disapproved of the Notes or the Guarantee or determined that this Offering Circular is truthful or complete. Any representation to the contrary is a criminal offense.

The Notes constitute unconditional liabilities of the respective Issuers, and the Guarantee constitutes an unconditional 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 United States Deposit Insurance Fund, the Dutch Deposit Guarantee Scheme or any other U.S. or Dutch governmental or deposit insurance agency or entity.

Under New York law, (a) the New York Branch, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, which may be increased at the discretion of the New York Superintendent of Financial Services (the “**Superintendent**”), (b) the Superintendent may take possession of the assets of the New York Branch, wherever located, and any other property and business of the bank located in New York for the benefit of the New York Branch’s creditors, including the beneficiaries of the Guarantee, if, among other things, the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) deteriorates or such bank is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in The Netherlands or otherwise and (c) the Superintendent will only turn over such assets or other property to the bank or any liquidator or receiver after all of the claims of the creditors of the New York Branch, including the beneficiaries of the Guarantee, have been satisfied and discharged.

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 New York Branch, as Guarantor for the obligations of the Utrecht Branch does not provide a separate means of recourse.

The Issuers may sell the Notes through an affiliate, Rabo Securities USA, Inc. Therefore, a conflict of interest within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc., or FINRA may exist where Rabo Securities USA, Inc. participates in the distribution of the Notes. See “Plan of Distribution.”

Barclays
Citigroup
Deutsche Bank Securities
HSBC
J.P. Morgan
Rabo Securities

BofA Merrill Lynch
Credit Suisse
Goldman, Sachs & Co.
Incapital LLC
Morgan Stanley
RBC Capital Markets

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IMPORTANT INFORMATION

This Offering Circular should be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference”) and the relevant Offering Circular Supplement and should be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular. An Issuer may appoint one or more underwriters, agents or dealers to offer and sell any series of Notes issued under the Program. The relevant Terms Supplement in respect of any issue of any Notes will specify whether or not one or more underwriters, agents or dealers have been appointed.

The Issuers are solely responsible for the information contained and incorporated by reference in this Offering Circular. No person is or has been authorized by either 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 Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by such Issuer or any of the Dealers.

The information contained in this Offering Circular and any Offering Circular Supplement was obtained from the Issuers and other sources that the Issuers believe 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 relevant Issuer and of the terms of such Notes (see “Certain Investment Considerations”). The contents of this Offering Circular and any Offering Circular Supplement are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorney, business adviser or tax adviser 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 Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the relevant Issuer during the life of the Program 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 “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 or any Offering Circular Supplement. Any representation to the contrary is a criminal offense.

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 (the “**United States**”) and The Netherlands. The Issuers and the Dealers 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 either Issuer or any of the Dealers 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. See “Selling Restrictions” in this Offering Circular and in the Terms Supplement.

Notwithstanding anything to the contrary contained herein, all persons may disclose to any and all persons, without limitation of any kind, the U.S. federal, state and local tax treatment of the Notes, any fact relevant to understanding the U.S. federal, state and local tax treatment of the Notes and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment and that may be relevant to understanding such tax treatment. However, no person may disclose the name of or identifying information with respect to any party identified herein or any pricing term or other nonpublic business or financial information that is unrelated to the

purported or claimed U.S. federal, state or local tax treatment of the Notes and is not relevant to understanding the purported or claimed U.S. federal, state and local tax treatment of the Notes.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

The Issuers are the Utrecht Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), a cooperative entity established under the laws of The Netherlands with its statutory seat in Amsterdam, The Netherlands and the New York Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank). The New York Branch is the Guarantor in respect of Notes issued by the Utrecht Branch.

Most of the directors and executive officers of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) and certain of the Issuers' advisers named in this Offering Circular or incorporated therein by reference are residents of countries other than the United States, and all or a substantial portion of the assets of such non-U.S. residents are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. The Issuers and the Guarantor will expressly accept the jurisdiction of the Supreme Court of the State of New York or the United States District Court for the Southern District of New York, in either case in the Borough of Manhattan, The City of New York, for the purpose of any suit, action or proceeding, arising out of the Notes offered hereby. The Issuers have appointed the New York Branch as their agent in the United States to accept service of process in any such action. There can be no assurance as to the enforceability in The Netherlands in original actions or in actions for enforcement of judgments in U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

Under New York law, (a) the New York Branch, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, which may be increased at the discretion of the Superintendent, (b) the Superintendent may take possession of the assets of the New York Branch, wherever located, and any other property and business of the bank located in New York for the benefit of the New York Branch's creditors, including the beneficiaries of the Guarantee, if, among other things, the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) deteriorates or such bank is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in The Netherlands or otherwise and (c) the Superintendent will only turn over such assets or other property to the bank or any liquidator or receiver after all of the claims of the creditors of the New York Branch, including the beneficiaries of the Guarantee, have been satisfied and discharged.

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 New York Branch, as Guarantor for the obligations of the Utrecht Branch does not provide a separate means of recourse.

All references in this document to "U.S. dollars," "U.S. \$," "USD" and "\$" refer to the currency of the United States, and to "euro" and "EUR" refer to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on the European Union, which is the lawful currency of The Netherlands.

RABOBANK GROUP

“**Rabobank Group**” or the “**Group**” is comprised of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) (“**Rabobank**”), a coöperative entity (*coöperatie*) in The Netherlands, its local member credit institutions (the “**Local Rabobanks**”), and its subsidiaries. The Local Rabobanks are themselves cooperative entities and draw their members from their customers. The underlying purpose of the cooperative structure is to make high quality services and products available to its customers at reasonable prices, providing the Group with the profits necessary to continue offering such services and products.

The principal office of Rabobank Group is located at Croeselaan 18, 3521 CB Utrecht, The Netherlands.

Through their mutual financial association, various legal entities within Rabobank Group together make up a single organization. An internal liability relationship exists between these legal entities, as referred to in Article 3:111 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*). This relationship is formalized in an internal cross-guarantee system, which stipulates that if a participating institution has insufficient funds to meet its obligations towards its creditors, the other participants must supplement that institution’s funds in order to enable it to fulfill those obligations. Participating entities within Rabobank Group are:

Local Rabobanks of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), Amsterdam
Rabohypotheekbank N.V., Amsterdam
Raiffeisenhypotheekbank N.V., Amsterdam
Schretlen & Co N.V., Amsterdam
De Lage Landen International B.V., Eindhoven
De Lage Landen Financiering B.V., Eindhoven
De Lage Landen Trade Finance B.V., Eindhoven
De Lage Landen Financial Services B.V., Eindhoven

For regulatory and financial reporting purposes, Rabobank and the Local Rabobanks, as well as the participating subsidiaries, are treated as one consolidated entity.

The above information is qualified by the detailed information as to the business, operations and financial condition of the Group set forth in the Information Statement which is incorporated by reference herein.

DOCUMENTS INCORPORATED BY REFERENCE

The Issuers incorporate by reference into this Offering Circular the documents listed below and any future interim financial information published by Rabobank Group on an ongoing basis and any other documents published by Rabobank Group that specifically state they are being incorporated by reference into this Offering Circular, in each case until the relevant Issuer completes its offering of the Notes to be issued under this Offering Circular or, if later, the date on which any of its affiliates ceases offering and selling such Notes:

- (a) the consolidated financial statements of Rabobank Group for the years ended December 31, 2012, 2013 and 2014 and the independent auditor’s reports thereon;
- (b) the unconsolidated financial statements of Rabobank for the years ended December 31, 2012, 2013 and 2014 and the independent auditor’s reports thereon; and
- (c) the Information Statement of Rabobank Group dated May 11, 2015 prepared in connection with this Offering Circular, as supplemented or amended (the “**Information Statement**”);

(collectively, the “**Incorporated Documents**”), save that any statement contained herein or in any Incorporated Document shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Documents incorporated by reference are available at https://www.rabobank.com/en/investors/funding/funding-programmes/USD_30_billion_MTN_Programme.html.

An Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the written or oral request of such person, a copy of any or all of the Incorporated Documents unless such documents have been modified or superseded as specified above. Requests for the Incorporated Documents should be directed to the relevant Issuer at its office set out at the end of this Offering Circular or at

the offices of the New York Branch at 245 Park Avenue, New York, New York 10167, United States. Telephone requests may be made at (212) 916-7800.

The Issuers are exempt from reporting with the U.S. Securities and Exchange Commission under the U.S. Securities Exchange Act of 1934 (the “**Exchange Act**”) pursuant to Rule 12g3-2(b). Each prospective purchaser is offered the opportunity, prior to purchasing any Notes, to ask questions of, and receive answers from the relevant Issuer and to obtain relevant information about such Issuer without such Issuer’s unreasonable effort or expense. To ask questions of the relevant Issuer or to obtain or access financial reports of such Issuer, requests should be directed first to: IR@rabobank.com.

Any financial information related to Rabobank Group provided upon such request will not necessarily be in conformity with the generally accepted accounting principles of the United States. The most recently published audited annual financial statements of Rabobank Group and any subsequent interim financial statements are available at: <https://www.rabobank.com/en/investors/financial-reports/index.html>.

The website URLs above are inactive textual references only. The information on Rabobank Group’s website is not incorporated herein and does not form a part of this Offering Circular.

SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular series of Notes, the relevant Offering Circular Supplement. The Offering Circular Supplement will contain certain specific information and terms of the Notes and may also add, update or change the information contained in this Offering Circular. If any information in the applicable Offering Circular Supplement is inconsistent with this Offering Circular, you should rely on the information in that Offering Circular Supplement. It is important for you to consider the information contained in all the offering documents in making your investment decision. Words and expressions defined in “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Issuers	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), Utrecht Branch and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), New York Branch (each, an “ Issuer ” and together, the “ Issuers ”). Notes issued under this Program will be issued by either Issuer. None of the Notes that may be issued under this Program will be co-issued by the Issuers.
Description	Medium Term Note Program.
Size	Up to U.S. \$30,000,000,000 (or the equivalent in other currencies at the date of the issue) aggregate principal amount of Notes outstanding at any one time.
Offering Circular Supplements	The Product Supplement and Terms Supplement for each series of Notes shall set forth, among other things, certain information about the terms and conditions of such Notes and the offering and sale thereof. Such information may differ from that set forth herein and, in all cases, shall supplement and, to the extent inconsistent herewith, supersede the information contained herein.
Dealer(s)	<p>Each Issuer may appoint Dealer(s) either for the duration of the Program or for an offering of a particular series of Notes.</p> <p>Each Issuer may from time to time terminate the appointment of any Dealer under the Program or appoint additional Dealers either in respect of one or more series of Notes or in respect of the Program. References in this Offering Circular to “Dealers” are to the persons that are appointed as underwriter, agent or dealers for the duration of the Program (and whose appointment has not been terminated) and all persons appointed as an underwriter, agent or dealer for one or more series.</p>
Fiscal Agent.....	The Fiscal and Paying Agent, currently Deutsche Bank Trust Company Americas. The Fiscal Agent may be changed in accordance with the Fiscal and Paying Agency Agreement (as defined herein). See “Terms and Conditions of the Notes – Amendments, Modifications and Substitutions.”

Issue Price.....	Notes may be issued at par or at a discount or premium to par. The issue price for each series of Notes shall be set forth in the applicable Terms Supplement.
Form of Notes.....	Except as provided under “Terms and Conditions of the Notes – Exchange and Replacement of Notes” or as otherwise specified in the applicable Terms Supplement, the Notes of each series will be represented exclusively by one or more global certificates in registered form without receipts, interest coupons or talons (each, a “ Global Certificate ”) deposited with and registered in the name of The Depository Trust Company in New York, New York (“ DTC ”) or its nominee, or (if specified in the applicable Offering Circular Supplement) deposited with and registered in the name of any other clearing system or its nominee.
Initial Delivery of Notes	On or before the issue date for each series of Notes, the Global Certificate representing such Notes shall be deposited with and registered in the name of DTC or its nominee, unless otherwise specified in the relevant Offering Circular Supplement.
Currencies.....	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer(s) and specified in the applicable Offering Circular Supplement.
Maturities.....	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and specified in the applicable Offering Circular Supplement.
Denomination.....	Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and specified in the applicable Offering Circular Supplement.
Redemption	The relevant Offering Circular Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or following an Event of Default or an exercise of a Tax Call Right, as defined below) or that such Notes will be redeemable prior to the stated maturity on such dates, at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer(s) and as specified in the relevant Offering Circular Supplement.
Status of Notes	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer, as described in “Terms and Conditions of the Notes.”
Guarantee.....	All payments and/or deliveries (if any) of principal, premium, interest or other amounts (in cash or in

	<p>securities) payable or deliverable on, or exchangeable for, the Notes of any series issued by the Utrecht Branch in accordance with the terms of such Notes will be irrevocably and unconditionally guaranteed by the New York Branch pursuant to a Guarantee. 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 New York Branch, as Guarantor for the obligations of the Utrecht Branch does not provide a separate means of recourse.</p>
Taxation.....	<p>For a summary of certain U.S. federal income tax consequences of purchasing, owning and disposing of the Notes, see “Certain U.S. Federal Income Tax Consequences.”</p> <p>For a summary of Netherlands taxation in connection with purchasing, owning and disposing of the Notes, see “Netherlands Taxation.”</p>
Risks.....	<p>The purchase of Notes may involve substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. A description of some of the risks is contained in “Certain Investment Considerations.” The relevant Offering Circular Supplement will also contain risk factors particular to such Notes.</p>
Effective Yield.....	<p>The effective yield, if applicable, as of the first day of issue of a series of Notes, will be set forth in the relevant Terms Supplement.</p>
Use of Proceeds.....	<p>Each Issuer will use the net proceeds for general corporate purposes and may use a portion of the proceeds to hedge its exposure on the Notes. See “Use of Proceeds.”</p>
Governing Law.....	<p>The terms of the Notes and the Guarantee will be governed by New York law.</p>
Listing.....	<p>The Notes will not be listed unless otherwise specified in the relevant Terms Supplement.</p>
Agreement with Respect to the Exercise of Bail-in Power.....	<p>By its acquisition of the Notes, each Holder of Notes acknowledges, agrees to be bound by, and consents to the exercise of, any Bail-in Power (as defined below) by the relevant Dutch resolution authority (as defined below), as described in more detail under “Terms and Conditions of the Notes – Agreement with Respect to the Exercise of Bail-in Power” below.</p>
Selling Restrictions.....	<p>None of the Issuers, the Guarantor or the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or</p>

pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it will not offer, sell or deliver any of the Notes in any jurisdiction except under circumstances that will result in compliance with the applicable laws of such jurisdiction.

Specific selling restrictions will be as set forth in this Offering Circular under “Selling Restrictions” and in the Terms Supplement.

Conflict of Interest

A conflict of interest (as defined by FINRA Rule 5121) may exist as Rabo Securities USA, Inc., an affiliate of the Issuers, may participate in the distribution of Notes. See “Plan of Distribution.”

Ratings*

The Program has been rated as follows: Notes with maturities of one year or more are currently rated A+, with negative outlook by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (“**S&P**”) and Aa2, with rating under review with “direction uncertain” by Moody's Investors Service, Inc. (“**Moody's**”). Notes with maturities of less than one year are rated A-1 by S&P and P-1 by Moody's. Notes issued under the Program may be rated or unrated. Where an issuance of Notes is rated, such rating will not necessarily result in a rating of A+ or A-1 by S&P and Aa2 or P-1 by Moody's and will be specified in the applicable Offering Circular Supplement.

* A rating reflects only the views of Moody's or S&P, as the case may be, and is not a recommendation to buy, sell or hold the Notes. There is no assurance that such ratings shall be retained for any given period of time or that it shall not be revised-downward or withdrawn entirely by Moody's or S&P, as the case may be, if, in their respective judgments, circumstances so warrant. The ratings represent the relevant rating agency's assessment of our financial condition and ability to pay our 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 our ability to meet our obligations.

CERTAIN INVESTMENT CONSIDERATIONS

An investment in the Notes may be subject to a number of risks not associated with a similar investment in a conventional debt security. You should consider carefully all the risk factors described in the Product Supplement and Terms Supplement relevant to the series of Notes you are investing in. For risks related to the Issuers and the Guarantor, see the Information Statement accompanying this Offering Circular. The following section does not describe all the risks of an investment in the Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in a particular series of Notes and the suitability of the Notes in light of their particular circumstances.

Notes Linked to One or More Reference Assets

The Notes may be linked to or determined with reference to the price or performance of one or more Reference Assets. An investment in Notes linked, as to principal, premium and/or interest, to one or more values of currencies (including exchange rates and swap indices between currencies), commodities, interest rate or other indices entails significant risks not associated with a similar investment in a conventional fixed-rate debt security. If the interest rate of such a Note is linked to one or more Reference Assets, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued at the same time, including the possibility that no interest shall be paid, and, if the principal amount of such a Note is linked to one or more Reference Assets, the principal amount payable at maturity may be less than the original purchase price of such Note if permitted pursuant to the terms of such Note, including the possibility that no principal shall be paid. The secondary market for such Notes shall be affected by a number of factors independent of the creditworthiness of Rabobank and the value of the applicable currency, commodity or interest rate index, including the volatility of the applicable currency, commodity or interest rate index, the time remaining to the maturity of the Notes, the outstanding principal amount of the Notes and market interest rates. The value of the applicable currency, commodity or interest rate index depends on a number of interrelated factors, including economic, financial and political events, over which Rabobank has no control. Additionally if the formula used to determine the principal amount, premium, if any, or interest payable with respect to such Notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity or interest rate index may be increased. The historical experience of the relevant currencies, commodities or interest rate indices should not be taken as an indication of future performance of such currencies, commodities or interest rate indices during the term of any Note.

Credit Risk

The credit ratings assigned to the Program are a reflection of Rabobank's credit status and, in no way, are a reflection of the potential impact of the factors discussed in this Offering Circular and any Offering Circular Supplement, or any other factors, on the market value of the Notes. Accordingly, prospective investors should consult their own financial and legal advisers as to the risks entailed in an investment in such Notes and the suitability of such Notes in light of their particular circumstances.

On November 4, 2014, S&P, a credit rating agency lowered its long-term credit rating of Rabobank from AA- to A+ and its short-term credit rating of Rabobank from A-1+ to A-1. The outlook remains "negative".

On December 31, 2014, Fitch Ratings ("Fitch"), a credit rating agency, affirmed Rabobank's long-term issuer default rating ("IDR") of AA- and Rabobank's viability rating ("VR") of aa-, with a "negative" outlook.

On March 17, 2015, Moody's, a credit rating agency, placed Rabobank's long-term debt and deposit ratings of Aa2 under review with "direction uncertain".

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

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

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability (either alone or with a financial adviser) of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential Investor's Currency (as defined below) and the possibility of losing all of its investment in the Notes, including following the exercise by the relevant Dutch resolution authority of any Bail-in Power;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets, including the possibility that the Notes may become subject to write-down and/or conversion or expropriation if the Bail-in Power is exercised; and
- (v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Regulatory action in the event of a bank failure could materially adversely affect the value of the Notes

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

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

Pursuant to the exercise of any Statutory Loss Absorption measures, the Notes could become subject to a determination by the Relevant Authority or the Issuers (following instructions from the Relevant Authority) that all or part of the principal amount of the Notes, including accrued but unpaid interest in respect thereof, must be written off or otherwise converted into common equity Tier 1 capital or otherwise be applied to absorb losses. Such determination shall not constitute an Event of Default under the terms of the Notes and Holders will have no further claims in respect of any amount so written off or otherwise as a result of such Statutory Loss Absorption. Any determination that all or part of the principal amount of the Notes will be subject to Statutory Loss Absorption may be inherently unpredictable and may depend on a number of factors which may be outside the Issuers' control. Accordingly, trading behavior in respect of Notes which are subject to Statutory Loss

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

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 Bank Recovery and Resolution Directive, contains similar legislation to the rules outlined in the BRRD. Pursuant to the SMFI, substantial powers are granted to the Dutch Central Bank and the Dutch Minister of Finance enabling them to deal with, inter alia, ailing Dutch banks prior to insolvency. The SMFI empowers the Dutch Central Bank or the Minister of Finance, as applicable, to commence proceedings leading to: (i) transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) transfer of all or part of the business of the relevant bank to a “bridge bank”; and (iii) public ownership (nationalization) of the relevant bank and expropriation of its outstanding debt securities (which may include the Notes). Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by the Dutch Central Bank or the Minister of Finance, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank.

Within the context of the resolution tools provided in the SMFI, holders of debt securities of a bank (including the Holders of the Notes) 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 after the European Parliament approved the text in the plenary session of April 15, 2014. The SRM Regulation 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 European Central Bank, 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. 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 will start to apply from January 1, 2016.

The SMFI will be amended following the adoption of the Bank Recovery and Resolution Directive and the SRM Regulation.

It is possible that under the SMFI, the Bank Recovery and Resolution Directive, the Single Resolution Mechanism or any other future similar proposals, any new resolution powers given to the Dutch Central Bank or another Relevant Authority could be used in such a way as to result in the debt instruments of the Issuers, such as the Notes, absorbing losses or otherwise affecting the rights of Holders either in the course of any resolution of the Issuer or, prior thereto, at the point of non-viability.

The SMFI and, the Bank Recovery and Resolution Directive could negatively affect the position of Holders and the credit rating attached to the Notes, in particular if and when any of the above proceedings would be commenced against the relevant Issuer, since the application of any such legislation may affect the rights and effective remedies of the Holders as well as the market value of the Notes. Investors in the Notes may lose some or all of their investment if resolution measures are taken.

Holders of Notes agree to be bound by the exercise of any Bail-In Power by the relevant Dutch resolution authority

By its acquisition of the Notes, each Holder acknowledges, agrees to be bound by, and consents to the exercise of, any Bail-in Power (as defined below under “Terms and Conditions of the Notes – Agreement with Respect to the Exercise of Bail-in Power”) by the relevant Dutch resolution authority (as defined below under “Terms and Conditions of the Notes – Agreement with Respect to the Exercise of Bail-in Power”) that may result in the cancellation of all, or a portion, of the principal amount of, or interest on, the Notes and/or the

conversion of all or a portion of the principal amount of, or interest on, the Notes into shares or other securities or other obligations of the relevant Issuer or another person, including by means of a variation to the terms of the Notes or any expropriation of the Notes, in each case, to give effect to the exercise by the relevant Dutch resolution authority of such Bail-in Power. Each Holder further acknowledges and agrees that the rights of the Holders of the Notes are subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Bail-in Power by the relevant Dutch resolution authority. In addition, by acquiring any Notes, each Holder further acknowledges, agrees to be bound by, and consents to the exercise by the relevant Dutch resolution authority of, any power to suspend any payment in respect of the Notes for a temporary period.

Accordingly, any Bail-in Power may be exercised in such a manner as to result in Holders of the Notes losing all or a part of the value of any investment in the Notes or receiving a different security from the Notes, which may be worth significantly less than the Notes and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, to the extent the Bail-In Power applies to a particular series of Notes, the relevant Dutch resolution authority may exercise its authority to implement the Bail-in Power without providing any advance notice to the Holders of such Notes.

The circumstances under which the relevant Dutch resolution authority would exercise its Bail-in Power are currently uncertain

Despite there being proposed pre-conditions for the exercise of the Bail-in Power, there remains uncertainty regarding the specific factors which the relevant Dutch resolution authority would consider in deciding whether to exercise the Bail-in Power with respect to the relevant financial institution and/or securities, such as the Notes issued by us. Moreover, the final criteria that the relevant Dutch resolution authority would consider in exercising any Bail-in Power are expected to provide it with considerable discretion. Accordingly, Holders of the Notes may not be able to refer to objective criteria in order to anticipate a potential exercise of any such Bail-in Power and consequently its potential effect on the Issuers, the Rabobank Group and the Notes.

The rights of holders of the Notes to challenge the exercise of any Bail-in Power by the relevant Dutch resolution authority are likely to be limited.

There is some uncertainty as to the extent of any due process rights or procedures that will be provided to holders of securities (including the Notes) subject to the Bail-in Power and to the broader resolution powers of the relevant Dutch resolution authority when the final BRRD rules are implemented in the Netherlands. Holders of the Notes may have only limited rights to challenge, to demand compensation for losses and/or to seek a suspension of any decision of the relevant Dutch resolution authority to exercise its Bail-in Power or to have that decision reviewed by a judicial or administrative process or otherwise.

Exchange Rate Risks and Exchange Controls

The Notes may be denominated or payable in U.S. dollars or in any other currency (each, a “**Specified Currency**”). For investors whose financial activities are denominated principally in a currency (the “**Investor’s Currency**”) other than the Specified Currency or where principal or interest on Notes is payable by reference to a Specified Currency index other than an index relating to the Investor’s Currency, an investment in the Notes entails significant risks that are not associated with a similar investment in a security denominated in that Investor’s Currency. Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the Specified Currency and the Investor’s Currency and the possibility of the imposition or modification of exchange controls by the country of the Specified Currency or the Investor’s Currency. Such risks generally depend on economic and political events over which Rabobank has no control. In recent years, rates of exchange have been highly volatile, and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of the Specified Currency against the Investor’s Currency would result in a decrease in the Investor’s Currency equivalent yield on a Note denominated in that Specified Currency, in the Investor’s Currency equivalent value of the principal payable at maturity of such Note and generally in the Investor’s Currency equivalent market value of such Note. An appreciation of the Specified Currency against the Investor’s Currency would have the opposite effect. In addition, depending on the specific terms of a Note denominated in, or the payment of which is related to the value of, one or more foreign currencies, changes in exchange rates relating to any of the currencies involved may result in a decrease in such Note’s effective yield and, in certain circumstances, could result in a loss of all or a substantial portion of the principal of a Note to the investor. Further information as to current and historical exchange rates between the U.S. dollar and the Specified Currency or, if Rabobank thinks it appropriate, the

Investor's Currency and the Specified Currency may be contained in the applicable Offering Circular Supplement.

Governments have, from time to time, imposed, and may in the future impose exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at the time of payment of principal of, premium, if any, or interest on a Note. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note may not be available when payments on such Note are due.

Absence of Public Market for the Notes

Unless otherwise specified in the relevant Terms Supplement, the Notes will not be listed on any securities exchange. There can be no assurance that the Notes will be sold or that there will be a secondary market for the Notes or as to liquidity in the secondary market, if one develops.

You may not be able to enforce civil judgments in The Netherlands that you obtain against either Issuer or the Guarantor in U.S. courts

The Issuers are either the Utrecht Branch or the New York Branch of a bank formed under the laws of The Netherlands. Some directors and officers reside outside of the United States, principally in The Netherlands. In addition, substantially all of the Issuers' assets are located in The Netherlands. As a result, it will be necessary for you to comply with the law of The Netherlands in order to obtain an enforceable judgment against the Issuers' directors or officers or with respect to its assets, including a judgment to foreclose upon such assets. While the Issuers have consented to have the New York Branch accept service of process for any civil action brought against it in the United States in connection with the offer and sale of the Notes in the United States, it may not be possible for you to (i) effect service of process against the Issuers' directors and/or officers and (ii) realize in the United States upon judgments against such persons obtained in such courts predicated upon the civil liabilities of such persons, including any judgments predicated upon the United States federal securities laws, to the extent such judgments exceed such person's United States assets.

U.S. TAX RISKS RELATED TO THE NOTES

Payments on the Notes may be subject to withholding under FATCA and neither the Bank nor any other person will be under any obligation to pay additional amounts with respect to such withholding

Pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and the regulations thereunder (commonly referred to as “FATCA”), or any law implementing an applicable intergovernmental agreement under FATCA (such as the one entered into between the United States and The Netherlands, which should apply to the Bank), or any agreement entered into by the relevant financial institution with the U.S. Internal Revenue Service (the “IRS”), the Bank, and other non-U.S. financial institutions through which payments on the Notes are made, may be required to withhold tax at a rate of 30% on all or a portion of the payments made on the Notes (“**FATCA Withholding**”). With respect to Notes issued by the Utrecht Branch that have been issued or materially modified after the date that is six months after the applicable U.S. Treasury Regulations addressing “foreign passthru payments” are filed with the U.S. Federal Register, FATCA Withholding generally could apply to all or a portion of payments made with respect thereto beginning the later of (i) January 1, 2017 and (ii) the date that is six months after the applicable U.S. Treasury Regulations addressing “foreign passthru payments” are filed with the U.S. Federal Register. With respect to Notes issued by the New York Branch that are not Non-Principal Protected Notes, FATCA Withholding would apply to (i) payments of interest and (ii) beginning January 1, 2017, gross proceeds from the sale or other disposition. If either the New York Branch or the Utrecht Branch were to issue Non-Principal Protected Notes that could produce certain U.S. source payments, FATCA Withholding could apply to (i) such U.S. source payments and (ii) beginning January 1, 2017, gross proceeds from the sale or other disposition (see below “Certain U.S. Federal Income Tax Consequences - Non-U.S. Holders – Non-Principal Protected Notes”). FATCA Withholding generally would not apply with respect to Non-Principal Protected Notes issued by either the New York Branch or the Utrecht Branch to the extent that such Notes are treated as generating U.S. source income solely because such Notes are treated as giving rise to “dividend equivalent” payments (discussed below under “Certain U.S. Federal Income Tax Consequences—Non-U.S. Holders—Non-Principal Protected Notes”) and such Notes are issued on or before, and are not materially modified after, the date that is six months after the date on which securities of its type are first treated as giving rise to “dividend equivalent” payments.

If FATCA Withholding were to apply to interest, principal or other payments on the Notes, neither the Bank nor any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay any additional amounts as a result of the deduction or withholding of such tax.

Investors should review carefully the section below entitled “Certain U.S. Federal Income Tax Consequences – Foreign Account Tax Compliance Act” in this Offering Circular and consult their tax advisers to determine how the rules under FATCA may apply to payments they will receive under the Notes. FATCA is particularly complex and its application is not clear in all respects. The U.S. government has entered into several intergovernmental agreements and will enter into more intergovernmental agreements, which may change the application of FATCA. The application of FATCA to a particular issuance of Notes may be addressed in the applicable Offering Circular Supplement.

The U.S. federal income tax consequences of an investment in the Non-Principal Protected Notes are unclear

There is no direct legal authority as to the proper U.S. federal income tax characterization of the Non-Principal Protected Notes, and we do not intend to request a ruling from the IRS regarding the Non-Principal Protected Notes. No assurance can be given that the IRS will accept, or that a court will uphold, the characterization and tax treatment of the Non-Principal Protected Notes described below in “Certain U.S. Federal Income Tax Consequences - U.S. Holders – Non-Principal Protected Notes” and “Certain U.S. Federal Income Tax Consequences - Non-U.S. Holders – Non-Principal Protected Notes.” If the IRS were successful in asserting an alternative characterization or treatment for the Non-Principal Protected Notes, the timing and character of income on the Non-Principal Protected Notes could differ materially and adversely from our description herein. In addition, on December 7, 2007, the U.S. Treasury and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments, which may include certain Non-Principal Protected Notes. In particular, the notice focuses on whether holders of these instruments should be required to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these

instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by Non-U.S. Holders (as defined below under “Certain U.S. Federal Income Tax Consequences”) should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” regime, which very generally can operate to recharacterize certain long-term capital gain as ordinary income that is subject to an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any U.S. Treasury Regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the U.S. federal income tax treatment of an investment in the Non-Principal Protected Notes, possibly with retroactive effect.

U.S. Holders (as defined below under “Certain U.S. Federal Income Tax Consequences”) should also note that legislation has been proposed that, if enacted, could require U.S. Holders of the Non-Principal Protected Notes to use a yearly mark-to-market method of accounting. Under such a method, a U.S. Holder (including cash basis taxpayers) would be required to recognize gain or loss as ordinary income or loss in respect of a Non-Principal Protected Note resulting from a change in the value of the Non-Principal Protected Note during the year even though the U.S. Holder did not dispose of the Non-Principal Protected Note. It is not possible to predict whether and in what form this proposed legislation will become law. It is possible that this or other legislation could become law that would adversely affect the U.S. federal income tax consequences described herein with respect to Non-Principal Protected Notes.

In addition, the U.S. Treasury has issued proposed regulations under Section 871(m) of the Code which could ultimately require us to treat all or a portion of any payment in respect of the Non-Principal Protected Notes as a “dividend equivalent” payment that could be subject to withholding tax at a rate of 30% (or a lower rate under an applicable tax treaty). Under the proposed regulations, payments treated as “dividend equivalent” payments may include certain payments that are contingent upon or determined by reference to U.S. source dividends, including fixed payments treated as implicitly taking into account U.S. source dividends, payments determined by reference to a “total return index” that reflect a notional reinvestment of U.S. source dividends or payments reflecting adjustments for extraordinary dividends, all made with respect to certain equity-linked instruments, which may include some Non-Principal Protected Notes. At this time, it is unclear whether these proposed regulations will be finalized in their current form or when these or alternate final regulations will be issued. Further, Non-U.S. Holders may be required to provide certifications prior to, or upon the sale, redemption or maturity of, the Non-Principal Protected Notes in order to minimize or avoid U.S. withholding taxes. Non-U.S. Holders should consult their tax advisers concerning the potential application of these regulations to payments with respect to the Non-Principal Protected Notes.

Investors should review carefully the sections below entitled “Certain U.S. Federal Income Tax Consequences - U.S. Holders – Non-Principal Protected Notes” and “Certain U.S. Federal Income Tax Consequences - Non-U.S. Holders – Non-Principal Protected Notes” in this Offering Circular and consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Non-Principal Protected Notes, including possible alternative treatments and the issues described above, and should consider the possibility that the tax laws may change, possibly retroactively.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Offering Circular Supplement, shall be applicable to the Notes of each series. These terms and conditions as completed, amended, supplemented or varied by the relevant Offering Circular Supplement (and subject to simplification by the deletion of non-applicable provisions), shall be reflected in the Fiscal and Paying Agency Agreement for, and the security certificates representing, such Notes. The summaries in this Offering Circular and the relevant Offering Circular Supplement of certain provisions of the Notes, the Guarantee and the Fiscal and Paying Agency Agreement do not purport to be complete and such summaries are subject to the detailed provisions of the Fiscal and Paying Agency Agreement and the security certificates representing such Notes to which reference is hereby made for a full description of such provisions, including the definition of certain terms used, and for other information regarding the Notes and the Guarantee, if applicable. The Offering Circular Supplement will contain certain specific information and terms of the Notes and may also add, update or change the information contained in this Offering Circular. If any information in the applicable Offering Circular Supplement is inconsistent with this Offering Circular, you should rely on the information in that Offering Circular Supplement. It is important for you to consider the information contained in all the offering documents in making your investment decision. All capitalized terms that are not defined in this Offering Circular will have the meanings given to them in the Fiscal and Paying Agency Agreement and if not defined therein, the relevant Offering Circular Supplement.

The Notes of each series will be issued pursuant to a Second Amended and Restated Fiscal and Paying Agency Agreement dated as of May 13, 2013, as amended by Amendment No. 1 dated as of May 11, 2015 (as amended or supplemented from time to time as of the date of issue of such series of Notes (the “**Issue Date**”)) (the “**Fiscal and Paying Agency Agreement**”) between the Issuers and Deutsche Bank Trust Company Americas as fiscal and paying agent (the “**Fiscal Agent**”), registrar and transfer agent. Calculation of interest and/or premium, if any, on the Notes, and certain other determinations, will be made by the calculation agent (the “**Calculation Agent**”) which, unless otherwise specified in the applicable Offering Circular Supplement will initially be Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank). The terms and conditions of the role and responsibilities of the Calculation Agent will initially be contained in the Fiscal and Paying Agency Agreement. Each Holder of each series of Notes is deemed to have notice of and to have accepted all of the provisions of the Fiscal and Paying Agency Agreement applicable to it.

The Notes will be the direct, general, unconditional, unsecured and unsubordinated obligations of the relevant Issuer and will rank *pari passu* without any preference among themselves and *pari passu* with all of such Issuer’s other unconditional, unsecured and unsubordinated obligations, except those mandatorily preferred by law.

A copy of the Fiscal and Paying Agency Agreement can be obtained by writing to the New York Branch at the following address: 245 Park Avenue, New York, New York 10167, United States, Attention: TRG.

General Terms of the Notes

The Issuers intend to issue from time to time Notes in one or more series having an aggregate principal amount of up to U.S. \$30,000,000,000 (or the equivalent in other currencies on the date of issue).

The specific terms of any series of the Notes with respect to which this Offering Circular is being delivered will be set forth in the relevant Offering Circular Supplement. The Offering Circular Supplement will also contain information, where applicable, about certain U.S. federal income tax considerations relating to the Notes covered by such Offering Circular Supplement. This Offering Circular may not be used to consummate sales of any series of the Notes unless accompanied by an Offering Circular Supplement related to such series of the Notes.

Guarantee

Pursuant to the Guarantee, the New York Branch unconditionally and irrevocably guarantees to each Holder of each series of Notes issued by the Utrecht Branch the payments and/or deliveries (if any) of the redemption amount, interest or other amounts (in cash or in securities) due and payable or deliverable on, or exchangeable for, such Notes, if such amounts have not been received by such Holder at the time such payment is due and payable or deliverable, as applicable (after giving effect to all the applicable cure periods). Under the

terms of the Guarantee, the Guarantor has waived diligence, 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 issued by the Utrecht Branch exhaust any rights or take any action against the Utrecht Branch in respect of the obligations covered by the Guarantee. The Guarantee provides that in the event of a default in payment or delivery of any amounts due to the Holder or Holders of any Notes, such Holder or Holders may institute legal proceedings directly against the Guarantor to enforce the Guarantee without first proceeding against the Utrecht Branch. The Guarantee (i) is a direct, general, unconditional, unsecured and unsubordinated obligation of the Guarantor and ranks *pari passu* with all other unconditional, unsecured and unsubordinated contingent obligations of the Guarantor, except those mandatorily preferred by law, (ii) is a continuing guarantee, (iii) is irrevocable and (iv) is a guarantee of payment and delivery of the amounts due and payable or deliverable under the Notes and not of collection. The Guarantee shall not be discharged except by the payment and delivery of all amounts due and payable or deliverable under the Notes. The Guarantee, however, does not obligate the Guarantor or any other party to make a secondary market in the Notes of any series or to make any payments with respect to any secondary market transactions.

Under New York law, (a) the New York Branch, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, which may be increased at the discretion of the Superintendent, (b) the Superintendent may take possession of the assets of the New York Branch, wherever located, and any other property and business of the bank located in New York for the benefit of the New York Branch's creditors, including the beneficiaries of the Guarantee, if, among other things, the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) deteriorates or such bank is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in The Netherlands or otherwise and (c) the Superintendent will only turn over such assets or other property to the bank or any liquidator or receiver after all of the claims of the creditors of the New York Branch, including the beneficiaries of the Guarantee, have been satisfied and discharged.

In respect of Notes issued by the Utrecht Branch, 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 Utrecht Branch does not provide a separate means of recourse.

In the event that U.S. federal withholding (including backup withholding) taxes are applicable on payments made by the New York Branch as Guarantor of the Notes issued by the Utrecht Branch, there will be no gross up paid in respect of such withholding taxes. In many circumstances, such withholding taxes generally can be avoided if the beneficial owner of the Note provides the Issuer or its paying agent with a properly completed U.S. IRS Form W-8 or W-9.

The Offering Circular Supplement

The following terms of the Notes of any particular series in respect of which this Offering Circular is being delivered will be specified to the extent applicable in the Offering Circular Supplement related to such series:

- (i) the title and series of Notes;
- (ii) the limit (if any) upon the aggregate principal amount of Notes of such series;
- (iii) the dates on which or periods during which Notes of such series may be issued;
- (iv) the redemption amount (if any) or other amounts (in cash, securities or other property) payable or deliverable on, or exchangeable for, the Notes of such series or the method by which such amount shall be calculated, and the dates on which, or the range of dates within which, such amounts will be payable or deliverable, or, if applicable, the method by which such date or dates shall be determined;
- (v) the rate or rates (which may be fixed or variable) at which the Notes of such series shall bear interest (if any) or the method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates (as defined below) on which such interest shall be payable and the record date for the interest payable on any Interest Payment Date;
- (vi) the place or places where the redemption amount (if any), interest (if any) or other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, the Notes of such series

shall be paid or delivered, and the coin or currency, if other than U.S. dollars, in which any amounts payable in cash shall be paid;

- (vii) the relevant Issuer's obligation or option (if any) to redeem or purchase Notes of such series, in whole or in part, prior to the designated maturity and the periods within which or the dates on which, the prices at which and the terms and conditions upon which such Notes will be redeemed or repurchased, in whole or in part, pursuant to such obligation or option;
- (viii) the denominations in which Notes of such series will be issuable;
- (ix) if other than the principal amount thereof, the amount which shall be payable (or such amount of securities which shall be delivered) upon declaration of any acceleration of the maturity thereof and the method by which such amount shall be determined;
- (x) the entity that will act as Calculation Agent for such series, if other than Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank);
- (xi) the entity that will act as Depositary for such series, if other than DTC;
- (xii) any relevant Business Day convention for the shifting of payment or calculation dates not occurring on a Business Day in accordance with the procedures described under, "—Payments of Interest and Redemption Amount – (b) Business Day";
- (xiii) if the redemption amount (if any), interest (if any) or any other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, such Notes may be linked to or determined with reference to the price or performance of one or more Reference Assets, information regarding such Reference Asset(s) and the manner in which such amounts shall be determined;
- (xiv) if the relevant Issuer will deliver one or more securities in respect of the redemption amount (if any), interest (if any) or other amounts payable under Notes of such series, how the amount of securities to be delivered will be determined;
- (xv) any additional Events of Default (as defined below) provided for with respect to Notes of such series;
- (xvi) if the relevant Issuer will be obligated to redeem Notes of such series on the occurrence of certain events involving U.S. information reporting requirements, the circumstances under which it will be obligated to do so;
- (xvii) if needed, a supplemental discussion of certain U.S. federal income tax consequences related to the purchase, ownership and disposition of Notes; and
- (xviii) any other terms of Notes of such series not inconsistent with the provisions of the Fiscal and Paying Agency Agreement.

Payments of Interest and Redemption Amount

(a) Method of Payment

The relevant Issuer will remit to the Fiscal Agent, who will, upon receipt, further remit to the person or persons in whose name a Note is registered in the Notes Register (each, a "**Holder**" of such Notes) the redemption amount (if any), interest (if any) or any other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, such Notes. In the case of Notes represented by a Global Certificate 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 relevant Issuer and the Guarantor, if applicable, will be discharged from any further obligation with regard to such payments. No person other than DTC shall have any claim directly against such Issuer or, as the case may be, the Guarantor in respect of any payments due on any Notes represented by a Global Certificate on deposit with and registered in the name of DTC or its nominee.

The Issuers understand 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 relevant Issuer or the Guarantor, if applicable, 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 relevant Issuer, the Guarantor, as applicable, 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) Business Day

If the date for payment of any amount in respect of any Note is not a Business Day (as defined below), the Holder thereof shall instead be entitled to payment: (i) on the next following Business Day in the relevant place, if "Following Business Day" convention is specified in the applicable Offering Circular Supplement; or (ii) on the next following Business Day in the relevant place, unless the date for payment would thereby fall into the next calendar month, in which event such date for payment shall be brought back to the immediately preceding Business Day in the relevant place, if "Modified Following Business Day" convention is specified in the applicable Offering Circular Supplement; *provided* that if neither "Following Business Day" nor "Modified Following Business Day" convention is specified in the applicable Offering Circular Supplement, "Following Business Day" convention shall be deemed to apply. In the event that any adjustment is made to the maturity date, redemption date or early repayment date of any Notes in accordance with this paragraph, 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 maturity date, redemption date or repayment date, as applicable. For these purposes, unless otherwise specified in the applicable Offering Circular Supplement, "**Business Day**" means a day which is a day (other than a Saturday or Sunday or other day on which banks in New York, Amsterdam or London are required or permitted to close) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York, Amsterdam and London.

Interest

If the applicable Offering Circular Supplement specifies that a particular series of Notes shall bear interest (the "**Interest Paying Notes**"), interest will be payable on the interest payment dates (the "**Interest Payment Dates**") set forth in the applicable Offering Circular Supplement and each Interest Paying Note will bear interest at either:

- a fixed rate specified in the applicable Offering Circular Supplement; or
- a floating rate specified in the applicable Offering Circular Supplement determined by reference to an interest rate basis, which may be adjusted by a spread and/or spread multiplier, as defined below, or by reference to a Reference Asset. Any Floating Rate Note (as defined below) may also have either or both of the following:
 - a maximum interest rate limitation, or ceiling, on the rate at which interest may accrue during any interest period; and
 - a minimum interest rate limitation, or floor, on the rate at which interest may accrue during any interest period.

In addition, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States Federal law of general application.

Unless otherwise provided in the applicable Offering Circular Supplement each Interest Paying Note will bear interest from its date of issue or from the most recent date on which interest on that Note has been paid or duly provided for, at the fixed or floating rate specified in the applicable Offering Circular Supplement, until the redemption amount (if any) has been paid or made available for payment at maturity, redemption or repayment, as applicable, of such Notes. Interest on the Interest Paying Notes will be payable on each Interest Payment Date and at the date specified in the applicable Offering Circular Supplement for maturity, redemption or repayment,

as applicable. Unless otherwise indicated in the applicable Offering Circular Supplement, interest payments in respect of the Interest Paying Notes will equal the amount of interest accrued from and including the immediately preceding Interest Payment Date in respect of which interest has been paid or duly made available for payment (or from and including the date of issue, if no interest has been paid with respect to the applicable Note) to but excluding the related Interest Payment Date, maturity date, redemption date or repayment date, as the case may be. Unless otherwise specified in the applicable Offering Circular Supplement, if the maturity date of the Notes of any series is extended due to the existence of a Market Disruption Event, as defined in the related Offering Circular Supplement, you will not be paid any interest on Notes of such series from the originally scheduled maturity date until the extended maturity date. In the case of acceleration of the maturity of the Notes of any series, interest will be paid on the Notes of such series through and excluding the related date of accelerated payment. Unless otherwise specified in the Offering Circular Supplement, the Calculation Agent will calculate interest payable on any Interest Payment Date on the basis of a 360-day year consisting of twelve 30-day months.

Interest on any Notes will be payable to each Holder thereof at the close of business on the regular record date relating to such Interest Payment Date, except that if the relevant Issuer fails to pay the interest due on an Interest Payment Date, the defaulted interest will be paid to each Holder of such Notes at the close of business on the record date such Issuer will establish for the payment of defaulted interest on such Notes or in any other lawful manner, if after giving notice to the Fiscal Agent, the Fiscal Agent deems it practicable. Interest payable at maturity, redemption or repayment will be payable to each Holder of such Notes.

(a) Fixed Rate Notes

Each series of fixed rate Notes (the “**Fixed Rate Notes**”) will bear interest at the rate specified in the applicable Offering Circular Supplement. The Interest Payment Dates for Fixed Rate Notes will be specified in the applicable Offering Circular Supplement and the regular record dates will be the third Business Day prior to each Interest Payment Date, unless otherwise specified in the applicable Offering Circular Supplement. In the event that any date for any payment on any Fixed Rate Notes is not a Business Day, payment of the redemption amount (if any) or interest otherwise payable on such Fixed Rate Notes will be made as provided in “— Payments of Interest and Redemption Amount – Business Day” above unless otherwise specified in the applicable Offering Circular Supplement. The relevant Issuer will not pay any additional interest as a result of the delay in payment.

(b) Floating Rate Notes

Each series of floating rate Notes (the “**Floating Rate Notes**”) will bear interest at the annual rate specified in the applicable Offering Circular Supplement. The applicable Offering Circular Supplement will provide the specific terms of the relevant series of Floating Rate Notes, including, as applicable:

- whether such Floating Rate Notes are regular Floating Rate Notes, inverse Floating Rate Notes or floating rate/fixed rate Notes;
- the interest rate basis or bases;
- method of calculation of the interest rate;
- interest reset dates;
- interest reset period;
- Interest Payment Dates;
- maximum interest rate and minimum interest rate (if any);
- the spread and/or spread multiplier (if any);
- the index currency (if other than U.S. dollars);
- description of the underlying Reference Assets (if any); and
- any other variable that the amount of interest paid on such Floating Rate Notes will be based on.

The “spread” is the number of basis points to be added to or subtracted from the related interest rate basis or bases applicable to a series of Floating Rate Notes. The “spread multiplier” is the percentage of the related interest rate basis or bases applicable to a series of Floating Rate Notes by which such interest basis or bases will be multiplied to determine the applicable interest rate on such Floating Rate Notes.

Day Count Fraction

Calculation of an amount of interest for any Interest Period shall be as follows:

(i) if “Actual/365” or “Actual/Actual” is specified in the applicable Terms Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if “Actual/365 (Fixed)” is specified in the applicable Terms Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if “Actual/365 (sterling)” is specified in the applicable Terms Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if “Actual/360” is specified in the applicable Terms Supplement, the actual number of days in the Interest Period divided by 360;

(v) if “30/360,” “360/360” or “Bond Basis” is specified in the applicable Terms Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Terms Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month); and

(vii) if “Actual/Actual-ISMA” is specified in the applicable Terms Supplement, (A) if the Interest Period is equal to or shorter than the accrual period specified in the Terms Supplement during which it falls (“**Determination Period**”), the number of days in the Interest Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (B) if the Interest Period is longer than one Determination Period, the sum of : (x) the number of days in such Interest Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Interest Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

Redemption

(a) Optional Early Redemption by Issuer

As indicated in this Offering Circular under “—Redemption for Taxation Reasons” or if specified in the applicable Offering Circular Supplement, the Notes will be redeemable at the relevant Issuer’s option prior to their stated maturity date. If so provided for in the applicable Offering Circular Supplement, the relevant Issuer will have the option to redeem any series of Notes (in whole or in part) on one or more optional repayment dates prior to their stated maturity date and in such manner and for such early redemption amount as specified in the applicable Offering Circular Supplement.

(b) Optional Early Redemption by Holder

If applicable, the Offering Circular Supplement for Notes of the relevant series will indicate that the Holder thereof has the option to require the relevant Issuer to redeem the Notes of such series (in whole or in part) on one or more optional redemption dates prior to their stated maturity date and in such manner and for such early redemption amount as specified in the applicable Offering Circular Supplement.

In the case of any Notes represented by one or more Global Certificates deposited with and registered in the name of DTC or its nominee, DTC will be the exclusive Holder of such Notes and therefore will be the only person that can exercise a right to redemption. In order to cause DTC to timely exercise a right to redeem a particular Note, as provided in “—Optional Early Redemption by Holder” above, any person holding a security entitlement in respect of such Notes must instruct its securities intermediary to notify DTC of such person’s desire to exercise a right to repayment. Different securities intermediaries have different cut-off times for accepting instructions from their customers and, accordingly, each person who holds a security entitlement in respect of any Notes (each, an “**Entitlement Holder**” in respect of such Notes) should consult its securities intermediary in order to ascertain the cut-off time by which an instruction must be given in order for timely notice to be delivered to DTC.

(c) Mandatory Early Redemption

Unless otherwise indicated in the applicable Offering Circular Supplement, the Notes of any series will not be subject to mandatory redemption prior to the stated maturity date. If so provided in the applicable Offering Circular Supplement, Notes of such series will be redeemable, in whole and not in part, on mandatory early redemption dates prior to their stated maturity date or upon the occurrence of certain events in such manner as specified in the applicable Offering Circular Supplement. The applicable Offering Circular Supplement will also provide the applicable mandatory redemption amount, which may be fixed at the time of sale of Notes of such series, or the method of calculating the payment amount for which such Notes will be redeemed.

(d) Secondary Market Purchases

The relevant Issuer and/or its affiliates may purchase Notes of any series at any price in the open market or otherwise. Notes so purchased by the Issuers and/or their affiliates may, at their discretion, be held or resold or surrendered to the Fiscal Agent for cancellation.

Special Provisions for Notes Payable by Delivery of Securities

All expenses including but not limited to any depository charges, levies, scrip fees, registration, transaction or exercise charges, stamp duty, stamp duty reserve tax and/or taxes or duties (together “**Delivery Expenses**”) arising from the delivery and/or transfer of securities deliverable as payment in respect of any Notes shall be for the account of the Holder or Holders of such Notes and no delivery and/or transfer of securities in respect of such Notes shall be made until all Delivery Expenses have been discharged to the satisfaction of the relevant Issuer by such Holder or Holders.

None of the Issuers nor the Fiscal Agent shall be under any obligation to register or cause the registration of any Holder of any Notes or any other person prior to or after any delivery of securities in respect of such Notes as the owner or holder of any such securities deliverable in respect of such Notes or otherwise.

Redemption for Taxation Reasons

Notes of a particular series may be redeemed as a whole but not in part, at the option of the Issuer at any time prior to maturity, upon not less than 30 nor more than 60 days’ prior notice of tax redemption to the holders, if the Issuer determines that, as a result of:

- any change in or amendment to the laws, or any regulations or rulings promulgated under the laws of a Relevant Taxing Jurisdiction, as defined below in “Additional Amounts”, affecting taxation, or
- any change in official position regarding the application or interpretation of the laws, regulations or rulings referred to above,

which change or amendment becomes effective after the issue date of such particular series of Notes, the Issuer is or will become obligated to pay Additional Amounts with respect to such Notes, as described below

under “Additional Amounts”; provided the Issuer, in its business judgment, determines that such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a “**Tax Call Right**”).

The redemption price will be equal to 100% of the principal amount of the Notes (or such other amount as specified in the applicable Offering Circular Supplement) plus accrued and unpaid interest to the date fixed for redemption. The date and the applicable redemption price will be specified in the notice of tax redemption, which will be given in accordance with “Notices” below not earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to giving the notice of a tax redemption, the Issuer will deliver to the Fiscal Agent:

- a certificate signed by a duly authorized officer stating that the Issuer is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred; and
- an opinion of independent legal counsel of recognized standing to the effect that the obligation to pay Additional Amounts results from such change or amendment.

Payment of Additional Amounts

Unless the applicable Offering Circular Supplement provides otherwise, the applicable Issuer will, subject to the exceptions and limitations set forth below, pay to a holder of any Note, as additional interest, such additional amounts (the “**Additional Amounts**”) as may be necessary in order that every net payment by the Issuer or a Paying Agent of the principal of and interest on the Note and any other amounts payable on the Note after withholding or deduction for or on account of any present or future tax, assessment or governmental charge imposed or levied by the United States (with respect to the Notes issued by the New York Branch only) or The Netherlands (or any political subdivision or taxing authority thereof or therein) (each, a “**Relevant Taxing Jurisdiction**”) will not be less than the amount provided for in the Note to be then due and payable under the Note.

However, the obligation to pay Additional Amounts shall not apply:

- to any present or future tax, assessment or other governmental charge that would not have been so imposed but for
 - the existence of any present or former connection between the holder (or between a fiduciary, settlor, beneficiary, member or shareholder of the holder, if the holder is an estate, a trust, a partnership, a limited liability company or a corporation) and a Relevant Taxing Jurisdiction, including, without limitation, the holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident of the Relevant Taxing Jurisdiction or being or having been engaged in a trade or business or present in the Relevant Taxing Jurisdiction or having, or having had, a permanent establishment in the Relevant Taxing Jurisdiction, or
 - the presentation by the holder of any Note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- to any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property tax or any similar tax, assessment or governmental charge;
- to any tax, assessment or other governmental charge imposed by reason of the holder’s past or present status as a personal holding company, controlled foreign corporation or passive foreign investment company with respect to the United States, or as a corporation that accumulates earnings to avoid U.S. federal income tax, or as a private foundation or other tax-exempt organization;
- to any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments on or in respect of any Note;

- to any tax assessment or other governmental charge that would not have been imposed but for the failure to (i) comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner of a Note, if compliance is required by statute or by regulation of the Relevant Taxing Jurisdiction as a precondition to relief or exemption from the tax, assessment or other governmental charge (including the submission of an Internal Revenue Service form W-9, W-8BEN, W-8BEN-E, W-8ECI, W-8EXP or W-8IMY (with any required attachments)) or (ii) take any action and comply with any information gathering and reporting requirements, in each case, that are required to obtain the maximum available exemption from any withholding taxes in the Relevant Taxing Jurisdiction that is available to payments received by or on behalf of the holder;
- to any tax imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or any successor version, any current or future regulations issued thereunder or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code;
- with respect to the Notes issued by the New York Branch only, to any tax, assessment or other governmental charge imposed by reason of the holder’s past or present status as the actual or constructive owner of 10% or more of the total combined voting power of all classes of equity entitled to vote of the Bank or as a direct or indirect subsidiary of the Bank;
- to any tax, assessment or other governmental charge imposed on a payment to an individual that is required to be made pursuant to European Council Directive 2003/48/EC or any other European directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive;
- to any tax, assessment or other governmental charge imposed on a payment to a holder who presents a Note for payment, where presentation is required, that would be able to avoid such tax, assessment or other governmental charge by presenting the Note elsewhere in a Member State of the European Union; or
- any combination of the above.

Nor will Additional Amounts be paid with respect to any payment on a Note to a holder who is a fiduciary, a partnership, a limited liability company, or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the Relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder of that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder of the Note.

Notwithstanding the foregoing, neither the Utrecht Branch as Issuer nor the New York Branch as Guarantor of the Notes issued by the Utrecht Branch will be under any obligation to, nor do they intend to, make any payments of Additional Amounts in respect of U.S. federal withholding (including backup withholding) taxes imposed by law or agreement of the Issuer on the Notes issued by the Utrecht Branch. Each of the Utrecht Branch and the New York Branch may withhold these amounts as applicable and neither will be liable for any U.S. taxes withheld or deducted from payments on the Notes issued by the Utrecht Branch.

Relevant Date

In respect of any Note, Relevant Date means the date on which payment in respect of such Note first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Holder or Holders of such Note that, upon further presentation of such Note being made, such payment will be made, provided that payment is in fact made upon such presentation. References in these Sections to (i) “principal” shall be deemed to include any premium payable in respect of the Note, any final redemption amounts, early redemption amounts, optional redemption amounts and all other amounts in the nature of principal payable, (ii) “interest” shall be deemed to include all interest amounts and all other amounts payable

and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this section.

Exchange and Replacement of Notes

The next paragraph concerning the transfer, exchange and replacement of Notes will only apply in the event that the use of DTC’s book-entry system is discontinued pursuant to the terms of the Fiscal and Paying Agency Agreement and that certificates representing such Notes are delivered outside of the DTC’s system.

Subject to the procedures described in the section entitled “Provisions Relating to the Notes While in Global Form–Form, Denomination and Title,” in this Offering Circular, Notes of any series may be transferred or exchanged for Notes of such series of a like aggregate principal amount in any authorized denominations and otherwise of the same terms as the Notes of such series so transferred or exchanged. The transfer of any Notes may be registered only in the Notes Register and only upon surrender of each certificate representing such Notes to the Fiscal Agent. Each certificate representing any Notes presented or surrendered for registration of transfer or for exchange shall (if so required by the Fiscal Agent or the relevant Issuer) be duly endorsed, or be accompanied by a written instrument of transfer with such evidence of due authorization and guarantee of signature as may reasonably be required by the Fiscal Agent in form satisfactory to the Fiscal Agent, duly executed by the Holder thereof or his attorney duly authorized in writing. In the event any certificate representing any Notes becomes mutilated, destroyed, stolen or lost, the Fiscal Agent shall authenticate and deliver a replacement certificate of like tenor and principal amount in exchange or replacement therefor in accordance with the provisions therefor in the Fiscal and Paying Agency Agreement.

Extension of Maturity

The applicable Offering Circular Supplement will indicate whether the relevant Issuer has the option to extend the maturity of Notes of any series for one or more periods up to but not beyond the final maturity date set forth in the applicable Offering Circular Supplement. If the relevant Issuer has that option with respect to Notes of any series, such Issuer will describe the procedures in the applicable Offering Circular Supplement.

Types of Reference Assets

The Issuers may issue Notes with the redemption amount and/or the amount of interest payable on any Interest Payment Date to be determined by reference to (i) one or more debt or equity securities of entities that are not affiliated with us, (ii) an index or indices, (iii) one or more commodities, (iv) the value of one or more currencies as compared to the value of one or more other currencies, (v) one or more interest rates, (vi) baskets of any of the aforementioned securities, instruments or indices, or (vii) any other asset or measure of financial performance as provided in the applicable Offering Circular Supplement. The applicable Offering Circular Supplement will set forth the specific information pertaining to the applicable Reference Assets.

(a) Debt, Common Stock, Preferred Stock, American Depositary Receipts and Exchange Traded Fund

The Issuers may use as Reference Assets the following securities and/or instruments of entities that are not affiliated with the relevant Issuer (each, a “**Reference Issuer**”): debt (evidenced by notes or bonds), common stock, other common equity securities or instruments, preferred stock or American Depositary Receipts. Reference Issuers will be (i) subject to the reporting requirements of the Exchange Act and (ii) will either be eligible to use Form S-3 or Form F-3 under the Securities Act for a primary offering of non-investment grade securities pursuant to General Instruction B.1 of such forms or will meet the listing criteria that a Reference Issuer would have to meet if the class of Notes was to be listed on a national securities exchange as equity-linked securities. The applicable Offering Circular Supplement will specify the relevant Reference Issuer(s) and the type of securities or instruments that comprise the Reference Assets.

(b) Index or Indices

The Issuers may use one or more indices published by third party publishers as a Reference Asset(s). Such indices are typically statistical composites which measure changes in the economy as a whole or in a specific market segment. The applicable Offering Circular Supplement will list the index or indices used and will provide the specific information pertaining to such index or indices.

(c) Commodities

The Issuers may use one or more commodities, including, but not limited to, oil, natural gas, copper, nickel and gold as a Reference Asset(s). The applicable Offering Circular Supplement will list the commodity or commodities used and will provide the specific information pertaining to such commodities.

(d) Currencies and Exchange Rates

The Issuers may use one or more currencies and/or foreign exchange rates as a Reference Asset(s). Examples of currencies that may be used as a Reference Asset(s) are: Euro, Hong Kong Dollar, British Pound, Swiss Franc, Japanese Yen, Canadian Dollar and Australian Dollar. Notwithstanding the foregoing, other currencies and/or foreign exchange rates are not precluded from being used as a Reference Asset(s) and will be described in the applicable Offering Circular Supplement.

(e) Interest Rates

The Issuers may use one or more interest rates as a Reference Asset(s). Examples of such interest rates that may be used are LIBOR and the Treasury Rate, each as defined in the relevant Offering Circular Supplement. Notwithstanding the foregoing, other interest rates are not precluded from being used as a Reference Asset(s) and will be described in the applicable Offering Circular Supplement.

(f) Baskets

The Issuers may use a basket or combination of multiple Reference Assets described above and in the applicable Offering Circular Supplement as the Reference Asset for a series of Notes. Specific terms of such baskets will be described in the applicable Offering Circular Supplement.

Events of Default and Remedies; Waiver of Past Defaults

(a) Events of Default and Remedies

With respect to the Notes of any series, the following will be events of default (“**Events of Default**”) under the Fiscal and Paying Agency Agreement:

- (i) default by the relevant Issuer or the Guarantor, if applicable, for more than thirty (30) days in the payment of (A) interest (if any) on any of the Notes of such series when the same becomes due and payable or (B) the amount(s) (in cash or in securities) payable or deliverable on, or exchangeable for, any Notes of any series at its maturity (whether at the stated maturity or by declaration of acceleration, call for redemption at such Issuer’s option or otherwise) as specified in the terms of the Notes of such series; or
- (ii) the relevant Issuer or the Guarantor, if applicable, fails to perform when due or observe any of its other obligations under the Notes of such series and such failure continues for the period of sixty (60) days following service on the such Issuer or the Guarantor, as the case may be, of notice requiring the same to be remedied; or
- (iii) Rabobank becomes bankrupt, an administrator is appointed, or an order is made or an effective resolution is passed for the winding-up, liquidation or administration of Rabobank (except for purposes of reconstruction or merger (as understood under the laws of The Netherlands) the terms of which have previously been approved by a meeting of the Holders of the Notes of such series and the holders of any other notes issued by Rabobank or any of its offices) or an application is filed for a declaration (which is not revoked within a period of thirty (30) days), or a declaration is made, under Article 3:160 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as modified or re-enacted from time to time, of The Netherlands in respect of Rabobank, either Issuer or the Guarantor, if applicable; or
- (iv) Rabobank compromises with its creditors generally or such measures are officially decreed (as understood under the laws of The Netherlands); or
- (v) Rabobank shall cease to carry on the whole or a substantial part of its business (except for the purposes of a reconstruction or merger (as understood under the laws of The Netherlands) the terms of

which have previously been approved by a meeting of the Holders of the Notes of such series and the holders of any other notes issued by Rabobank or any of its offices).

Under the Fiscal and Paying Agency Agreement, upon the occurrence and continuance of an Event of Default with respect to Notes of any series at the time outstanding, then, and in every such event, except for any series of Notes for which the principal amount or the redemption amount shall have already become due and payable, or deliverable on, or exchangeable for, the Notes, either the Fiscal Agent acting at the written direction of the Holder or Holders of not less than a majority in aggregate principal amount of the Notes of each such affected series then outstanding (voting as a single class) or the Holder or Holders of not less than a majority in aggregate principal amount of the Notes of each such affected series then outstanding (voting as a single class) by notice in writing to the relevant Issuer (and to the Fiscal Agent if given by such Holder or Holders), may declare the principal amount of all Notes of all such affected series, interest accrued thereon (if any) or any other amounts or property payable or deliverable, to be due and payable or deliverable, and upon any such declaration, the same shall become immediately due and payable or deliverable.

The Fiscal and Paying Agency Agreement provides that if an Event of Default with respect to Notes of any series occurs, has not been waived and is continuing, the Fiscal Agent may, at the written direction of the Holder or Holders of at least a majority of the outstanding aggregate principal amount of Notes of each applicable series, proceed to protect and enforce its rights and the rights of the Holder or Holders of Notes of such series by such appropriate judicial proceedings as the Fiscal Agent shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Fiscal and Paying Agency Agreement or in aid of the exercise of any power granted in the Fiscal and Paying Agency Agreement, or to enforce any other proper remedy.

The Fiscal Agent will not, however, be under any obligation to exercise any of its rights or powers under the Fiscal and Paying Agency Agreement at the request or direction of any Holder or Holders of the Notes of any series, unless such Holder or Holders shall have offered to the Agent indemnity reasonably satisfactory to it.

Any money collected by the Fiscal Agent upon exercise of the remedies under the Fiscal and Paying Agency Agreement will be applied in the following order, at the date or dates fixed by the Fiscal Agent and, in case of the distribution of such amounts on account of principal or interest, upon presentation of the security certificate(s) representing any Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

- (i) first, to the payment of any costs and expenses of the Fiscal Agent incurred in the enforcement of the Notes;
- (ii) second, to the payment of the amounts then due and unpaid for interest on the Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for interest;
- (iii) third, to the payment of the amounts (in cash, securities or other property) then due and unpaid for the redemption amount or principal of the Notes in respect of which or for the benefit of which such money has been collected, ratably or by lot in accordance with the procedures of DTC, without preference or priority of any kind, according to the amounts (in cash, securities or other property) due and payable or deliverable on, or exchangeable for, such Notes for principal;
- (iv) fourth, to the payment of other amount (in cash, securities or other property) payable or deliverable on, or exchangeable for, the outstanding Notes of such series; and
- (v) fifth, to the payment of the remainder, if any, to the relevant Issuer or any other person lawfully entitled thereto.

The Fiscal and Paying Agency Agreement further provides that if a default which is, or after notice or passage of time or both would be, an Event of Default (a “**Default**”) under the Fiscal and Paying Agency Agreement shall have occurred and be continuing, the Fiscal Agent shall, within thirty (30) days after a responsible officer of the Fiscal Agent obtains written notice from the relevant Issuer or any Holder of the occurrence of such Default, give notice of such Default to such Issuer, as well as to the Holder or Holders of the Notes of all series then outstanding affected thereby, in the manner provided in the Fiscal and Paying Agency Agreement unless such Default has been cured or waived. Where a notice of the occurrence of an Event of Default has been given to the Holder or Holders of outstanding Notes of such series pursuant to the Fiscal and Paying Agency Agreement provision described in the preceding sentence and the Event of Default is thereafter

cured, the Fiscal Agent shall give notice to the Holder or Holders of outstanding Notes of such series and the relevant Issuer that the Event of Default is no longer continuing within thirty (30) calendar days after receiving written notice from such Issuer or the Holder or Holders of not less than a majority in principal amount of the Outstanding Notes of such affected series (voting as a single class) that the Event of Default has been cured.

(b) Waiver of Past Defaults

The Fiscal and Paying Agency Agreement provides that, with respect to any series of Notes, the Fiscal Agent at the written direction of the Holder or Holders of at least a majority of the aggregate principal amount of the outstanding Notes of any series (voting as a single class) shall, on behalf of the Holder or Holders of all outstanding Notes of such series, waive any Default, or any Event of Default, with respect to Notes of such series and its consequences, except a Default (1) in the payment of the amounts (in cash, securities or other property) payable or deliverable on, or exchangeable for, any Note of such series (unless such Default has been cured and a sum or securities sufficient to pay or deliver such amounts (in cash, securities or other property) due otherwise than by acceleration has been deposited with the Fiscal Agent) or (2) a Default in respect of a provision of the Fiscal and Paying Agency Agreement which pursuant to the terms thereof cannot be modified or amended without the consent of each Holder of the outstanding Notes of such affected series as is specified below in “—Amendments, Modifications and Substitutions.”

Satisfaction and Discharge

The Fiscal and Paying Agency Agreement will cease to be of further effect with respect to the Notes of any series (except as to (i) rights of registration of transfer and exchange, (ii) substitution of apparently mutilated, defaced, destroyed, lost or stolen security certificates representing Notes of such series, (iii) rights, obligations and immunities of the Fiscal Agent and (iv) the rights of each Holder of any Notes of such series as beneficiary with respect to the property so deposited with the Fiscal Agent and payable to all or any of them) if:

(1) either

(A) all of the interest on, and all of the redemption amount (if any) or principal of (in cash, securities or other property) all of the outstanding Notes of such series, shall have been paid or delivered, as and when the same shall have become due, payable or deliverable;

(B) all of the security certificates representing all of the Notes of such series theretofore authenticated and delivered (other than (i) any security certificate representing any Notes of such series that shall have been destroyed, lost or stolen and that shall have been replaced or paid as provided in the Fiscal and Paying Agency Agreement) shall have been delivered to the Fiscal Agent for cancellation; or

(C) the relevant Issuer or the Guarantor, if applicable, shall have irrevocably deposited or caused to be deposited with the Fiscal Agent in trust the entire amount in cash, securities or other property due on the Notes of such series (other than such unclaimed funds, securities or other property repaid by the Fiscal Agent or any Paying Agent to such Issuer in accordance the Fiscal and Paying Agency Agreement) sufficient to satisfy and discharge to the date of maturity all payment and delivery obligations under the Notes of such series represented by each security certificate not theretofore delivered to the Fiscal Agent for cancellation; and

(2) the relevant Issuer has paid or caused to be paid all other sums payable hereunder by such Issuer with respect to such series of Notes; and

(3) the relevant Issuer has delivered to the Fiscal Agent an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in the Fiscal and Paying Agency Agreement relating to the satisfaction and discharge of the Fiscal and Paying Agency Agreement with respect to such series have been complied with.

The Fiscal Agent, on demand of the relevant Issuer accompanied by an Officers' Certificate and at the cost and expense of such Issuer, will execute proper instruments acknowledging such satisfaction and discharging of the Fiscal and Paying Agency Agreement with respect to such series.

Fiscal Agent, Paying Agent and Authenticating Agent

The Fiscal and Paying Agency Agreement contains provisions regarding the appointment and removal of the Fiscal Agent, the Paying Agent and an Authenticating Agent. The Fiscal and Paying Agency Agreement provides that the Fiscal Agent may at any time resign and be discharged of its responsibilities under the Fiscal and Paying Agency Agreement and of its responsibilities created by the Notes upon 60 days' prior written notice to the Issuers and that the Issuers may remove the Fiscal Agent at any time, for such cause as shall be determined in their sole discretion. If the Fiscal Agent resigns or is removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver of the Fiscal Agent, or of its property, shall be appointed, or if any public officer shall take charge or control of the Fiscal Agent, or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, or if a vacancy exists in the office of the Fiscal Agent for any reason, the Issuers shall promptly appoint a successor Fiscal Agent. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Fiscal Agent with respect to the Notes of any series has not been appointed by the relevant Issuer, a successor Fiscal Agent may be appointed by the Holder or Holders of at least a majority of the aggregate principal amount of the outstanding Notes for such series. If no successor Fiscal Agent is appointed by the Issuers or such Holders, then any holder who has been a bona fide Holder of a Note of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent with respect to the Notes of such series. The Fiscal and Paying Agency Agreement further provides that the Fiscal Agent shall act as the Registrar and shall maintain the Notes Register at an office in the Borough of Manhattan, The City of New York.

The Fiscal and Paying Agency Agreement provides that the Fiscal Agent shall act as the Paying Agent, with respect to each series of Notes, upon the terms and subject to the conditions set forth in the Fiscal and Paying Agency Agreement. The Issuers may at any time vary or terminate the appointment of the Paying Agent and appoint a replacement Paying Agent or approve any change in the location of the Paying Agent. In addition, until all outstanding Notes have been delivered to the Fiscal Agent for cancellation or monies sufficient to make all such payments on all outstanding Notes have been made available for payment and either paid or returned to the relevant Issuer as provided in the Fiscal and Paying Agency Agreement and in the Notes, the Issuers will maintain a Paying Agent in the Borough of Manhattan, The City of New York. If the Issuers fail to appoint or maintain another entity as Paying Agent (when required pursuant to the Fiscal and Paying Agency Agreement), the Fiscal Agent shall act as the Paying Agent. The Issuers shall require any Paying Agent other than the Fiscal Agent to agree in writing that it will hold in trust for the benefit of the Holder or Holders or the Fiscal Agent all money and other property held by it for any payment or delivery due in respect of any Notes and will notify the Fiscal Agent of any default by either Issuer in making any such payment.

The Fiscal Agent shall be under no liability for interest on any money or other property received by it under the Fiscal and Paying Agency Agreement except as otherwise agreed with the Issuers.

Amendments, Modifications and Substitutions

Amendments to the Notes

The Issuers and the Fiscal Agent may modify, amend or supplement the Fiscal and Paying Agency Agreement without the consent of any Holder or Holders of the Notes of any series if such modification, amendment or supplement could not reasonably be expected to be prejudicial to the interests of the Holder or Holders of such Notes or if the modification, amendment or supplement is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or for any of the following purposes:

- (1) to evidence the succession of another corporation or other entity to either Issuer or the Guarantor, and the assumption by any such successor of the covenants of either Issuer or the Guarantor as described below;
- (2) to change the branch or office of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) that is acting as Issuer or that is acting as the Guarantor;
- (3) to substitute for either Issuer or any previous substitute of such Issuer, any corporation (incorporated or otherwise formed in any country in the world) controlling, controlled by or under common control with, either Issuer as the principal debtor in respect of the Notes or undertake its obligations in respect of the Notes through any of its offices or branches (any such company or office or branch, the "**Substituted Debtor**"), provided that (A) such documents shall (together the

“Documents”) be executed by the Substituted Debtor and the relevant Issuer or any previous substitute Issuer as aforesaid as may be necessary (i) to give full effect to the substitution and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favor of each Holder to be bound by the terms and conditions of the Notes and the provisions of the Fiscal and Paying Agency Agreement as fully as if the Substituted Debtor had been named in the Notes and the Fiscal and Paying Agency Agreement as the principal debtor in respect of the Notes in place of such Issuer or any previous substitute Issuer as aforesaid and pursuant to which such Issuer shall irrevocably and unconditionally guarantee in favor of each Holder the payment of all sums payable by the Substituted Debtor as such principal debtor (such guarantee of such Issuer herein referred to as the “**Substitution Guarantee**”), provided that such Substitution Guarantee shall not be required if the Guarantor or any other office or branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) will continue to guarantee the Notes, and (ii) for the Guarantee to remain in full force and effect to guaranty payment of the Notes by the Substituted Debtor as fully as if the Substituted Debtor had been named in the Notes and the Guarantee, if applicable; (B) the Documents shall contain a warranty and representation by the Substituted Debtor and the relevant Issuer that (i) the Substituted Debtor and such Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by such Issuer of the Substitution Guarantee, if required, in respect of the obligations of the Substituted Debtor, (ii) the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substituted Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and (iii) the obligations assumed by the Substituted Debtor and the Substitution Guarantee given by the relevant Issuer, if required, are each valid and binding in accordance with their respective terms and enforceable by each Holder and that, in the case of the Substituted Debtor undertaking its obligations with respect to the Notes through a branch, the Notes remain the valid and binding obligations of such Substituted Debtor; and (C) the Fiscal and Paying Agency Agreement shall be deemed to be amended so that it shall also be an Event of Default under the Agreement if the Substitution Guarantee, if required, shall cease to be valid or binding on or enforceable against the relevant Issuer; upon the Documents becoming valid and binding obligations of the Substituted Debtor and the relevant Issuer and subject to the Substituted Debtor giving notice thereof to the Holders within 15 Business days after execution of the Documents, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of such Issuer as issuer (or of any previous substitute Issuer under these provisions) and the Notes and the Guarantee shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents together with the notice referred to above, in the case of the substitution of any other company as principal debtor, operate to release the relevant Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes

- (4) to add additional covenants, restrictions or conditions for the protection of each Holder thereof;
- (5) to cure ambiguities in the Fiscal and Paying Agency Agreement or the Notes, or to correct defects or inconsistencies in the provisions thereof;
- (6) to reflect the replacement of the Fiscal Agent, or the assumption by the relevant Issuer or a substitute Fiscal Agent of all the Fiscal Agent’s responsibilities under the Fiscal and Paying Agency Agreement;
- (7) to evidence the replacement or change of address of the Depositary; or
- (8) in the case of any redeemable or accelerated Note, to reduce the principal amount thereof to reflect the payment, repayment and/or redemption of a portion of the outstanding principal amount thereof.

The amendments, modifications and substitutions described above (*e.g.*, the substitution of the Issuer with the Substituted Debtor) may constitute a taxable event to Holders. Whether or not an amendment, modification or substitution constitutes a taxable event to Holders will not be taken into account for purposes of determining whether such amendment, modification or substitution could be reasonably expected to be prejudicial to the interests of Holders.

The Issuers may modify, amend or supplement the terms and conditions of the Notes, with the consent of Holder or Holders of not less than a majority of the aggregate principal amount of the Notes outstanding as of the record date set by the relevant Issuer in connection with any request, demand, authorization direction, notice, consent or waiver (“**Majority Outstanding Holder or Holders**”), or with respect to a modification, amendment or supplement that affects only the Holder or Holders of a specific series, with the consent of the Holder or Holders of not less than a majority of the aggregate principal amount of the Notes outstanding for a specific series of Notes as of the record date set by the relevant Issuer in connection with any request, demand, authorization, direction, notice, consent or waiver (“**Majority Series Holder or Holders**”).

Notwithstanding the paragraph above, the Issuers may not modify, amend or supplement the terms and conditions of the Notes, without the consent of each of the Holder or Holders of each series of Notes affected by the proposed modification, amendment or supplement if such modification, amendment or supplement purports to: (i) change the stated maturity of such Notes; (ii) extend the time of payment for any premium, or interest on such Notes; (iii) change the coin or currency in which the principal of, redemption amount, premium, if any, or interest on such Notes is payable; (iv) reduce the principal amount thereof or the interest rate thereon, except in the case of a series of repayable or redeemable Notes, as provided therein; (v) change the method of payment to other than wire transfer in immediately available funds; (vi) impair the right of each Holder thereof to institute suit for the enforcement of payments of redemption amount, principal of, premium, if any, or interest or other amounts on such Notes; or (vii) modify the provisions therein governing the amendment thereof.

The Issuers may consolidate with or merge into any other corporation, banking association or other legal entity (collectively, the “**corporation**”), or sell, convey, transfer or lease the property of either Issuer as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; *provided, however*, that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether an Issuer or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of the Notes to be observed or performed by such Issuer; and (ii) the corporation (if other than an Issuer) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, the Notes. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in the Notes to be performed or observed by the relevant Issuer, such successor corporation shall succeed to and be substituted for such Issuer with the same effect as if it had been named in the Notes as such Issuer and thereafter the predecessor corporation shall be relieved of all obligations and covenants in the Notes and may be liquidated and dissolved.

Substitution of the Issuer

In the event of a substitution of either Issuer as provided above under “Amendments to the Notes”, the Documents above shall be deposited with and held by the Fiscal Agent for so long as any Notes remain outstanding and for so long as any claim made against the Substituted Debtor or the relevant Issuer by any Holder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuers acknowledge the right of every Holder to the production of the Documents for the enforcement of any of the Notes or the Documents.

Not later than 15 Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Holder or Holders. A supplement to the Offering Circular concerning the substitution of the relevant Issuer shall be prepared by such Issuer.

Agreement with Respect to the Exercise of Bail-in Power

By its acquisition of the Notes, each Holder acknowledges, agrees to be bound by, and consents to the exercise of, any Bail-in Power (as defined below) by the relevant Dutch resolution authority (as defined below) that may result in the cancellation of all, or a portion, of the principal amount of, or interest on, the Notes and/or the conversion of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes into shares or other securities or other obligations of the relevant Issuer or another person, including by means of a variation to the terms of the Notes or any expropriation of the Notes, in each case, to give effect to the exercise by the relevant Dutch resolution authority of such Bail-in Power. Each Holder of the Notes further acknowledges and agrees that the rights of the Holders of the Notes are subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Bail-in Power by the relevant Dutch resolution authority. In

addition, by its acquisition of the Notes, each Holder further acknowledges, agrees to be bound by, and consents to the exercise by the relevant Dutch resolution authority of, any power to suspend any payment in respect of the Notes for a temporary period.

For these purposes, a “**Bail-in Power**” is any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in The Netherlands, in effect and applicable in The Netherlands to the Issuers, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (including but not limited to the Bank Recovery and Resolution Directive and the provisions of the SRM Regulation) and/or within the context of a Dutch resolution regime under the SMFI and any amendments thereto, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the relevant Issuer or any other person or may be expropriated (and a reference to the “**relevant Dutch resolution authority**” is to any authority with the ability to exercise the Bail-in Power).

No repayment of the principal amount of the Notes or payment of interest on, or any other amount payable on, the Notes shall become due and payable after the exercise of any Bail-in Power by the relevant Dutch resolution authority unless such repayment or payment would be permitted to be made by the relevant Issuer under the laws and regulations of The Netherlands and the European Union applicable to the Issuer.

Upon the exercise of any Bail-in Power by the relevant Dutch resolution authority with respect to Notes, the relevant Issuer shall provide a written notice to DTC as soon as practicable regarding such exercise of the Bail-in Power for purposes of notifying Holders of such occurrence. Such Issuer shall also deliver a copy of such notice to the Fiscal and Paying Agent for information purposes.

Under the terms of the Notes, the exercise of the Bail-in Power by the relevant Dutch resolution authority with respect to the Notes will not be an Event of Default (as defined in the Fiscal and Paying Agency Agreement) or give rise to any claim under the Guarantee.

By its acquisition of the Notes, each Holder acknowledges and agrees that, upon the exercise of any Bail-in Power by the relevant Dutch resolution authority with respect to the Notes, (a) the Fiscal and Paying Agent shall not be required to take any further directions from Holders of the Notes under the Fiscal and Paying Agency Agreement, to the extent it authorizes Holders of a majority in aggregate outstanding principal amount of the Notes to direct certain actions relating to the Notes, and (b) the Fiscal and Paying Agency Agreement shall impose no duties upon the Fiscal and Paying Agent whatsoever with respect to the exercise of any Bail-in Power by the relevant Dutch resolution authority. If Holders of the Notes have given a direction to the Fiscal and Paying Agent pursuant to the Fiscal and Paying Agency Agreement prior to the exercise of any Bail-in Power by the relevant Dutch resolution authority, such direction shall cease to be of further effect upon such exercise of any Bail-in Power and shall become null and void at such time. Notwithstanding the foregoing, if, following the completion of the exercise of the Bail-in Power by the relevant Dutch resolution authority in respect of the Notes, the Notes remain outstanding (for example, if the exercise of the Bail-in Power results in only a partial write-down of the principal of such Notes), then the Fiscal and Paying Agent’s duties under the Fiscal and Paying Agency Agreement shall remain applicable with respect to the Notes following such completion to the extent that the Issuers and the Fiscal and Paying Agent shall agree.

By its acquisition of the Notes, each Holder of the Notes shall be deemed to have (a) consented to the exercise of any Bail-in Power as it may be imposed without any prior notice by the relevant Dutch resolution authority of its decision to exercise such power with respect to the Notes and (b) authorized, directed and requested DTC and any direct participant in DTC or other intermediary through which it holds the Notes to take any and all necessary action, if required, to implement the exercise of any Bail-in Power with respect to the Notes as it may be imposed, without any further action or direction on the part of such Holder or the Fiscal and Paying Agent.

If, under the terms of the Notes, the relevant Issuer has elected or is required to redeem the Notes, or if a Holder exercised any right to require the relevant Issuer to repurchase the Notes, but, in each case, prior to the payment of the redemption or repurchase amount with respect to such redemption or repurchase the relevant Dutch resolution authority exercises its Bail-in Power in respect of the Notes, the relevant redemption or

repurchase notice, if any, shall be automatically rescinded and shall be of no force and effect, and no payment of the redemption amount or repurchase amount will be due and payable.

Subsequent Holders' Agreement

Holders of the Notes that acquire such Notes in the secondary market shall be deemed to acknowledge, agree to be bound by and consent to the same provisions specified herein to the same extent as the Holders of the Notes that acquire the Notes upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the Notes, including in relation to the Bail-in Power.

Further Issues

Each Issuer may from time to time without the consent of the Holder or Holders of any Notes create and issue further notes having the same terms and conditions as such outstanding Notes (except for the Issue Price, Issue Date or Interest Payment Dates) and so that the same shall be consolidated and form a single series with such Notes, and references to "Notes" shall be construed accordingly.

Notices

All notices regarding any Notes will be deemed to be validly given if mailed to each Holder of such Notes, affected by such event, at such Holder's address as it appears on the Notes Register and shall be sufficiently given if so mailed within the time prescribed. Failure to mail a notice or communication to any particular Holder or any defect in it shall not affect its sufficiency with respect to any other Holder or Holders.

Notices to be given by any Holder of any Notes shall be in writing and given to the Fiscal Agent at the address provided for this purpose in the Fiscal and Paying Agency Agreement. Such notice may be given by any person holding a security entitlement in respect to such Notes to the Fiscal Agent through DTC or any other relevant clearing system as the case may be, in such manner as the Fiscal Agent and the clearing system may approve for this purpose.

Any notice to any Holder of any Notes shall be deemed to have been given on the date of the mailing of such notice. Any notice to the Agent and the Issuers shall be deemed effective when actually received.

Governing Law and Jurisdiction

Governing Law

The Notes and the Guarantee will be governed by, and shall be construed in accordance with, the laws of the State of New York.

Jurisdiction

The courts of the State of New York or the courts of the United States located in The City of New York are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with any Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes ("**Proceedings**") may be brought in such courts. These submissions are made for the benefit of each of the Holder or Holders of such Notes and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction.

Consents, Waivers and Other Holder Action

Any request, demand, authorization, direction, notice, consent, waiver or other action to be given or taken by the Holder or Holders of any Notes may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holder or Holders in person or by an agent duly appointed in writing.

The Issuers may set a record date for purposes of determining the identity of the Holder or Holders of any Notes entitled to consent, waive or otherwise take an action. The record date may be set for any date or dates not more than sixty (60) days nor less than fifteen (15) days prior the date of such consent, waiver or other action.

PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Form, Denomination and Title

Unless otherwise provided in the applicable Offering Circular Supplement, the Notes of each series will be represented by one or more Global Certificates 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 Issuers reserve 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 Fiscal and Paying Agency Agreement and the Notes, the Issuers 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 relevant 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 any issue of Notes represented by one or more Global Certificates, 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 Certificate(s) for all purposes under the Fiscal and Paying Agency Agreement. Accordingly, holders of security entitlements in respect of any Notes represented by one or more Global Certificates deposited with and registered in the name of DTC or its nominee (i.e., 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 Issuers understand 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 Fiscal and Paying 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 Fiscal and Paying 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 Certificates 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 Entitlement Holders thereof only if such exchange is permitted by

applicable law and (i) DTC notifies the relevant Issuer that it is unwilling or unable to continue as depository for such Notes or DTC ceases to be a clearing agency registered as such under the Exchange Act if so required by applicable law or regulation, and, in either case, a successor depository is not appointed by such Issuer within sixty (60) days after receiving such notice or becoming aware that DTC is no longer so registered, or (ii) the relevant Issuer, in its sole discretion, elects to issue Notes in such form. The Notes so issued in exchange for any such Global Certificate 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 Entitlement 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 Issuers 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 relevant 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 or any other clearing system specified in the applicable Offering Circular Supplement.

Clearance and settlement procedures may vary from one series of Notes to another according to the currency of the Notes of such series. Application will be made to the relevant clearing system(s) for the Notes of the relevant series to be accepted for clearance and settlement and the applicable clearance numbers will be specified in the applicable Terms Supplement.

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.

Other Clearing Systems. Any other clearing system that the Issuers, the Fiscal Agent and the relevant Dealer(s) agree shall be available for a particular issuance of Notes, including the clearance and settlement procedures for such clearing system, will be described in the applicable Offering Circular Supplement.

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 Issuers 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 a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 U.S. Securities and Exchange Commission.

USE OF PROCEEDS

Each Issuer will use the net proceeds for general corporate purposes and may use a portion of the proceeds to hedge its exposure on the Notes.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes. This summary applies to purchasers of Notes that purchase the Notes at their original issuance for cash and that hold the Notes as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and in respect of Notes that are not Non-Principal Protected Notes, purchase the Notes at their “issue price” (as defined below). This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, all as of the date hereof, changes to any of which subsequent to the date hereof may affect the tax consequences described herein. Any such change may apply retroactively. Furthermore, changes or other development in law that affect the terms of the Notes or otherwise impact the rights of holders of the Notes may change the consequences described below. This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Program (such as renewable Notes and Notes with maturities longer than 30 years), and the Offering Circular Supplement will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Notes as appropriate.

This summary does not address all aspects of the U.S. federal income taxation of the Notes that may be relevant to a purchaser’s particular circumstances or to purchasers that are subject to special treatment under the U.S. federal income tax laws, such as:

- financial institutions, including banks and insurance companies;
- a “regulated investment company” as defined in Section 851 of the Code;
- a “real estate investment trust” as defined in Section 856 of the Code;
- a tax-exempt entity;
- a tax-deferred account, including an “individual retirement account” or “Roth IRA” as defined in Section 408 or 408A of the Code, respectively;
- a dealer in securities or currencies;
- a person holding Notes as part of a hedging transaction, straddle, conversion transaction or other integrated transaction, or who has entered into a constructive sale with respect to the Notes;
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar;
- a person subject to the alternative minimum tax or the Medicare tax on net investment income;
- a trader in securities who elects to apply a mark-to-market method of tax accounting;
- a partnership or other entity classified as a partnership for U.S. federal income tax purposes.

With respect to Non-Principal Protected Notes (as discussed below), we will not attempt to ascertain whether any of the issuers of any shares that underlie an index to which a Non-Principal Protected Note relates (such shares hereafter referred to as “**Underlying Shares**”) are treated as passive foreign investment companies (“**PFICs**”) within the meaning of Section 1297 of the Code or as U.S. real property holding corporations (“**USRPHCs**”) within the meaning of Section 897 of the Code. If any of the issuers of Underlying Shares were so treated, certain adverse U.S. federal income tax consequences may apply to a U.S. Holder in the case of a PFIC and to a Non-U.S. Holder (as defined below) in the case of a USRPHC. Prospective purchasers should refer to information filed with the Securities and Exchange Commission or another governmental authority by any such issuers of the Underlying Shares and consult their tax advisers regarding the possible consequences to them if any such issuers are or become PFICs or USRPHCs.

This summary of U.S. federal income tax consequences is for general information only. It does not address all material U.S. federal tax consequences. State, local and foreign income tax laws may differ substantially from the corresponding U.S. federal income tax laws, and this summary does not purport to describe any aspect of the tax laws of any state, local or foreign jurisdiction.

Persons considering the purchase of Notes should consult their tax advisers with regard to the application of U.S. federal income tax laws to their particular situations as well as any estate tax consequences and tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. This discussion is subject to any additional discussion regarding U.S. federal income taxation

contained in the applicable Offering Circular Supplement. Accordingly, prospective investors should consult the applicable Offering Circular Supplement for any additional discussion regarding U.S. federal income taxation with respect to the specific Notes offered thereunder.

U.S. Holders

The term “U.S. Holder” means a beneficial owner of a Note that is for U.S. federal income tax purposes: (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Notes Other Than Non-Principal Protected Notes

U.S. Federal Income Tax Characterization of the Notes

The characterization of a series of Notes may be uncertain and will depend on the terms of those Notes. The determination of whether an obligation represents debt, equity, or some other instrument or interest is based on all the relevant facts and circumstances.

Depending on the terms of a particular series of Notes, the Notes may not be characterised as debt for U.S. federal income tax purposes despite the form of the Notes as debt instruments. For example, Notes of a series may be more properly characterised as notional principal contracts, collateralised put options, prepaid forward contracts, or some other type of financial instrument. Alternatively, the Notes may be characterised as equity, or as representing an undivided proportionate ownership interest in the assets of, and share of the liabilities of the Issuer. Additional alternative characterisations may also be possible. There may be no statutory, judicial or administrative authority directly addressing the characterization of some of the types of Notes that are anticipated to be issued under the Programme or of instruments similar to the Notes. As a consequence, it may be unclear how a series of Notes should be properly characterized for U.S. federal income tax purposes. Further possible characterisations, if applicable, may be discussed in the relevant Final Terms or any Prospectus or series prospectus.

No rulings will be sought from the IRS regarding the characterisation of any of the Notes issued hereunder for U.S. federal income tax purposes. Each holder should consult its own tax adviser about the proper characterisation of the Notes for U.S. federal income tax purposes, and the consequences to the holder of acquiring, owning or disposing of the Notes.

The following summary discusses only Notes that are properly treated as debt for U.S. federal income tax purposes.

Notes Other Than Foreign Currency Notes

Taxation of Interest

The taxation of interest on a Note depends on whether it constitutes “qualified stated interest” (as defined below). Interest on a Note that constitutes qualified stated interest is includible in a U.S. Holder’s income as ordinary interest income when actually or constructively received, if such holder uses the cash method of accounting for U.S. federal income tax purposes, or when accrued, if such holder uses an accrual method of accounting for U.S. federal income tax purposes. Interest that does not constitute qualified stated interest is included in a U.S. Holder’s income under the rules described below under “Original Issue Discount,” regardless of such holder’s method of accounting. Notwithstanding the foregoing, interest that is payable on a Note with a maturity of one year or less from its issue date after taking into account the last possible date that the Note could be outstanding under the terms of the Note (a “**Short-Term Note**”) is included in a U.S. Holder’s income under the rules described below under “Short-Term Notes.”

Unless otherwise disclosed in the Offering Circular Supplement, payments of interest (including original issue discount (“**OID**”)) on the Notes issued by the New York Branch will be from U.S. sources and payments of interest (including OID) on the Notes issued by the Utrecht Branch will be from foreign sources. Prospective holders should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Fixed Rate Notes

Interest on a Fixed Rate Note will constitute “qualified stated interest” if the interest is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or in property (other than debt instruments issued by the Issuer or the Bank) at least annually at a single fixed rate.

Floating Rate Notes

Interest on a Floating Rate Note that is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or in property (other than debt instruments issued by the Issuer or the Bank) at least annually will constitute “qualified stated interest” if the Note is a “variable rate debt instrument” (“**VRDI**”) under the rules described below and the interest is payable at a single “qualified floating rate” or single “objective rate” (each as defined below). If the Note is a VRDI but the interest is payable other than at a single qualified floating rate or at a single objective rate, special rules apply to determine the portion of such interest that constitutes “qualified stated interest.” See “Original Issue Discount—Floating Rate Notes that are VRDIs,” below.

Definition of Variable Rate Debt Instrument (VRDI), Qualified Floating Rate and Objective Rate

A Note is a VRDI if all of the four following conditions are met. First, the “issue price” of the Note (as described below) must not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date (or, in the case of a Note that provides for payment of any amount other than qualified stated interest before maturity, its weighted average maturity) and (ii) 15% of the total noncontingent principal payments.

Second, the Note generally must provide for stated interest (compounded or paid at least annually) at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a “qualified inverse floating rate” (as defined below).

Third, the Note must provide that a qualified floating rate or objective rate in effect at any time during the term of the Note is set at the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Fourth, the Note must not provide for any principal payments that are contingent except as provided in the first requirement set forth above.

Subject to certain exceptions, a variable rate of interest on a Note is a “qualified floating rate” if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Floating Rate Note is denominated. A variable rate will be considered a qualified floating rate if the variable rate equals (i) the product of an otherwise qualified floating rate and a fixed multiple (i.e., a spread multiplier) that is greater than 0.65, but not more than 1.35 or (ii) an otherwise qualified floating rate (or the product described in clause (i)) plus or minus a fixed rate (i.e., a spread). If the variable rate equals the product of an otherwise qualified floating rate and a single spread multiplier greater than 1.35 or less than or equal to 0.65, however, such rate will generally constitute an objective rate, described more fully below. A variable rate will not be considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor or governor that is fixed throughout the term of the Note).

Subject to certain exceptions, an “objective rate” is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the Issuer’s or the Bank’s control (or the control of a related party) nor unique to the Issuer’s or the Bank’s circumstances (or the circumstances of a related party). For example, an objective rate generally includes a rate that is based on one or more qualified floating rates or on the yield of actively traded personal property (within the meaning of Section 1092(d)(1) of the Code). Notwithstanding the first sentence of this paragraph, a rate on a Note is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note’s term. An objective rate is a “qualified inverse

floating rate” if (a) the rate is equal to a fixed rate minus a qualified floating rate and (b) the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate). Unless otherwise provided in the applicable Offering Circular Supplement, it is expected, and the discussion below assumes, that a Floating Rate Note will qualify as a VRDI. If a Floating Rate Note does not qualify as a VRDI, then the Floating Rate Note will be treated as a contingent payment debt instrument. For a description of the treatment of contingent payment debt instruments, see the discussion under “Original Issue Discount—Floating Rate Notes that are not VRDIs.”

If interest on a Note is stated at a fixed rate for an initial period of one year or less, followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate.

Original Issue Discount

OID with respect to a Note other than a Short-Term Note is the excess, if any, of the Note’s “stated redemption price at maturity” over the Note’s “issue price.” A Note’s “stated redemption price at maturity” is the sum of all payments provided by the Note (whether designated as interest or as principal) other than payments of qualified stated interest. The “issue price” of a Note generally is the first price at which a substantial amount of the Notes in the issuance that includes such Note is sold for money (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

As described more fully below, U.S. Holders of Notes with OID that mature more than one year from their issue date generally will be required to include such OID in income as it accrues in accordance with the constant yield method described below, irrespective of the receipt of the related cash payments or their method of accounting for tax purposes. A U.S. Holder’s adjusted tax basis in a Note is increased by each accrual of OID and decreased by each payment other than a payment of qualified stated interest.

The amount of OID with respect to a Note will be treated as zero if the OID is less than an amount equal to 0.0025 multiplied by the product of the Note’s stated redemption price at maturity and the number of complete years to the Note’s maturity (or, in the case of a Note that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Note).

Fixed Rate Notes

In the case of OID with respect to a Fixed Rate Note, the amount of OID includible in the income of a U.S. Holder for any taxable year is determined under the constant yield method, as follows. First, the “yield to maturity” of the Note is computed. The yield to maturity is the discount rate that, when used in computing the present value of all interest and principal payments to be made under the Note (including payments of qualified stated interest), produces an amount equal to the issue price of the Note. The yield to maturity is constant over the term of the Note and, when expressed as a percentage, must be calculated to at least two decimal places.

Second, the term of the Note is divided into “accrual periods.” Accrual periods may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and that each scheduled payment of principal or interest occurs either on the final day or the first day of an accrual period.

Third, the total amount of OID on the Note is allocated among accrual periods. In general, the OID allocable to an accrual period equals the product of the “adjusted issue price” of the Note at the beginning of the accrual period and the yield to maturity of the Note, less the amount of any qualified stated interest allocable to the accrual period. The adjusted issue price of a Note at the beginning of the first accrual period is its issue price. Thereafter, the adjusted issue price of the Note is its issue price, increased by the amount of OID previously includible in the gross income of any holder and decreased by the amount of any payment previously made on the Note other than a payment of qualified stated interest.

Fourth, the “daily portions” of OID are determined by allocating to each day in the accrual period its ratable portion of the OID allocable to the accrual period.

A U.S. Holder includes in income in any taxable year the daily portions of OID for each day during the taxable year that such holder held the Notes. In general, under the constant yield method described above, U.S. Holders will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Floating Rate Notes that are VRDIs

The taxation of OID (including interest that does not constitute qualified stated interest) on a Floating Rate Note will depend on whether the Note is a “variable rate debt instrument,” as that term is defined under the Code and described above under “Taxation of Interest—Floating Rate Notes—Definition of Variable Rate Debt Instrument (VRDI), Qualified Floating Rate and Objective Rate.”

In the case of a VRDI that provides for interest at a single variable rate, the amount of qualified stated interest and the amount of OID, if any, includible in income during a taxable year are determined under the rules applicable to Fixed Rate Notes (described above) by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or a qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), the rate that reflects the yield that is reasonably expected for the Note. Qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period.

If a Note that is a VRDI does not provide for interest at a single variable rate as described above, the amount of interest and OID accruals are determined by constructing an equivalent fixed rate debt instrument, as follows.

First, in the case of a Note that provides for stated interest at one or more qualified floating rates or at a qualified inverse floating rate and, in addition, at a fixed rate (other than a fixed rate that is treated as, together with a variable rate, a single qualified floating rate or objective rate), replace the fixed rate with a qualified floating rate (or qualified inverse floating rate) such that the fair market value of the Note, so modified, as of the issue date would be approximately the same as the fair market value of the unmodified Note.

Second, determine the fixed rate substitute for each variable rate provided by the Note. The fixed rate substitute for each qualified floating rate provided by the Note is the value of that qualified floating rate on the issue date. If the Note provides for two or more qualified floating rates with different intervals between interest adjustment dates (for example, the 30-day commercial paper rate and quarterly LIBOR), the fixed rate substitutes are based on intervals that are equal in length (for example, the 90-day commercial paper rate and quarterly LIBOR, or the 30-day commercial paper rate and monthly LIBOR). The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Note.

Third, construct an equivalent fixed rate debt instrument that has terms that are identical to those provided under the Note, except that the equivalent fixed rate debt instrument provides for the fixed rate substitutes determined in the second step, in lieu of the qualified floating rates or objective rate provided by the Note.

Fourth, determine the amount of qualified stated interest and OID for the equivalent fixed rate debt instrument under the rules (described above) for Fixed Rate Notes. These amounts are taken into account as if the U.S. Holder held the equivalent fixed rate debt instrument. See “Taxation of Interest” and “Original Issue Discount—Fixed Rate Notes,” above.

Fifth, make appropriate adjustments for the actual values of the variable rates. In this step, qualified stated interest or, in certain circumstances, OID allocable to an accrual period is increased (or decreased) if the interest actually accrued or paid during the accrual period exceeds (or is less than) the interest assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument.

Floating Rate Notes that are not VRDIs

General

We may issue Notes that will be treated as “contingent payment debt instruments” for U.S. federal income tax purposes (“contingent debt obligations”). Special rules apply to contingent debt obligations under applicable U.S. Treasury Regulations (the “contingent debt regulations”).

Pursuant to the contingent debt regulations, a U.S. Holder of a contingent debt obligation will be required to accrue interest income on the contingent debt obligation on a constant yield basis, based on a comparable yield, as described below, regardless of whether such holder uses the cash or accrual method of accounting for U.S. federal income tax purposes. As such, a U.S. Holder may be required to include interest in income each year in excess of any stated interest payments actually received in that year.

The contingent debt regulations provide that a U.S. Holder must accrue an amount of ordinary interest income, as OID for U.S. federal income tax purposes, for each accrual period prior to and including the maturity date of the contingent debt obligation that equals:

- the product of (a) the adjusted issue price (as defined below) of the contingent debt obligation as of the beginning of the accrual period and (b) the comparable yield (as defined below) of the contingent debt obligation, adjusted for the length of the accrual period;
- divided by the number of days in the accrual period; and
- multiplied by the number of days during the accrual period that the U.S. Holder held the contingent debt obligation.

The “adjusted issue price” of a contingent debt obligation is its issue price, increased by any interest income previously accrued, determined without regard to any adjustments to interest accruals described below, and decreased by the projected amount of any payments (in accordance with the projected payment schedule described below) previously made with respect to the contingent debt obligation.

The term “comparable yield” as used in the contingent debt regulations means the greater of (i) annual yield an issuer would pay, as of the issue date, on a fixed-rate, nonconvertible debt instrument with no contingent payments, but with terms and conditions otherwise comparable to those of the contingent debt obligations, and (ii) the applicable federal rate.

The contingent debt regulations require that an issuer provide to U.S. Holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments (the “projected payment schedule”) on the contingent debt obligations. This schedule must produce a yield to maturity that equals the comparable yield. A U.S. Holder will generally be bound by the comparable yield and the projected payment schedule determined by the Issuer, unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly discloses such schedule to the U.S. Internal Revenue Service (“IRS”), and explains to the IRS the reason for preparing its own schedule. The Issuer’s determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

The comparable yield and the projected payment schedule are not used for any purpose other than to determine a U.S. Holder’s interest accruals and adjustments thereto in respect of the contingent debt obligations for U.S. federal income tax purposes. They do not constitute a projection or representation by the Bank or the Issuer regarding the actual amounts that will be paid on the contingent debt obligations.

Adjustments to Interest Accruals on the Notes

If, during any taxable year, a U.S. Holder of a contingent debt obligation receives actual payments with respect to such contingent debt obligation that, in the aggregate, exceed the total amount of projected payments for that taxable year, the U.S. Holder will incur a “net positive adjustment” under the contingent debt regulations equal to the amount of such excess. The U.S. Holder will treat a net positive adjustment as additional interest income in that taxable year.

If a U.S. Holder receives in a taxable year actual payments with respect to the contingent debt obligation that, in the aggregate, are less than the amount of projected payments for that taxable year, the U.S.

Holder will incur a “net negative adjustment” under the contingent debt regulations equal to the amount of such deficit. This net negative adjustment:

- will first reduce the U.S. Holder’s interest income on the contingent debt obligation for that taxable year;
- to the extent of any excess, will give rise to an ordinary loss to the extent of the U.S. Holder’s interest income on the contingent debt obligation during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments; and
- to the extent of any excess after the application of the previous two bullet points, will be carried forward as a negative adjustment to offset future interest income with respect to the contingent debt obligation or to reduce the amount realized on a sale, exchange or retirement of the contingent debt obligation.

Generally, the sale, exchange or retirement of a contingent debt obligation will result in taxable gain or loss to a U.S. Holder. The amount of gain or loss on a sale, exchange or retirement of a contingent debt obligation will be equal to the difference between (a) the amount of cash plus the fair market value of any other property received by the U.S. Holder (the “amount realized”) and (b) the U.S. Holder’s adjusted tax basis in the contingent debt obligation. As discussed above, to the extent that a U.S. Holder has any net negative adjustment carryforward, the U.S. Holder may use such net negative adjustment from a previous year to reduce the amount realized on the sale, exchange or retirement of the contingent debt obligations.

For purposes of determining the amount realized on the scheduled retirement of a Note, a U.S. Holder will be treated as receiving the projected payment amount of any contingent payment due at maturity. As discussed above, to the extent that actual payments with respect to the Notes during the year of the scheduled retirement are greater or lesser than the projected payments for such year, a U.S. Holder will incur a net positive or negative adjustment, resulting in additional ordinary income or loss, as the case may be.

A U.S. Holder’s adjusted tax basis in a contingent debt obligation generally will be equal to the U.S. Holder’s original purchase price for the contingent debt obligation, increased by any interest income previously accrued by the U.S. Holder (determined without regard to any adjustments to interest accruals described above) and decreased by the amount of any projected payments that previously have been scheduled to be made in respect of the contingent debt obligation (without regard to the actual amount paid).

Gain recognized by a U.S. Holder upon a sale, exchange or retirement of a contingent debt obligation generally will be treated as ordinary interest income. Any loss will be ordinary loss to the extent of the excess of previous interest inclusions over the total net negative adjustments previously taken into account as ordinary losses in respect of the contingent debt obligation, and thereafter capital loss (which will be long-term if the contingent debt obligation has been held for more than one year). The deductibility of capital losses is subject to limitations. If a U.S. Holder recognizes a loss upon a sale or other disposition of a contingent debt obligation and such loss is above certain thresholds, then the holder may be required to file a disclosure statement with the IRS. U.S. Holders should consult their tax advisers regarding this reporting obligation, as discussed under “Disclosure Requirements” below.

Special rules will apply if one or more contingent payments on a contingent debt obligation become fixed. If one or more contingent payments on a contingent debt obligation become fixed more than six months prior to the date each such payment is due, a U.S. Holder would be required to make a positive or negative adjustment, as appropriate, on the date the payment becomes fixed, equal to the difference between the present value of the amounts that are fixed, and the present value of the projected amounts of the contingent payments as provided in the projected payment schedule, using the comparable yield as the discount rate in each case. If all remaining scheduled contingent payments on a contingent debt obligation become fixed substantially contemporaneously, a U.S. Holder would be required to make adjustments to account for the difference between the amounts so treated as fixed and the projected payments in a reasonable manner over the remaining term of the contingent debt obligation. For purposes of the preceding sentence, a payment (including an amount payable at maturity) will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the contingent debt regulations. A U.S. Holder’s adjusted tax basis in the contingent debt obligation and the character of any gain or loss on the sale of the contingent debt obligation would also be affected. U.S. Holders are urged to consult their tax advisers concerning the application of these special rules.

Other Rules

Certain Notes having OID may be redeemed prior to maturity, or may be repayable at the option of the holder. Such Notes may be subject to rules that differ from the general rules discussed above relating to the tax treatment of OID. Purchasers of such Notes with a redemption or repayable feature should consult their tax advisers with respect to such feature since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the purchased Note.

Premium

If a U.S. Holder purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the date of acquisition (other than payments of qualified stated interest), such holder will be considered to have purchased such Note with “amortizable bond premium” equal in amount to such excess. Generally, a U.S. Holder may elect to amortize such premium as an offset to qualified stated interest income, using a constant yield method similar to that described above (see “**Original Issue Discount**”), over the remaining term of the Note. Special rules may apply in the case of a Note that is subject to optional redemption. A U.S. Holder who elects to amortize bond premium must reduce such holder’s adjusted tax basis in the Note by the amount of the premium used to offset qualified stated interest income as set forth above. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by such holder and may be revoked only with the consent of the IRS.

Short-Term Notes

A Short-Term Note (i.e., a Note with a maturity of not more than one year taking into account all possible extensions of the maturity date) will be treated as issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. Thus, all Short-Term Notes will be treated as issued with OID. U.S. Holders that report income for U.S. federal income tax purposes on an accrual method are required to include OID in income on such Short-Term Note on a straight-line basis, unless an election is made to accrue the OID according to a constant yield method based on daily compounding.

Cash basis U.S. Holders of a Short-Term Note generally are not required to accrue OID on such Short-Term Notes for U.S. federal income tax purposes, unless they elect to do so, with the consequence that the reporting of such income is deferred until it is received. In the case of a U.S. Holder that is not required, and does not elect, to include OID in income currently, any gain realized on the sale, exchange or retirement of a Short-Term Note is ordinary income to the extent of the OID accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, U.S. Holders that are not required, and do not elect, to include OID in income currently are required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry a Short-Term Note in an amount not exceeding the deferred interest income with respect to such Short-Term Note (which includes both the accrued OID and accrued interest that are payable but that have not been included in gross income), until such deferred interest income is realized. A U.S. Holder’s adjusted tax basis in a Short-Term Note is increased by the amount included in such holder’s income on such a Note.

Election to Treat All Interest as OID

U.S. Holders may elect to include in gross income all interest that accrues on a Note, including any stated interest, acquisition discount, OID, market discount, de minimis OID, de minimis market discount and unstated interest (as adjusted by amortizable bond premium and acquisition premium), by using the constant yield method described above under “Original Issue Discount.” Such an election for a Note with amortizable bond premium will result in a deemed election to amortize bond premium for all debt instruments owned and later acquired by the U.S. Holder with amortizable bond premium and may be revoked only with the permission of the IRS. A U.S. Holder’s adjusted tax basis in a Note will be increased by each accrual of the amounts treated as OID under the constant yield election described in this paragraph.

Sale, Exchange or Retirement of Notes Other than Foreign Currency Notes

A U.S. Holder generally will recognize U.S. source gain or loss upon the sale, exchange or retirement of a Note equal to the difference between the amount realized upon such sale, exchange or retirement and the U.S. Holder’s adjusted tax basis in the Note. Such adjusted tax basis in the Note generally will equal the cost of the Note to the holder, increased by OID, and reduced (but not below zero) by any payments on the Note other

than payments of qualified stated interest and by any premium that the U.S. Holder has taken into account. To the extent attributable to accrued but unpaid qualified stated interest, the amount realized by the U.S. Holder will be treated as a payment of interest as described above under “–Taxation of Interest”. Generally, any gain or loss will be capital gain or loss, except as provided under “Short-Term Notes” and “Original Issue Discount—Floating Rate Notes that are not VRDIs” above and “Foreign Currency Notes” below. The gain or loss on the sale, exchange or retirement of a Note will generally be long-term capital gain or loss if a U.S. Holder has held the Note for more than one year on the date of disposition. The ability of U.S. Holders to offset capital losses against ordinary income is limited. Special rules apply in determining the tax basis of a contingent debt obligation and the amount realized on the retirement of a contingent debt obligation.

Foreign Currency Notes

Interest

The following summary describes certain special rules applicable to a U.S. Holder of a Note that is denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in one or more currencies or currency units other than the U.S. dollar (a “**Foreign Currency Note**”). However, the U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of currency-linked Notes and non-functional currency contingent payment debt instruments are not discussed in this Offering Circular and will be discussed in the applicable Offering Circular Supplement in the event they are relevant. If an interest payment (other than OID) is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the spot exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars, and this U.S. dollar value will be the U.S. Holder’s tax basis in the foreign currency.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment (including OID and reduced by amortizable bond premium to the extent applicable) denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average spot exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the average spot exchange rate in effect during the part of the period within each taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the spot exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the spot exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the spot exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Foreign Currency Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot exchange rate on the date of receipt) and the amount previously accrued, as described above, regardless of whether the payment is in fact converted into U.S. dollars. If a payment received in a foreign currency is not immediately converted into U.S. dollars, the later disposition of the foreign currency may give rise to further exchange gain or loss.

OID

OID for each accrual period on a discount Foreign Currency Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt or on the date of sale, exchange or retirement of the Note, as the case may be) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Bond Premium

Bond premium on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium into account currently will recognize a market loss when the Note matures.

Sale, Exchange or Retirement

As discussed above under “Sale, Exchange or Retirement of Notes Other than Foreign Currency Notes,” a U.S. Holder will generally recognize gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realized on the sale, exchange or retirement and its adjusted tax basis in the Note. A U.S. Holder’s initial tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note.

The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects) on the settlement date for the purchase.

The amount realized on a sale, exchange or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale, exchange or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize exchange rate gain or loss (taxable as ordinary income or loss) on the sale, exchange or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder’s purchase price (as adjusted for any bond premium previously amortized) for the Note (i) on the date of sale, exchange or retirement and (ii) on the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale, exchange or retirement. Such exchange gain or loss will generally be from a U.S. source. Any gain or loss realized by holders in excess of the exchange gain or loss will be capital gain or loss (except in the case of a Short-Term Note, to the extent of any discount not previously included in the holder’s income). If a U.S. Holder recognizes a loss upon a sale or other disposition of a Foreign Currency Note and such loss is above certain thresholds, then such holder may be required to file a disclosure statement with the IRS. U.S. Holders should consult their tax advisers regarding this reporting obligation, as discussed under “Disclosure Requirements” below.

Any gain or loss realized by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase Foreign Currency Notes) will be ordinary income or loss.

Non-Principal Protected Notes

A “Non-Principal Protected Note” is a Note that may return at maturity an amount less than the amount invested on original issuance. The tax consequences of an investment in the Non-Principal Protected Notes are unclear. There is no direct legal authority as to the proper U.S. federal income tax characterization of the Non-Principal Protected Notes, and the Issuer does not intend to request a ruling from the IRS regarding the Non-Principal Protected Notes.

The Issuer intends to treat Non-Principal Protected Notes described in this Offering Circular and linked to one or more of the indices described in this Offering Circular Supplement as “open transactions” for U.S. federal income tax purposes. A U.S. Holder will be obligated pursuant to the terms of the Non-Principal Protected Notes, in the absence of an administrative determination, change in law or judicial ruling to the contrary, to characterize the Non-Principal Protected Notes for all tax purposes as an open transaction. While other characterizations of Non-Principal Protected Notes described in this Offering Circular could be asserted by the IRS, as discussed below, the following discussion assumes that the Non-Principal Protected Notes will be

treated for U.S. federal income tax purposes as open transactions and not as debt instruments, unless otherwise indicated.

Tax Treatment of the Non-Principal Protected Notes

A U.S. Holder should not recognize taxable income or loss over the term of the Non-Principal Protected Notes prior to maturity other than pursuant to a sale, exchange or redemption as described below. Subject to the discussion below regarding the possible characterization of some gains as ordinary income under Section 1260 of the Code, upon a sale or exchange of a Non-Principal Protected Note (including redemption at maturity or otherwise), a U.S. Holder should recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange or redemption and its tax basis in the Non-Principal Protected Note, which should equal the amount the U.S. Holder paid to acquire the Non-Principal Protected Note. This gain or loss should generally be long-term capital gain or loss if the U.S. Holder has held the Non-Principal Protected Note for more than one year at that time. The deductibility of capital losses, however, is subject to limitations.

Possible Alternative Tax Treatments of an Investment in the Non-Principal Protected Notes

Due to the absence of authorities that directly address the proper characterization of the Non-Principal Protected Notes and because the Issuer is not requesting a ruling from the IRS with respect to the Non-Principal Protected Notes, no assurance can be given that the IRS will accept, or that a court will uphold, the characterization and tax treatment of the Non-Principal Protected Notes described above. If the IRS were successful in asserting an alternative characterization or treatment of the Non-Principal Protected Notes, the timing and character of income on the Non-Principal Protected Notes could differ materially and adversely from our description herein. For example, the IRS might treat the Non-Principal Protected Notes as debt instruments, in which event the taxation of the Non-Principal Protected Notes would be governed by certain U.S. Treasury Regulations relating to the taxation of “contingent payment debt instruments” if the term of the Non-Principal Protected Notes from issue to maturity (including the last possible date that the Non-Principal Protected Notes could be outstanding) is more than one year. In this event, regardless of whether the U.S. Holder is an accrual basis or cash basis taxpayer, it would be required to accrue into income original issue discount, or “OID,” on the Non-Principal Protected Notes at the “comparable yield” for similar noncontingent debt, determined at the time of the issuance of the Non-Principal Protected Notes, in each year that it holds the Non-Principal Protected Notes (even though it will not receive any cash with respect to the Non-Principal Protected Notes during that year) and any gain recognized upon a sale or exchange of the Non-Principal Protected Notes (including redemption at maturity) would generally be treated as ordinary income. Additionally, if a U.S. Holder were to recognize a loss above certain thresholds, it could be required to file a disclosure statement with the IRS.

Other alternative U.S. federal income tax characterizations of the Non-Principal Protected Notes might also require the U.S. Holder to include amounts in income during the term of the Non-Principal Protected Notes, impose an interest charge and/or treat all or a portion of the gain or loss on the sale or exchange of the Non-Principal Protected Notes (including redemption at maturity) as ordinary income or loss or as short-term capital gain or loss, without regard to how long the U.S. Holder held the Non-Principal Protected Notes. For example, although the matter is not clear, it is possible that under certain circumstances a portion of long-term capital gains realized in respect of the Non-Principal Protected Notes could be recharacterized as ordinary income (and therefore as ineligible for preferential tax rates) and that the deemed underpayment of tax with respect to the deferral of such ordinary income could be subject to an interest charge. This possibility arises from the fact that under certain circumstances, including with respect to Non-Principal Protected Notes linked to an exchange traded fund, an investment in the Non-Principal Protected Notes may be treated as a “constructive ownership” transaction within the meaning of Section 1260 of the Code. Section 1260 provides that if an investor in a “constructive ownership” transaction realizes gain from the transaction in excess of the net long-term capital gain the investor would have realized had it held the underlying investment directly, then such excess gain will be treated as ordinary income and that the deemed underpayment of tax with respect to the deferral of such ordinary income will be subject to an interest charge. It is currently unclear whether, or in what manner, Section 1260 would apply to recharacterize some or all of the gains, if any, realized in respect of the Non-Principal Protected Notes. On the one hand, if the Non-Principal Protected Notes are linked to an exchange traded fund, but by their terms, do not provide returns referenced to ordinary current income or short-term gain distributions generated by such exchange traded fund, there would be an argument that the such Non-Principal Protected Notes do not present the situation that Section 1260 is intended to address. However, if an investor in a Non-Principal Protected Note linked to an exchange traded fund could realize gains on such Non-Principal Protected Note in excess of the net long-term capital gain the investor would have realized from a direct investment in the exchange traded fund, the IRS could take the view that such excess return (or a portion of that excess return) is properly recharacterized as ordinary income under Section 1260 and that the deemed underpayment of tax with

respect to the deferral of such ordinary income should be subjected to an interest charge. Accordingly, U.S. Holders are urged to consult their tax advisers about the potential application of Section 1260 to the Non-Principal Protected Notes.

Under certain circumstances it is also possible that the IRS could assert that Section 1256 of the Code should apply to the Non-Principal Protected Notes. If Section 1256 were to apply to the Non-Principal Protected Notes, gain or loss recognized with respect to the Non-Principal Protected Notes would be treated as 60% long-term capital gain or loss and 40% short-term capital gain or loss, without regard to a U.S. Holder's holding period in such Non-Principal Protected Notes. A U.S. Holder also would be required to mark-to-market the Non-Principal Protected Notes at the end of each year (i.e., recognize income or loss as if such notes had been sold for their fair market value). Under certain circumstances, including with respect to Non-Principal Protected Notes linked to certain commodities, it is also possible that the IRS could assert that the Non-Principal Protected Notes should be treated as partially giving rise to "collectibles" gain or loss if the U.S. Holder has held the Non-Principal Protected Notes for more than one year. However, we do not intend to treat such Non-Principal Protected Notes as giving rise to "collectibles" gain because we do not intend to treat a sale or exchange of any Non-Principal Protected Notes as a sale or exchange of collectibles, but rather as a sale or exchange of an open transaction that partially reflects the value of collectibles. "Collectibles" gain is currently subject to tax at marginal rates in excess of those that apply to long-term capital gain.

In addition, on December 7, 2007, Treasury and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments, such as the Non-Principal Protected Notes. In particular, the notice focuses on whether holders of these instruments should be required to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; and whether these instruments are or should be subject to the "constructive ownership" regime, which very generally can operate to recharacterize certain long-term capital gain as ordinary income that is subject to an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any U.S. Treasury Regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the U.S. federal income tax treatment of an investment in the Non-Principal Protected Notes, possibly with retroactive effect. Accordingly, U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Non-Principal Protected Notes, including possible alternative U.S. federal income tax treatments and the issues presented by this notice.

U.S. Holders should also note that legislation has been proposed that, if enacted, could require U.S. Holders of the Non-Principal Protected Notes to use a yearly mark-to-market method of accounting. Under such a method, a U.S. Holder (including cash basis taxpayers) would be required to recognize gain or loss as ordinary income or loss in respect of a Non-Principal Protected Note resulting from a change in the value of the Non-Principal Protected Note during the year even though the U.S. Holder did not dispose of the Non-Principal Protected Note. It is not possible to predict whether and in what form this proposed legislation will become law. It is possible that this or other legislation could become law that would adversely affect the U.S. federal income tax consequences described herein with respect to Non-Principal Protected Notes.

The Issuer is not responsible for any adverse consequences that a U.S. Holder may experience as a result of any alternative characterization of, or changes in law with respect to the taxation of, the Non-Principal Protected Notes.

Backup Withholding and Information Reporting

Backup withholding may apply in respect of the amounts paid to a U.S. Holder, unless such U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number, or otherwise complies with applicable requirements of the backup withholding rules. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded, or credited against the U.S. Holder's U.S. federal income tax liability provided that the required information is furnished timely to the IRS. In addition, information returns will be filed with the IRS in connection with payments and any accruals of OID on the Notes and the proceeds from a sale or other disposition of the Notes, unless the U.S. Holder provides proof of an applicable exemption from the information reporting rules.

Disclosure Requirements

Applicable U.S. Treasury Regulations require U.S. Holders that participate in certain “reportable transactions” to disclose their participation to the IRS by attaching IRS Form 8886 to their tax returns and to retain a copy of all documents and records related to the transaction. In addition, organizers and sellers of such transactions are required to maintain records, including lists identifying investors in the transaction, and must furnish those records to the IRS upon demand. A transaction may be a “reportable transaction” based on any of several criteria. A “reportable transaction” could include a transaction with respect to a Foreign Currency Note. Whether an investment in a Note constitutes a “reportable transaction” for any U.S. Holder depends on such holder’s particular circumstances. U.S. Holders should consult their tax advisers concerning any possible disclosure obligation that they may have with respect to their investment in the Notes and should be aware that the Issuer (or other participants in the transaction) may determine that the investor list maintenance requirement applies to the transaction and comply accordingly with this requirement.

In addition, applicable U.S. Treasury Regulations require U.S. Holders that are individuals (and certain entities that are treated as individuals) to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for the Notes held in custodial accounts maintained by financial institutions). U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of these rules on their ownership and disposition of the Notes.

Non-U.S. Holders

The term “Non-U.S. Holder” means a beneficial owner of a Note that is not a U.S. Holder or a partnership for U.S. federal income tax purposes.

Notes Other Than Non-Principal Protected Notes

Payment of Interest

Generally, subject to the discussion of FATCA below, interest income of, and payments of OID to, a Non-U.S. Holder received with respect to Notes issued by the New York Branch that is not effectively connected with a U.S. trade or business will be subject to a withholding tax at a 30% rate (or, if applicable, a lower tax treaty rate). Except as otherwise provided in the applicable Offering Circular Supplement, interest paid on a Note issued by the New York Branch to a Non-U.S. Holder generally will qualify for the “portfolio interest exemption” and, therefore, generally will not be subject to U.S. federal income tax or withholding tax, provided that such interest income is not effectively connected with a U.S. trade or business of the Non-U.S. Holder and the Non-U.S. Holder (i) does not actually or constructively own 10% or more of the total combined voting power of all classes of the Bank’s stock entitled to vote, (ii) is not for U.S. federal income tax purposes a controlled foreign corporation related, directly or indirectly, to the Bank through stock ownership, (iii) is not a bank which acquired the Notes in consideration for an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, and (iv) either (A) provides an IRS Form W-8BEN or W-8BEN-E (or a suitable substitute form) signed under penalties of perjury that certifies that it is not a U.S. person and provides its name and address, or (B) is a securities clearing organization, bank or other financial institution that holds customers’ securities in the ordinary course of its trade or business and provides a statement under penalties of perjury in which it certifies that an IRS Form W-8BEN or W-8BEN-E (or a suitable substitute form) has been received by it from the Non-U.S. Holder or qualifying intermediary and furnishes a copy thereof. Interest income of, and payments of OID to, a Non-U.S. Holder received with respect to Notes issued by the Utrecht Branch that is not effectively connected with a U.S. trade or business generally will not be subject to any U.S. federal income or withholding tax.

Except to the extent that an applicable tax treaty otherwise provides, a Non-U.S. Holder generally will be taxed in the same manner as a U.S. Holder with respect to interest if the interest income is effectively connected with a U.S. trade or business of the Non-U.S. Holder. Effectively connected interest received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate (or, if applicable, a lower tax treaty rate). Even though such effectively connected interest is subject to income tax, and may be subject to the branch profits tax, it is not subject to withholding tax if the holder delivers a properly executed IRS Form W-8ECI.

Sale, Exchange or Retirement of Notes

Except as otherwise provided in the applicable Offering Circular Supplement and subject to the discussion of FATCA below, a Non-U.S. Holder of a Note generally will not be subject to U.S. federal income tax or withholding tax on any gain realized on the sale, exchange or retirement of the Note unless (i) the gain is

effectively connected with a U.S. trade or business of the Non-U.S. Holder (and will be taxed as described in the preceding paragraph) or (ii) in the case of a Non-U.S. Holder who is an individual, such holder is present in the United States for a period or periods aggregating 183 days or more during the taxable year of the disposition and certain other conditions are met.

Non-Principal Protected Notes

A Non-U.S. Holder should not be subject to U.S. federal income tax on gain realized on the sale, exchange, maturity or repurchase of a Non-Principal Protected Note unless (1) the gain is effectively connected with the conduct by the Non-U.S. Holder of a U.S. trade or business or (2) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

Furthermore, on December 7, 2007, Treasury and the IRS released a notice soliciting comments from the public on various issues, including whether instruments such as the Non-Principal Protected Notes should be subject to withholding. It is therefore possible that rules will be issued in the future, possibly with retroactive effects, that would cause payments on the Non-Principal Protected Notes to be subject to withholding.

As discussed above, alternative characterizations of the Non-Principal Protected Notes for U.S. federal income tax purposes are possible. Should an alternative characterization of the Non-Principal Protected Notes, by reason of a change or clarification of the law, by regulation or otherwise, cause payments with respect to the Non-Principal Protected Notes to become subject to withholding tax, we will withhold tax at the applicable statutory rate and we will not make payments of any Additional Amounts. Non-U.S. Holders of the Non-Principal Protected Notes should consult their tax advisers in this regard.

In addition, Treasury has issued proposed regulations under Section 871(m) of the Code which could ultimately require us to treat all or a portion of any payment in respect of the Non-Principal Protected Notes as a “dividend equivalent” payment that could be subject to withholding tax at a rate of 30% (or a lower rate under an applicable tax treaty). Under the proposed regulations, payments treated as “dividend equivalent” payments may include certain payments that are contingent upon or determined by reference to U.S. source dividends, including fixed payments treated as implicitly taking into account U.S. source dividends, payments determined by reference to a “total return index” that reflect a notional reinvestment of U.S. source dividends or payments reflecting adjustments for extraordinary dividends, with respect to equity-linked instruments, including the Non-Principal Protected Notes. At this time, it is unclear whether these proposed regulations will be finalized in their current form or when these or alternate final regulations will be issued. Further, Non-U.S. Holders may be required to provide certifications prior to, or upon the sale, redemption or maturity of, the Non-Principal Protected Notes in order to minimize or avoid U.S. withholding taxes. Non-U.S. Holders should consult their tax advisers concerning the potential application of these regulations to payments with respect to the Non-Principal Protected Notes.

Backup Withholding and Information Reporting

Information returns will generally be filed with the IRS in connection with payments on a Note. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition of a Note and the Non-U.S. Holder may be subject to U.S. backup withholding on payments on Notes or on the proceeds from a sale or other disposition of Notes. The certification procedures required to claim the exemption from withholding tax on interest (including OID, if any) described above will satisfy the certification requirements necessary to avoid the backup withholding as well.

Non-U.S. Holders of Notes should consult their tax advisers regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if available. Any amounts withheld from payment to a Non-U.S. Holder under the backup withholding rules will be allowed as a refund or a credit against such holder’s U.S. federal income tax liability, provided that the required information is furnished timely to the IRS.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code, and the regulations thereunder (commonly referred to as “**FATCA**”), or any law implementing an applicable intergovernmental agreement under FATCA (an “**IGA**,” such as the IGA entered into between the United States and The Netherlands, the “**Netherlands IGA**,” which

should apply to the Bank), or any agreement (an “**FFI Agreement**”) entered into by the relevant financial institution with the IRS, the Bank, and other non-U.S. financial institutions through which payments on the Notes are made, may be required to withhold tax at a rate of 30% on all or a portion of the payments made on the Notes (“**FATCA Withholding**”). With respect to Notes issued by the Utrecht Branch that have been issued or materially modified after the date that is six months after the applicable U.S. Treasury Regulations addressing “foreign passthru payments” are filed with the U.S. Federal Register, FATCA Withholding generally could apply to all or a portion of payments made with respect thereto beginning the later of (i) January 1, 2017 and (ii) the date that is six months after the applicable U.S. Treasury Regulations addressing “foreign passthru payments” are filed with the U.S. Federal Register. With respect to Notes issued by the New York Branch that are not Non-Principal Protected Notes, FATCA Withholding would apply to (i) payments of interest and (ii) beginning January 1, 2017, gross proceeds from the sale or other disposition. If either the New York Branch or the Utrecht Branch were to issue Non-Principal Protected Notes that could produce certain U.S. source payments, FATCA Withholding could apply to (i) such U.S. source payments and (ii) beginning January 1, 2017, gross proceeds from the sale or other disposition (see above “Certain U.S. Federal Income Tax Consequences - Non-U.S. Holders – Non-Principal Protected Notes”). FATCA Withholding generally would not apply with respect to Non-Principal Protected Notes issued by either the New York Branch or the Utrecht Branch to the extent that such Notes are treated as generating U.S. source income solely because such Notes are treated as giving rise to “dividend equivalent” payments (discussed above under “Certain U.S. Federal Income Tax Consequences—Non-U.S. Holders—Non-Principal Protected Notes”) and such Notes are issued on or before, and are not materially modified after, the date that is six months after the date on which securities of its type are first treated as giving rise to “dividend equivalent” payments.

Although final U.S. Treasury Regulations under FATCA have been issued, their application along with the statute has not been fully developed and therefore their application to the Bank, the Notes and holders of the Notes is uncertain at this time. Withholding under FATCA by the Bank, and other non-U.S. financial institutions through which payments on the Notes are made, may be required, *inter alia*, where (i) the Bank or such other non-U.S. financial institution is an “FFI” or “financial institution” as defined under FATCA or an applicable IGA, respectively (in either case, an “**FFI**”), that enters into and complies with an FFI Agreement or complies with a law implementing an applicable IGA to provide certain information on its account holders (making the Bank or such other non-U.S. financial institution a “Participating FFI” or “Reporting Financial Institution,” respectively), and (ii)(a) an investor does not provide information sufficient for the relevant Participating FFI or Reporting Financial Institution to establish the investor’s status under FATCA, or (b) an investor (or any entity through which payment on such Notes is made) is an FFI that is not a Participating FFI, a Reporting Financial Institution or otherwise exempt from FATCA withholding. Depending on how the Bank and the Notes are classified under the Netherlands IGA, the Notes may be treated as “financial accounts” of the Bank and therefore holders of the Notes could be subject to information reporting to the government of The Netherlands (which would be forwarded to the IRS) regardless of when the Notes are issued. Such reported information could include identifying information of the holder, the value of the Notes held by the holder and payments made with respect to the Notes to the holder.

If FATCA Withholding were to apply to interest, principal or other payments on the Notes, neither the Bank nor any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay any additional amounts as a result of the deduction or withholding of such tax. Investors should consult their tax advisers to determine how these rules may apply to payments they will receive under the Notes. FATCA is particularly complex and its application is not clear in all respects. The application of FATCA to a particular issuance of Notes may be addressed in the applicable Offering Circular Supplement.

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

NETHERLANDS TAXATION

The information provided below is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. Prospective purchasers are advised to consult their tax counsel with respect to the tax consequences of purchasing, holding and/or selling the Notes.

For the purposes of this section, "The Netherlands" shall mean that part of the Kingdom of the Netherlands that is in Europe.

The following summary of the Netherlands tax consequences is based on the current tax law and jurisprudence of The Netherlands.

- A) All payments in respect of the Notes can be made without withholding or deduction for or on account of any taxes, duties or charges of any nature whatsoever that are or may be withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.
- B) A noteholder, that derives income from a Note or that realizes a gain on the disposal, deemed disposal, exchange or redemption of the Note, will not be subject to any Netherlands taxes on such income or capital gains, unless:
 - (i) the noteholder is, or is deemed to be a resident of The Netherlands;
 - (ii) the noteholder has an enterprise or deemed enterprise or an interest in an enterprise that is either being effectively managed in The Netherlands or that is carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands, to which enterprise or part of an enterprise the Note is attributable; or
 - (iii) in case the noteholder is an individual noteholder, such income or gain 'results from other activities performed in The Netherlands' ('resultaat uit overige werkzaamheden') as defined in the Personal Income Tax Act 2001 (Wet inkomstenbelasting 2001), including without limitation, activities which are beyond the scope of normal, active portfolio management (normaal, actief vermogensbeheer).
- C) No gift, estate or inheritance taxes will arise in The Netherlands in respect of the transfer or deemed transfer of a Note by way of a gift by, or on the death of, a noteholder who is not a resident or deemed resident of The Netherlands, provided that:
 - (i) the transfer is not construed as an inheritance or bequest or as a gift made by or on behalf of a person who, at the time of the gift or death is or is deemed to be a resident of The Netherlands for the purpose of the relevant provisions; and
 - (ii) in the case of a gift of such Note by an individual holder who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual holder does not die within 180 days after the date of the gift while being resident or deemed to be resident in The Netherlands.

In case a gift of Notes only takes place if certain conditions are met, no gift tax will arise if the noteholder is neither (i) a resident or deemed resident of The Netherlands nor (ii) a resident or deemed resident within 180 days after the date on which the conditions are fulfilled.

For purposes of Dutch gift and inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of The Netherlands if he has been a resident in The Netherlands at any time during the 10 years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual will, irrespective of his nationality, be deemed to be resident of The Netherlands if he has been a resident in The Netherlands at any time during the 12 months preceding the date of the gift.

- D) There will be no registration tax, capital tax, transfer tax, customs duty, stamp duty, property transfer tax or any other similar tax or duty due in The Netherlands in respect of or in connection with the issue, transfer and/or delivery of the Notes or the execution, delivery and/or enforcement by legal

proceedings of the relevant documents or the performance of the Branch's obligations thereunder and under the Notes.

- E) No value added tax will be due in The Netherlands in respect of payments in consideration of the issue of the Notes, and/or in respect of payments of interest and principal on a Note, and/or in respect of the transfer of a Note, and/or in connection with the documents or in connection with the arrangements contemplated thereby, other than value added tax on the fees attributable to services which are not expressly exempt from value added tax, such as management, administrative, notarial and similar activities, safekeeping of the Notes and the handling and verifying of documents.

European Union Savings Directive

The European Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident or certain other types of entity established in that other EU Member State, except that Austria instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise.

The Council of the European Union has adopted a Directive (the "**Amending Directive**") amending the Savings Directive, which will, when implemented, inter alia, broaden (i) the scope of the information reporting or withholding requirements to include payments to (or for the benefit of) an entity or legal arrangement having its place of effective management in an EU Member State and not being subject to effective taxation, (ii) the circumstances in which an economic operator, entity or legal arrangement may be required to report information or withhold tax, (iii) the types of payment to which the Savings Directive applies and (iv) the circumstances in which an individual resident in an EU Member State is to be treated as the beneficial owner of such payments. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

A number of other countries and territories including Switzerland have adopted similar measures to the Savings Directive.

Investors should consult their professional advisers with regard to their particular circumstances.

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, any of the Issuers or Dealers, 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, Keogh plans and other plans subject to Section 4975 of the Code (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 relevant Issuer or Dealer 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.

The following five prohibited transaction class exemptions (“**PTCEs**”) issued by the U.S. Department of Labor 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 any of the Issuers or Dealers, directly or through its affiliates, may be considered a party in interest or disqualified person with respect to many Plans, unless otherwise specified in the applicable Offering Circular Supplement, the Notes may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “**Plan Asset Entity**”) or any person investing “plan assets” (within the meaning of Department of Labor Regulation Section 2510.3-101, as modified by ERISA Section 3(42)) 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, the service-provider exemption or any other applicable exemption. Unless specified otherwise in the applicable Offering Circular Supplement, 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 subject to Similar Laws and is not purchasing such securities on behalf of or with “plan assets” of any Plan, Plan Asset Entity or Non-ERISA Arrangement subject to Similar Laws 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 (or any other applicable exemption) and (b) neither the Issuers nor any of their affiliates are (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 either Issuer or any of its affiliates of any rights in connection with the Notes.

In addition to considering the consequences of holding the Notes, Plans, Plan Asset Entities and Non-ERISA Arrangements purchasing the Notes should also consider the possible implications of owning any underlying security that an investor may receive upon an optional or mandatory exchange of the Notes at maturity or otherwise. The Issuers and Dealers, and their affiliates, expressly disclaim acting as a fiduciary or providing any advice to any Plan, Plan Asset Entity or Non-ERISA Arrangement subject to Similar Laws in connection with any such person's acquisition, holding or management of any Notes. 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.

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 Issuers or Dealers or any of their 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.

PLAN OF DISTRIBUTION

Each Issuer may sell the Notes being offered by this Offering Circular through underwriters, agents or dealers, including its affiliates (“**Dealers**”), or directly to one or more purchasers.

The Terms Supplement relating to the offering of any series of Notes will identify or describe:

- any underwriters, agents or dealers;
- their aggregate compensation;
- the purchase price of the Notes of such series for investors;
- the initial issue price of the Notes of such series; and
- the securities exchange (if any) on which the Notes of such series will be listed.

Each Issuer may designate agents from time to time to solicit offers to purchase the Notes, and will name any such agent, who may be deemed to be an underwriter as that term is defined in the Securities Act, and state any commissions such Issuer will pay to that agent in the applicable Terms Supplement. That agent will be acting on a best efforts basis for the period of its appointment or, if indicated in the applicable Terms Supplement, on a firm commitment basis.

If an Issuer uses a dealer to offer and sell the Notes, such Issuer may sell the Notes to the dealer, as principal, and will name the dealer in the applicable Terms Supplement. The dealer may then resell the Notes to the public at varying prices to be determined by that dealer at the time of resale.

If an Issuer uses underwriters for the sale of the Notes, they will acquire the Notes for their own account. The relevant Issuer will enter into an underwriting or terms agreement with those underwriters when such Issuer and underwriters reach an agreement for the sale of the Notes, and such Issuer will include the names of the underwriters and the terms of the transaction in the applicable Terms Supplement. The underwriters may resell the Notes from time to time in one or more transactions, including negotiated transactions, at a fixed issue price or at varying prices determined at the time of sale. Unless the relevant Issuer otherwise states in the applicable Terms Supplement, various conditions will apply to the underwriters’ obligation to purchase the Notes, and the underwriters will be obligated to purchase all of the Notes of a particular series if they purchase any of such Notes. Any initial issue price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

The net proceeds of any Notes will equal the purchase price in the case of sales to a dealer, the public offering price less discount in the case of sales to an underwriter or the purchase price less commission in the case of sales through an agent, in each case, less other expenses attributable to issuance and distribution.

Underwriters, agents and dealers may be entitled under agreements with the Issuers to indemnification by the Issuers against some civil liabilities, including liabilities under the Securities Act, and may be customers of, engage in transactions with or perform services for the Issuers in the ordinary course of business.

Conflict of Interest

The Notes may be offered directly or through underwriters, agents or dealers, including Rabo Securities USA, Inc., an affiliate of Rabobank. Because of this relationship, Rabo Securities USA, Inc. may have a “conflict of interest” within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc., or FINRA (“**FINRA Rule 5121**”). If Rabo Securities USA, Inc. participates in the distribution of the Notes, the relevant Issuer will conduct the offering in accordance with the applicable provisions of FINRA Rule 5121. Rabo Securities USA, Inc. will not confirm initial sales to accounts over which it exercises discretionary authority without the prior written approval of the account holders.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers and their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for the transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or the Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers 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 issued under the Program. Any such short positions could adversely affect future trading prices of Notes. The Dealers 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.

To the extent the total aggregate principal amount of Notes offered pursuant to an Offering Circular Supplement is not purchased by investors, one or more of the Issuers' affiliates or agents may agree to purchase for investment the unsold portion. As a result, upon completion of an offering affiliates of the Issuers may own up to a significant portion of the Notes offered in such offering.

This Offering Circular may be used by any underwriter, agent or dealer in connection with offers and sales of the securities in market-making transactions. In a market-making transaction, the underwriter, agent or dealer may resell a Note it acquires from other Holder or Holders, after the original offering and sale of the Note. Resales of this kind may occur in the open market or may be privately negotiated, at prevailing market prices at the time of the resale or at related or negotiated prices. In these transactions, the underwriter, agent or dealer may act as principal or agent, including as agent for the counterparty in a transaction in which the underwriter, agent or dealer acts as principal. The underwriter, agent or dealer may receive compensation in the form of discounts and commissions, including from both counterparties in some cases. Affiliates of the Issuers may engage in transactions of this kind and may use this Offering Circular for this purpose.

The Issuers do not expect to receive any proceeds from market-making transactions, or expect that any affiliate that engages in these transactions will pay any proceeds from its market-making resales to the Issuers.

Information about the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale. Unless otherwise stated in the confirmation of sale, a Holder or Holders may assume that they are purchasing Notes in a market-making transaction.

SELLING RESTRICTIONS

General

These selling restrictions may be modified by the agreement of the relevant Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the final terms in the Offering Circular Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

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 or any final terms set out in the Offering Circular Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer 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, any other offering material (including any Offering Circular Supplements) or any final terms.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Offering Circular Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- a) if the Offering Circular Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”) following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Offering Circular Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the date specified in such prospectus or Offering Circular Supplement, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- b) at any time to any person or entity which is a qualified investor as defined in the Prospectus Directive;
- c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

United Kingdom

Each Dealer has represented, warranted and agreed, and each Dealer subsequently appointed will be required to represent, warrant and agree that:

1. 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 any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers; and
2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the Notes may not be offered to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act (Wet op het financieel toezicht) or (ii) standard exemption wording and a logo is disclosed as required by Section 5:20(5) of the Dutch Financial Supervision Act, provided that no such offer of Notes shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has complied and will comply with the requirement under the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*, the “SCA”) may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuers or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter

United States

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.

Hong Kong

Each Dealer has represented and agreed that:

1. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “**structured product**” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong other than (i) to “**professional investors**” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “**prospectus**” as defined in the Companies (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
2. 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.

Singapore

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- 1) 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;
- 2) where no consideration is or will be given for the transfer;
- 3) where the transfer is by operation of law;
- 4) as specified in Section 276(7) of the SFA; or
- 5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity 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.

LEGAL MATTERS

Certain legal matters shall be passed upon for the Issuers with respect to New York law and United States federal law by Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022, U.S.A.

AUDITORS

The consolidated financial statements of Rabobank Group for the years ended December 31, 2014, 2013 and 2012 and the unconsolidated financial statements of Rabobank for the years ended December 31, 2014, 2013 and 2012 incorporated by reference in this Offering Circular have been audited by Ernst & Young Accountants LLP, independent auditors of Rabobank, as set forth in their independent auditor's report thereon incorporated by reference in to this Offering Circular in reliance upon such report given on authority of such firm as experts in auditing and accounting in The Netherlands. Additionally, the consolidated financial statements of Rabobank Group as at and for the year ended December 31, 2014 included in the Information Statement, which is incorporated by reference in this Offering Circular, have been audited by Ernst & Young Accountants LLP, independent auditors of Rabobank, as set forth in their independent auditor's report thereon given on pages from F-100 to F-104 of the Information Statement is based on Dutch Standards on Auditing.

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INFORMATION STATEMENT
Dated May 11, 2015



Rabobank

***COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. (RABOBANK),
(a cooperative (coöperatie) with limited liability established under the laws of The Netherlands
and having its statutory seat in Amsterdam, The Netherlands)***

**New York Branch, as Issuer
and
Utrecht Branch, as Issuer
Guaranteed by The New York Branch**

Medium Term Note Program (the “Program”)

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless the context otherwise requires, references in this Information Statement to “Rabobank”, “Rabobank Nederland” or the “Bank” are to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) and references to “Rabobank Group” are to Rabobank, its members (being the local Rabobanks in the Netherlands) and its subsidiaries and participations in the Netherlands and abroad.

In this Information Statement, unless otherwise specified or the context otherwise requires, references to “**U.S.\$**” and “**\$**” are to the lawful currency of the United States and to “**euro**,” “**EUR**” and “**€**” are to the lawful currency of the member states of the European Union (“**EU**”) that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

Presentation of financial information

The audited consolidated financial statements for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 incorporated by reference in this Information Statement have been prepared in accordance with International Financial Reporting Standards as adopted by the EU pursuant to EU Regulation No 1606/2002 (IFRS) and comply with Part 9 of Book 2 of the Dutch Civil Code. The corresponding summary figures have been derived from the audited consolidated financial statements for the years ended 31 December 2012, 31 December 2013 and 31 December 2014.

Change in accounting policies and presentation

As a result of changes in accounting policies and presentation, certain figures for Rabobank Group for the year ended 31 December 2013 in this Information Statement have been restated. See the Consolidated Financial Statements 2014 Rabobank Group, under note 2.1, “Changes in accounting policies and presentation as a result of new guidelines” for further information.

FORWARD-LOOKING STATEMENTS

This Information Statement includes “forward-looking statements” within the meaning of section 27A of the U.S. Securities Act, as amended, (the “Securities Act”) and section 21E of the U.S. Securities Exchange Act of 1934, as amended, (the “Exchange Act”). All statements other than statements of historical facts included in this Information Statement, including, without limitation, those regarding the Bank’s financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Bank’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 Bank 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 Bank’s present and future business strategies and the environment in which the Bank will operate in the future.

Important factors that could cause the Bank’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 Bank conducts business, the impact of fluctuations in foreign exchange rates and interest rates and the impact of future regulatory requirements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors”.

These forward-looking statements speak only as of the date of this Information Statement. Other than as required by law or the rules and regulations of the relevant stock exchange, the Bank expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Bank’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

SUMMARY FINANCIAL INFORMATION

The following unaudited table presents certain historical consolidated financial information for Rabobank Group. This information should be read in conjunction with Rabobank Group's audited consolidated financial statements and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" which appear elsewhere in this Information Statement.

The three-year key figures at and for the years ended 31 December 2014, 2013 and 2012 have been derived from the corresponding Rabobank Group financial statements, which have been audited by Ernst & Young Accountants LLP, the independent auditor in the Netherlands. The Rabobank audited consolidated financial statements for the years ended 31 December 2014, 2013 and 2012 have been prepared in accordance with IFRS as adopted by the European Union and comply with Part 9 of Book 2 of the Dutch Civil Code.

	2014	2013 (restated) ¹	2013	2012
	<i>(in millions of euro, except percentages)</i>			
Volume of services				
Total assets.....	681,086	669,095	674,139	750,710
Private sector loan portfolio	430,391	434,691	438,975	458,091
Amounts due to customers	326,471	326,222	329,400	334,271
Financial position and solvency				
Equity	38,871	38,534	40,037	42,080
Tier 1 capital ²	33,874	35,092	35,092	38,358
Common equity tier 1 capital ³	28,714	28,551	28,551	29,253
Qualifying capital ⁴	45,139	41,650	41,650	42,321
Risk-weighted assets ⁵	211,870	210,829	210,829	222,847
Statement of income				
Income	12,857	13,030	13,020	13,616
Operating expenses	8,055	9,760	9,765	9,003
Bad debt costs ⁶	2,633	2,643	2,643	2,350
Bank tax expense and resolution levy	488	197	197	196
Taxation	(161)	88	68	158
Net profit	1,842	2,007	2,012	2,058
Ratios				
Capital ratio (BIS ratio) ⁷	21.3%	19.8%	19.8%	19.0%
Tier 1 ratio ⁸	16.0%	16.6%	16.6%	17.2%

¹ As a result of changes in accounting policies and presentation, certain figures for Rabobank Group for the year ended 31 December 2013 in this Information Statement have been restated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting results of operations — Change in accounting policies and presentation" for further information.

² Based on the regulator's requirements. Represents the sum of the common equity tier 1 capital, grandfathered instruments and share of noncontrolling interests less transitional provisions and deductions.

³ Common equity tier 1 capital related to the risk-weighted assets.

⁴ Based on the regulator's requirements. Represents the sum of the tier 1 capital, subordinated debts and share of non-controlling interests less transitional provisions.

⁵ The assets of a financial institution multiplied by a weighting factor, set by the regulatory authorities, reflecting the relative risk related to these assets. The minimum capital requirement is calculated based on the risk-weighted assets.

⁶ Costs consisting of the amounts added to the bad debt provisions and charged to the profit and loss account. Bad debt costs represent the balance of addition, release and earnings after write-offs. Bad debt costs are generally expressed in basis points of average lending.

⁷ Regulatory capital divided by risk-weighted assets.

⁸ Tier 1 capital as related to the risk-weighted assets.

	2014	2013 (restated) ¹	2013	2012
	<i>(in millions of euro, except percentages)</i>			
Common equity tier 1 ratio ⁹	13.6%	13.5%	13.5%	13.1%
Equity capital ratio ¹⁰	14.4%	16.1%	16.1%	15.3%
Loan-to-deposit ratio ¹¹	1.33	1.35	1.35	1.39
Return on tier 1 capital ¹²	5.2%	5.2%	5.2%	5.4%
Efficiency ratio ¹³	62.7%	74.9%	75.0%	66.1%
Net profit growth.....	-8.2%	2.5%	-2.2%	-21.7%

⁹ Common equity tier 1 capital related to the risk-weighted assets.

¹⁰ Retained earnings and Rabobank Certificates related to risk-weighted assets.

¹¹ The ratio of total loans to amounts due to customers

¹² Net profit expressed as a percentage of Tier 1 capital

¹³ Operating expenses related to income

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 31 December 2014 and at 31 December 2013:

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

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

RISK FACTORS

An investment in our notes involves a number of risks. Investors should carefully consider the following information about the risks the Rabobank Group faces, together with other information in this Information Statement, when making investment decisions involving the notes. If one or more of these risks were to materialize, it could have a material adverse effect on Rabobank's results of operations.

Business and general economic conditions

The profitability of Rabobank Group could be adversely affected by a worsening of general economic conditions in the Netherlands and/or globally. Banks are still facing persistent turmoil in financial markets following the European sovereign debt crisis that arose in the first half of 2010 and has continued. In 2014, the Dutch economy showed signs of a possible recovery. The still difficult economic circumstances have resulted in reduced borrowing and interest rates and above average impaired loans in line with the levels of 2013. Factors such as interest rates, exchange rates, inflation, deflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices can significantly affect the activity level of customers and the profitability of Rabobank Group. Interest rates remained low in 2014 and due to the measures taken by the European Central Bank (the "ECB") intended to stimulate European economies, declined further at the beginning of 2015. Persistent low interest rates have negatively affected and continue to negatively affect the net interest income of Rabobank Group. Also, a prolonged economic downturn, or significantly higher interest rates for customers, could adversely affect the credit quality of Rabobank Group's assets by increasing the risk that a greater number of its customers would be unable to meet their obligations. Moreover, a market downturn and worsening of the Dutch and global economy could reduce the value of Rabobank Group's assets and could cause Rabobank Group to incur further mark-to-market losses in its trading portfolios or could reduce the fees Rabobank Group earns for managing assets or the levels of assets under management. In addition, a market downturn and increased competition for savings in the Netherlands could lead to a decline in the volume of customer transactions that Rabobank Group executes and, therefore, a decline in customer deposits and the income it receives from commissions and interest. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting results of operations — General market conditions". Continuing volatility in the financial markets or a protracted economic downturn in the Rabobank Group's major markets could have a material adverse effect on Rabobank Group's results of operations.

Credit risk

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

Country risk

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

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

Interest rate and inflation risk

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

Funding and liquidity risk

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

Market risk

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

Currency risk

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

Operational risk

As a risk type, operational risk has acquired its own distinct position in the banking world. It is defined within the Rabobank Group as "the risk of losses resulting from inadequate or failed internal processes, people or systems or by external events". Rabobank Group operates within the current regulatory framework as regards measuring and managing operational risk, including holding capital for this risk. Events of recent decades in modern international banking have shown that operational risks can lead to substantial losses. Examples of operational risk incidents are highly diverse: fraud or other illegal conduct, failure of an institution to have policies and procedures and controls in place to prevent, detect and report incidents of non-compliance with applicable laws or regulations, claims relating to inadequate products, inadequate documentation, losses due to poor occupational health and safety conditions, errors in transaction processing and system failures. The occurrence of any such incidents or additional cost of 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. 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 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 1 October 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 €167 million in bank tax in 2014.

On 1 February 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. If further financial institutions are bailed out, additional taxes or levies could be imposed, which may have a material adverse effect on Rabobank Group's results of operations.

Moreover, in July 2015, a new way of financing the Dutch deposit guarantee scheme (the "**Dutch Deposit Guarantee Scheme**"), a pre-funded system that protects bank depositors from losses caused by a bank's inability to pay its debts when due, will come into force. The target level of the scheme will be 1 percent of total guaranteed deposits in the Netherlands, or €4 billion. Each bank will be required to pay a base premium of 0.0167 percent per quarter of its total guaranteed deposits in the Netherlands. A risk add-on may be charged depending on the risk-weighting of the bank. The Dutch Deposit Guarantee Scheme was originally planned to be introduced in 2012, however, the introduction of the new financing method was postponed to 1 July 2015. Furthermore the Single Resolution Mechanism (the "SRM") and other new European rules on deposit guarantee schemes (see "Regulation of Rabobank—European Union Standards—Bank Recovery and Resolution Directive") will both have an impact on the Rabobank Group in the years to come. All these factors may have material adverse effects on Rabobank Group's results of operations.

In February 2013, the European Commission issued a proposal for a financial transactions tax. The financial transactions tax would be levied on transactions involving certain financial instruments by financial institutions with an established link to one of the 11 participating member states. These participating member states are Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. The financial transactions tax would be assessed on a transaction either if one of the parties is established in one of the 11 participating member states or if the transaction involves financial instruments issued in one of the 11 participating member states. If the proposal is implemented, Rabobank Group may be required to pay the financial transactions tax on certain transactions in financial instruments. The proposal requires further approval by the Council of the European Union, and will require consultation with other European Union institutions before it may be implemented by the participating member states. Currently the proposal is still under discussion, given broad opposition in a number of countries as well as outstanding legal issues. The Dutch Parliament has not adopted the proposal, but may do so in the future. The financial transactions tax, if implemented, may have a material adverse effect on Rabobank Group's results of operations.

As of 1 July 2014, a personal mortgage loan may not be higher than €265,000 to be eligible for being secured by the Dutch Homeownership Guarantee Fund (*Stichting Waarborgfonds Eigen Woningen* or "**WEW**"), an institution that was founded by the Dutch government in 1993, through the National Mortgage Guarantee Scheme (*Nationale Hypotheek Garantie* or "**NHG**"). As of 1 July 2015, this maximum will be reduced to €245,000 and as of 1 July 2016 to €225,000.

Since 1 January 2013, the tax deductibility of mortgage loan interest payments for Dutch homeowners has been restricted; interest payments on new mortgage loans can only be deducted if the loan amortizes within 30 years on a linear or annuity basis. Moreover, the maximum permissible amount of a residential mortgage has been reduced from 104 percent in 2014, to 103 percent in 2015 of the value of the property. This maximum will be further reduced (by 1 percentage point each year) to 100 percent in 2018. In addition to these changes, further restrictions on tax deductibility of mortgage loan interest payments entered into force as of 1 January 2014. The tax rate against which the mortgage interest payments may be deducted is being gradually reduced beginning 1 January 2014. For taxpayers previously deducting mortgage interest at the highest income tax rate (52 percent), the interest deductibility will decrease annually at a rate of 0.5 percentage points, from 52

percent to 38 percent in 2042. Changes in governmental policy or regulation with respect to the Dutch housing market could have a material adverse effect on Rabobank Group's results of operations.

On 21 July 2010, the United States enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which provides a broad framework for significant regulatory changes that extend to almost every area of U.S. financial regulation. Implementation of the Dodd-Frank Act requires detailed rulemaking by different U.S. regulators, including the Department of the Treasury, the Board of Governors of the Federal Reserve System (the "**Federal Reserve**"), the SEC, the Federal Deposit Insurance Corporation (the "**FDIC**"), the Office of the Comptroller of the Currency (the "**OCC**"), the United States Commodity Futures Trading Commission (the "**CFTC**") and the Financial Stability Oversight Council (the "**FSOC**"). While many of the implementing rules have been finalized, significant uncertainty remains about the implementation, timing and impact of many of such rules.

The Dodd-Frank Act provides for new or enhanced regulations regarding, among other things: (i) systemic risk oversight, (ii) bank capital and prudential standards, (iii) the resolution of failing systemically significant financial institutions, (iv) over-the-counter ("**OTC**") derivatives, (v) the ability of banking entities to engage in proprietary trading activities and invest in hedge, private equity and other similar funds (the so-called "**Volcker Rule**") and (vi) consumer and investor protection. Implementation of the Dodd-Frank Act and related final regulations is expected to take several years and could result in significant costs and potential limitations on Rabobank Group's businesses and may have material adverse effects on Rabobank Group's results of operations.

On 10 December 2013, the five U.S. federal financial regulatory agencies adopted final regulations to implement the Volcker Rule. The regulations will impose limitations and significant costs across all of Rabobank Group's subsidiaries and affiliates and their activities in scope for the Volcker Rule. While the regulations contain a number of exceptions and exemptions that may permit Rabobank Group to maintain certain of its trading and fund businesses and operations, particularly those outside of the United States, aspects of those businesses may have to be modified to comply with the Volcker Rule. Further, Rabobank Group will be required to devote resources, which may be significant, to develop a Volcker Rule compliance program mandated by the final regulations. The transitional conformance period for the Volcker Rule generally ends on 21 July 2015, although the Federal Reserve has effectively granted a two-year extension for certain legacy funds. Rabobank Group must conform its activities to the Volcker Rule and implement the compliance program by the end of the conformance period applicable to the relevant activity.

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

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

In the United Kingdom, the Banking Reform Act 2013 received Royal Assent on 18 December 2013. It is a key part of the UK Government's plan to create a banking system that supports the economy, consumers and small businesses. It implements the recommendations of the Independent Commission on Banking, set up by the Government in 2010 to consider structural reform of the UK banking sector. Measures contained in the Banking Reform Act include the structural separation of the retail banking activities of banks in the United Kingdom from wholesale banking and investment banking activities by the use of a "ring fence". A similar recommendation was made at EU level in the final report (the "**Liikanen Report**"), published on 2 October 2012, of the High-level Expert Group on reforming the structure of the EU banking sector under the chair of Mr. Erkki Liikanen. In November 2012, the Dutch government established a committee, the *Commissie Structuur Nederlandse banken*, chaired by Mr. Herman Wijffels, to investigate the applicability of the Liikanen Report to the Dutch banking sector and the manner in which a defaulting bank might be split up and resolved. The

committee delivered its final report on 28 June 2013. The Dutch Parliament still has to decide on how to implement the recommendations included in the Wijffels-report. Adopting the full recommendations in the Wijffels report could have a material adverse effect on Rabobank Group's results of operations.

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

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

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

Minimum regulatory capital and liquidity requirements

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

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

The Basel III Reforms are being implemented in the European Economic Area (the "**EEA**") through the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the "**CRR**") and the Directive of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the "**CRD IV**")

Directive", and together with the CRR, "**CRD IV**"), which were adopted in June 2013. The CRR entered into force on 1 January 2014 and the CRD IV Directive became effective in the Netherlands on 1 August 2014 when the provisions of the CRD IV were implemented by legislation amending the Dutch Financial Supervision Act and subordinate legislation, although particular requirements will be phased in over a period of time, to be fully effective by various dates up to 31 December 2021. The EBA has proposed, and will continue to propose, detailed rules through binding technical standards during the period from 2014 to 2016 for many areas including, *inter alia*, liquidity requirements and certain aspects of capital requirements.

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

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

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

Currently, only Rabobank, N.A. is subject to U.S. capital adequacy standards. However, under section 171 of the Dodd-Frank Act (the "**Collins Amendment**") Utrecht-America Holdings, Inc., which holds Rabobank, N.A. and many of the Group's U.S. non-bank subsidiaries, will become subject to U.S. capital adequacy standards from 21 July 2015. Those standards will require Rabobank Group to maintain capital at the level of Utrecht-America Holdings, Inc. rather than relying on capital maintained at Rabobank Group's top-level parent company. This could prevent Rabobank Group from deploying that capital more efficiently in accordance with its subsidiaries' business needs, which could increase the costs of the Group's operations and may result in capital deficiencies elsewhere in Rabobank Group.

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

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

Credit ratings

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

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

Competition

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

Geopolitical developments

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

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

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

Key employees

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

DESCRIPTION OF BUSINESS OF RABOBANK GROUP

General

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. At 31 December 2014, it comprised 113 independent local Rabobanks and their central organization Rabobank and its subsidiaries. Rabobank Group operates in 40 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, leasing and real estate. It serves approximately 8.8 million clients around the world. In the Netherlands, its focus is on maintaining the Group's position in the Dutch market and, internationally, on food and agri. Rabobank Group entities have strong inter-relationships due to Rabobank's cooperative structure.

Rabobank Group's cooperative core business comprises independent local Rabobanks. Clients can become members of their local Rabobank. In turn, the local Rabobanks are members of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), the supralocal cooperative organization that advises and supports the banks in their local services. Rabobank also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 547 branches and 2,305 cash-dispensing machines at 31 December 2014, the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.7 million retail customers, and approximately 800,000 corporate clients, offering a comprehensive package of financial services.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) is the holding company of a number of specialized subsidiaries in the Netherlands and abroad. Rabobank International, now known as Rabobank and internally referred to as "Wholesale, Rural & Retail", is Rabobank Group's wholesale bank and international retail bank.

Historically, Rabobank Group has engaged primarily in lending to the agricultural and horticultural sectors in the Dutch market. Since the 1990s, Rabobank Group has also offered a wide variety of commercial banking and other financial services not only in the Netherlands but also internationally. As part of an ongoing 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 31 December 2014, Rabobank Group had total assets of €681.1 billion, a private sector loan portfolio of €430.4 billion, amounts due to customers of €326.5 billion (of which savings deposits total €142.6 billion) and equity of €38.9 billion. Of the private sector loan portfolio, €210.8 billion, virtually all of which were mortgages, consisted of loans to private individuals, €127.3 billion of loans to the trade, industry and services sector and €92.3 billion of loans to the food and agri sector. At 31 December 2014, its common equity Tier 1 ratio, which is the ratio between common equity Tier 1 capital and total risk-weighted assets, was 13.6 percent and its Capital ratio (BIS ratio), which is the ratio between qualifying capital and total risk-weighted assets, was 21.3 percent. For the year ended 31 December 2014, Rabobank Group's efficiency ratio, which is the ratio between total operating expenses and total income, was 62.7 percent, and the return on Tier 1 capital, or net profit related to the Tier 1 capital as at 31 December of the previous financial year, was 5.2 percent. For the year ended 31 December 2014, Rabobank Group realized a net profit of €1,842 million and a risk-adjusted return on capital ("**RAROC**"), which is the ratio between net profit and average economic capital, of 7.8 percent after tax. At 31 December 2014, Rabobank Group had 48,254 full-time employees.


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

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



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

113 local Rabobanks
with 547 branch offices



Density of network per region

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

Rabobank Nederland
Market share in the Netherlands



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

Subsidiaries and associates

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

Business activities of Rabobank Group

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

Domestic retail banking

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

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

Local Rabobanks

The 113 (at 31 December 2014) local Rabobanks are independent cooperative entities, each with their own operating areas. With 547 branches and 2,305 cash-dispensing machines at 31 December 2014, they together comprise one of the leading local banks in the Netherlands with a dense branch network. Proximity and commitment to their clients enhances the local Rabobanks’ responsiveness and speed of decision-making. Their commitment is reflected in their close ties with local associations and institutions. The local Rabobanks are committed to providing maximum service to their clients by making optimum use of different distribution channels, such as branch offices, the internet and mobile telephones. Together, the local Rabobanks serve approximately 6.7 million retail customers and approximately 800,000 corporate clients in the Netherlands with a comprehensive package of financial services. Many private individuals have current, savings and/or investment accounts and/or mortgages with the local Rabobanks. The local Rabobanks constitute a major financier of Dutch industry, from small high street shops to listed enterprises. Furthermore, the local Rabobanks traditionally have had close ties with the agricultural sector and, together, they are the largest insurance broker in the Netherlands (source: Insurance Magazine Yearbook 2014 (*AM Jaarboek 2014*)).

Obvion N.V.

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

Rabohypotheekbank

Rabohypotheekbank, with its statutory seat in Amsterdam, the Netherlands, provides mortgage-lending documentation services to all of the local Rabobanks and was owned 100 percent by Rabobank Nederland as at 31 December 2014.

Rabohypotheekbank also serves as a supplementary financing vehicle for the local Rabobanks in the event that they choose not to make certain mortgage loans to their customers entirely on their own, either for liquidity or lending-limit reasons or because of the nature of the required financing. The majority of Rabohypotheekbank’s loans are secured by mortgages on residential property. Its loans are funded by term loans from, or guaranteed by, Rabobank Nederland and by the issuance of mortgage bonds. Rabohypotheekbank does not engage in the financing of real estate development. At 31 December 2014, Rabohypotheekbank had assets of €6.6 billion.

Wholesale banking and international retail banking

Wholesale banking and international retail banking focuses its activities on the food and agri sector. Wholesale, Rural & Retail has a presence in 27 countries. Its activities are subdivided into the following regions: the Netherlands, Europe outside the Netherlands, North and South America, Australia, New Zealand and Asia. Across these regions, Wholesale, Rural & Retail has created a

number of units with global operations: Global Financial Markets, Global Client Solutions, Acquisition Finance, Project Finance, Direct Banking and Trade & Commodity Finance. For optimum service to their clients and markets, the various regions and the units with global operations work closely together. In addition to customer-focused activities, Global Financial Markets manages the trade in money market products for the day-to-day management of the liquidity position, the credit risk and the market risk of Rabobank Group and its clients. Acquisition Finance is involved in financing acquisitions by private equity companies and has a significant market share in the agricultural market. Global Client Solutions offers client-tailored products aimed at both the asset and liability sides of the balance sheet. The Project Finance department operates in the sustainable sectors wind, solar, bio fuels and biomass. The Trade & Commodity Finance department serves clients that operate in the market for agricultural products and, on a limited scale, other commodities as well. This department also offers a large number of export finance products. Direct Banking services clients with saving products in Australia, Belgium, Germany, Ireland and New Zealand.

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

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

In December 2013, Rabobank reached an agreement on the sale of its 98.5 percent equity interest in Bank Gospodarki Zywnosciowej SA ("**Bank BGZ**") to the BNP Paribas Group for an amount of 4.2 billion Polish Zloty (approximately €1 billion). The sale includes the activities of the internet savings bank BGZ Optima. The sale was completed on 23 September 2014.

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

Leasing

DLL International B.V.

DLL International B.V. ("**DLL**") is the subsidiary responsible for Rabobank Group's leasing business. It uses vendor finance to assist producers and distributors in their sales in 36 countries. With its innovative finance 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 Nederland owned a 100 percent equity interest in DLL at 31 December 2014. DLL has its statutory seat in Eindhoven, the Netherlands. Its issued share capital amounts to €98,470,307 all of which is owned by Rabobank Nederland. At 31 December 2014, Rabobank Nederland's liabilities to DLL amounted to €2,171 million. At 31 December 2014, Rabobank Nederland's claims on DLL amounted to €28,241 million (loans, current accounts, financial assets and derivatives). All

liabilities of DLL are guaranteed (through the cross guarantee system) by Rabobank Nederland and the other participants of this system.

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

Real estate

Rabo Vastgoedgroep N.V.

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

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

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

Participations

Achmea B.V.

At 31 December 2014, Rabobank had a 29 percent interest in Achmea B.V. ("**Achmea**"). Rabobank does not exercise control over Achmea and therefore does not consolidate Achmea as a subsidiary in Rabobank's financial statements. Achmea is accounted for as an associate in Rabobank's financial statements in accordance with the equity method. At 31 December 2014, Achmea had a workforce of approximately 16,600 full-time equivalents. Achmea is a major insurance company in the Netherlands, where it serves a broad customer base of private individuals as well as government agencies and corporate clients. Achmea occupies a relatively minor position outside the Netherlands, operating in six other European countries and Australia. Rabobank and Achmea work closely together in the area of insurance. Achmea operates in the Dutch domestic market with brands including Centraal Beheer Achmea, FBTO, InShared, Interpolis, Avéro Achmea, Zilveren Kruis Achmea, OZF Achmea, Pro Life Zorgverzekeringen, Staalbankiers, Syntrus Achmea and Woonfonds Hypotheken. Interpolis is the prime supplier of insurance products to clients of the local Rabobanks, offering a broad range of non-life, health and life insurance policies for both private individuals and enterprises.

Recent developments

Changes to the Executive Board

On 11 March 2015, it was announced that Mr. Bert Bruggink will step down from the executive board (*raad van bestuur*) of Rabobank (the "**Executive Board**") in late 2015. Rabobank is extending

its Executive Board to include the function of Chief Risk Officer who will be responsible for the risk management of the bank. The existing function of Chief Financial & Risk Officer will be split. Bert Bruggink has decided to step down when the function splits but will continue to carry out the combined tasks until suitable candidates are found and appointed for both new functions.

Rabobank Central Delegates Assembly positive on proposal outlining new governance

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

Ratings

On 4 November 2014, Standard & Poor's Financial Services LLP, a credit rating agency lowered its long-term credit rating of Rabobank from AA- to A+ and its short-term credit rating of Rabobank from A-1+ to A-1. The outlook remains "negative".

On 31 December 2014, Fitch Ratings, a credit rating agency, affirmed Rabobank's long-term issuer default rating ("IDR") of AA- and Rabobank's viability rating ("VR") of aa-, with a "negative" outlook.

On 17 March 2015, Moody's Investors Service, Inc., a credit rating agency, placed Rabobank's long-term debt and deposit ratings of Aa2 under review with "direction uncertain".

A rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. Thus, a negative outlook indicates that Rabobank's credit rating may be downgraded in the medium term. There is no assurance that a rating will remain unchanged.

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

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

Strategy of Rabobank Group

Strategic Framework 2013-2016: cooperative, solid and sustainable

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

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

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

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

Customer focus

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

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

Vision 2016

Rabobank is faced with far-reaching changes in its environment. Customers want straightforward, transparent and readily available financial services. At the same time, limited economic growth in the Netherlands means that earnings are stagnating and bad debt costs remain high. Responding to these developments, Rabobank established the Vision 2016 Program in 2013. Rabobank is committed to five changes that will help it achieve its goals:

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

Empowering employees

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

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

Rock-solid bank

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

Rabobank's capital buffer consists of retained earnings, Rabobank Certificates, supplementary Tier 1 capital and Tier 2 capital. Rabobank's capital strategy is focused on increasing

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

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

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

Meaningful cooperative

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

Rabobank puts the customer's interests at the heart of its service provision, with a focus on the long-term. On the basis of its cooperative principles, Rabobank always strives to help its customers in a responsible way, especially in times of economic difficulty. The cooperative identity needs to be strengthened in order to maintain Rabobank's distinctive profile. Rabobank is thus developing initiatives designed to increase the influence and involvement of its members. Rabobank wants to link its cooperative mission more explicitly with banking services. This starts with the financial services provided to customers on a daily basis, but also encompasses stepping up participation in local and virtual networks.

Food and agri

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

Banking for Food

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

Renewing the governance structure and updating the Strategic Framework

The local Rabobanks in the Netherlands are all individual cooperatives. The same applies to Rabobank, their centralised organization. In the 1990s, Rabobank witnessed the start of a debate within the bank on its status as a cooperative. A key outcome at that time was that every generation

has to reinvent the cooperative for itself. The time has now arrived to re-evaluate the cooperative again.

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

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

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

- The continued existence of the cooperative;
- Nearby services to customers;
- Financial power of the collective and efficient businesses operations;
- Trustworthy management;
- Social involvement;
- Independent supervision

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

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

Strategy for domestic retail banking

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

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

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

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

Strategy for wholesale banking and international retail banking

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

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

Strategy for leasing

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

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

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

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

Strategy for real estate

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

Competition

Rabobank Group competes in the Netherlands with several other large commercial banks such as ABN AMRO, ING Group and SNS Reaal, with insurance companies and pension funds and also with smaller financial institutions in specific markets. Rabobank expects competition in the Dutch savings market to continue in 2015.

The Dutch mortgage loan market is highly competitive. Driven by the tax deductibility of mortgage loan interest payments, Dutch homeowners usually take out relatively high mortgage loans. This does not necessarily indicate a high risk for banks with mortgage-lending operations. The local Rabobanks and Obvion have a balanced mortgage loan portfolio with a weighted loan-to-value of approximately 78 percent. Historically, mortgage lending in the Netherlands has been relatively low risk and all mortgage loans are collateralised. Mortgage loan defaults do not occur frequently, either in Rabobank Group's mortgage-lending operations or in the Netherlands generally. Almost all mortgages in the Netherlands have a maturity of 30 years. Generally, mortgages have a long-term (greater than five years) fixed interest rate, after which period the rate is reset at the current market rate. Customers generally only have the option to prepay a certain percentage on the principal amount on their mortgage loan without incurring a penalty fee, thus reducing the interest rate risks related to mortgage loan refinancing for Rabobank Group.

Market shares in the Netherlands

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

Residential mortgages: For the year ended 31 December 2014, Rabobank Group had a market share of 21.5 percent of the total amount of new home mortgages in the Dutch mortgage market by value (16.3 percent by local Rabobanks and 5.2 percent by Obvion; source: Dutch Land Registry Office (Kadaster)). Rabobank Group is the largest mortgage-lending institution in the Netherlands (measured by Rabobank's own surveys).

Saving deposits of individuals: At 31 December 2014, Rabobank Group had a market share of 36.3 percent of the Dutch savings market (source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*)). Rabobank Group is one of the largest savings institution in the Netherlands measured as a percentage of the amount of saving deposits (source: Statistics Netherlands). Of the total saving deposits in the Netherlands, 35.4 percent are held by the local Rabobanks and 0.9 percent are held by Robeco Direct's savings bank Roparco.

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

Agricultural loans: At 31 December 2014, Rabobank Group had a market share of 85 percent of loans and advances made by banks to the Dutch primary agricultural sector (measured by Rabobank's own surveys).

Properties

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

Insurance

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

Legal and arbitration proceedings

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

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

RABOBANK GROUP STRUCTURE

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

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

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

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

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

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

Rabobank Nederland is furthermore 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 Meeting of Rabobank. Further information regarding the governance of Rabobank Group is set out below under "Governance of Rabobank Group".

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

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

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

Local Rabobanks

Membership of Rabobank is open only to cooperative banks whose articles of association have been approved by Rabobank. The members of Rabobank, which comprise 113 local Rabobanks in the Netherlands as at 31 December 2014, are all banking cooperatives in their own right.

Each local Rabobank must hold shares in Rabobank according to an apportionment formula (the “**Apportionment Formula**”). Since 2010, approximately 6 million shares of €1,000 have been issued by Rabobank to the local Rabobanks, creating own funds of Rabobank of approximately €6 billion. In September 2014, the nominal amount of the shares was amended to €100, while €900 per share was added to the reserves of Rabobank. In 2014 a dividend of €218 million was distributed to the local Rabobanks and in 2015 a dividend of €264 million is expected to be distributed to the local Rabobanks. In previous years, such distributed dividends to the local Rabobanks amounted to €0 million in 2013, €493 million in 2012, €483 million in 2011 and €438 million in 2010. At Rabobank Group level, these dividend distributions did not have, and are not expected to have, any impact on equity.

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

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

(a) Pursuant to Rabobank Nederland's articles of association, if, in the event of Rabobank's liquidation (whether by court order or otherwise), its assets prove to be insufficient to meet its liabilities, the local Rabobanks (as members of Rabobank at the time of the liquidation), as well as those who ceased to be members in the year prior to the liquidation, shall be liable for the deficit in proportion to the Apportionment Formula. If it is not possible to recover the share of one or more liable members or former members to address the shortfall, the remaining members shall be liable in the same proportion for the amount not recovered. Under Rabobank Nederland's articles of association, the total amount for which members or former members are liable shall never exceed 3 percent of its last adopted balance sheet total.¹⁴

(b) Through their mutual financial association, various legal entities within Rabobank Group make up a single organization, including the local Rabobanks, Rabobank and a number of group entities. These legal entities have a mutual relationship of liability as referred to in Section 3:111 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*). This relationship is formalised in an internal cross-guarantee system. This cross-guarantee system stipulates that, if a qualifying institution should have a shortage of funds to meet its obligations towards creditors, the other qualifying institutions are required to supplement that institution's funds in order to allow it to fulfil these obligations.

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

¹⁴ References in this paragraph to the last adopted balance sheet total are to the unconsolidated balance sheet or the unconsolidated balance sheet total of a local Rabobank drawn up by the board of a local Rabobank at the end of the previous financial year, or, if available, the consolidated balance sheet or the consolidated balance sheet total drawn up by the board of a local Rabobank at the end of the previous financial year.

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

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

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

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

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

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

At 31 December 2014, the 113 local Rabobanks (at that time) themselves had approximately 2.0 million members. The members of the local cooperative Rabobanks are their customers but they do not make capital contributions to the local Rabobanks and they are not entitled to the equity of the local Rabobanks. Such members are not liable for any obligations of the local Rabobanks.

Subsidiaries

Rabobank also conducts business through separate legal entities, not only in the Netherlands but also worldwide. Rabobank is the (ultimate) shareholder of about 1,000 subsidiaries and participations.

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

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

THE UTRECHT BRANCH

Rabobank Nederland, Utrecht Branch is not a separate legal entity under Dutch law. All payments and/or deliveries of principal, premium (if any), interest (if any) or other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, the notes of any series will be irrevocably and unconditionally guaranteed by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., New York Branch, a branch duly licensed in the State of New York (the “**New York Branch**”), pursuant to a guarantee issued by the New York Branch.

THE NEW YORK BRANCH

The New York Branch, established in 1981, is a branch licensed by the New York Superintendent of Financial Services (the “**Superintendent**”). The New York Branch is responsible for Rabobank Nederland’s North American corporate banking business. The New York Branch also manages Rabobank Nederland’s loan production offices in Atlanta, Georgia, Chicago, Illinois, Dallas, Texas and San Francisco, California. The New York Branch focuses primarily on financing agribusiness companies engaged in the processing, distribution, storage, export and import of agricultural commodities although it also engages in lending activities in other sectors of the United States economy. Additionally, the New York Branch provides banking services in the United States to Rabobank Nederland’s Dutch customers. The New York Branch provides for its own funding needs through transactions in the domestic and international money markets, such as the issuance of certificates of deposit, commercial paper and medium-term 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—United States”.

GOVERNANCE OF RABOBANK GROUP

Corporate governance

In recent years, the corporate governance of organizations has been of particular public interest. On account of its cooperative organization, Rabobank's corporate governance is characterised by a robust system of checks and balances. As a result, this governance is in many respects even stricter than in listed enterprises. The members of the independent, cooperative local Rabobanks exercise influence at a local level. As members of Rabobank, the local Rabobanks in turn play a very important part in the policy-making within Rabobank's organization. For example, a distinguishing feature in Rabobank Group's governance is the Central Delegates Assembly, Rabobank Group's parliament, which meets at least four times a year and where Rabobank's members are able to participate in virtually all of Rabobank's strategic decisions.

Although the Dutch Corporate Governance Code does not apply to the cooperative as a legal form of enterprise, Rabobank's corporate governance is broadly consistent with this code. Rabobank also observes the Banking Code, which was adopted in 2009 by the Netherlands Bankers' Association and came into force on 1 January 2010 and was amended in 2014.

Executive Board

The Executive Board (*raad van bestuur*) of Rabobank Nederland is responsible for the management of Rabobank Nederland and, indirectly, its affiliated entities. This includes responsibility for defining and achieving the targets of Rabobank Nederland, for determining its strategic policy and associated risk profile, for its financial results, and for the corporate social responsibility aspects that are relevant to the business. In addition, the Executive Board is in charge of Rabobank Group's compliance with all relevant laws and regulations, the management of business risks and the financing of Rabobank Group. In performing its duties, the Executive Board acts in accordance with the interests of Rabobank Nederland and its affiliated entities, also taking into account the interests of relevant groups of stakeholders. The Executive Board is accountable on all these aspects to the Supervisory Board (*raad van commissarissen*) of Rabobank Nederland, the Central Delegates Assembly and the General Meeting (*algemene vergadering*) of Rabobank. The members of the Executive Board are appointed by the Supervisory Board for a four-year period, but their contracts of employment are for an indefinite period. Reappointments likewise are for a four-year term. Members may be dismissed and suspended by the Supervisory Board. The principles of the remuneration policy for the Executive Board, as recommended by the Supervisory Board, are established by the Central Delegates Assembly. The Supervisory Board then determines the remuneration of the members of the Executive Board and is accountable for decisions in this regard to the Committee on Confidential Matters of the Central Delegates Assembly. Finally, the Supervisory Board periodically assesses and follows up on the Executive Board's performance.

Supervisory Board

The Supervisory Board performs the supervisory role within Rabobank Nederland. This means that the Supervisory Board supervises the policy pursued by the Executive Board and the general conduct of affairs of Rabobank Nederland and its affiliated entities. As part thereof, the Supervisory Board monitors the compliance with the law, the Articles of Association and other relevant rules and regulations. In practice, this means that the achievement of Rabobank Group's objectives, the strategy, business risks, the design and operation of the internal risk management and control systems, the financial reporting process and compliance with laws and regulations are discussed at length and tested regularly. In addition, the Supervisory Board has an advisory role in respect of the Executive Board.

The Supervisory Board has six committees: the Audit Committee, the Risk Committee, the Cooperative Issues Committee, the Appointments Committee, the Remuneration Committee and the Appeals Committee. These committees perform preparatory and advisory work for the Supervisory Board.

The Supervisory Board evaluates whether enough consideration is given to the interests of all stakeholders of Rabobank and its affiliated entities. Certain key Executive Board decisions are subject

to Supervisory Board approval. Examples include decisions on strategic collaboration with third parties, major investments and acquisitions, as well as the annual adoption of policy plans and the budget.

The members of the Supervisory Board are appointed by the General Meeting of Rabobank on the recommendation of the Supervisory Board. However, the Executive Board, Rabobank's Works Council and the General Meeting of Rabobank are each entitled to nominate individuals for consideration by the Supervisory Board. The independence and the expertise of the individual members, among other factors, are important considerations for nomination and appointments of Supervisory Board members. Any semblance of a conflict of interests must be avoided. The profile for the members of the Supervisory Board sets standards for its size and composition, taking into account the nature of the enterprises carried on by Rabobank and its activities, and for the expertise, backgrounds and diversity of the Supervisory Board members. The profile for the members of the Supervisory Board is drawn up in consultation with the Committee on Confidential Matters of the Central Delegates Assembly and is adopted by the General Meeting of Rabobank. The Supervisory Board's desired composition and the competencies represented in it are specific areas of attention, within the profile's framework, when nominating candidates for appointment or reappointment.

The Committee on Confidential Matters of the Central Delegates Assembly determines the remuneration of the Supervisory Board members. The Supervisory Board, headed by its Chairman, continually assesses its own performance, both as a collective body and in terms of its separate committees and individual members. Initiatives are developed regularly to keep Supervisory Board members abreast of developments or to increase their knowledge in various areas.

Member influence

As a cooperative, Rabobank has members, not ordinary shareholders like companies do. The local cooperative Rabobanks are members of Rabobank and hence have an important role in the working of Rabobank's governance. In that context, a key element is the open and transparent culture, with clear accountability for the management and supervision and the assessment thereof. The influence and control of the local Rabobanks are manifested through their representation in two bodies: the Central Delegates Assembly and the General Meeting of Rabobank.

Central Delegates Assembly

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

The Central Delegates Assembly also considers other matters beside the proposed policy, and is, for instance, authorized:

- to set rules to be complied with by all local Rabobanks;
- to determine the Strategic Framework, through which it determines the Group's strategic direction; and
- to adopt the budget for the activities of Rabobank for the local Rabobanks.

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

The Central Delegates Assembly is a forum in which matters are discussed in great depth. This includes not only matters arising from the specific roles and responsibilities of the Central Delegates Assembly, as the Central Delegates Assembly also acts as a sounding board. The discussions in the Central Delegates Assembly are also guided by the shared aim of consensus between the local Rabobanks and Rabobank.

The Executive Board of Rabobank Nederland informs the Central Delegates Assembly of the policies pursued and discusses them with it. To enable it to operate responsively, the Central Delegates Assembly has appointed committees with specific responsibilities from among its members.

General Meeting of Rabobank

The General Meeting (*algemene vergadering*) of Rabobank is the body through which all local Rabobanks, as members of Rabobank, can exercise direct control. The General Meeting of Rabobank deals with important issues, such as the adoption of the financial statements, approval and endorsement of management and supervision, amendments to the articles of association and regulations, and the appointment of members of the Supervisory Board. The Central Delegates Assembly issues advice prior to the General Meeting of Rabobank on all the items on the agenda. This procedure ensures that, prior to the General Meeting of Rabobank, these subjects have been discussed in detail on a local, regional and central level. Because of the special relationship between Rabobank and its members, the General Meeting of Rabobank enjoys almost full attendance.

Local Rabobanks

The local Rabobanks have a cooperative structure. Their members are locally based clients.

Each local Rabobank has a Board of Directors comprised of banking professionals who collectively conduct its management. This Board of Directors is appointed by the local Supervisory Board after having obtained the approval of Rabobank Nederland.

The Board of Directors operates under the supervision of the local Supervisory Board. The Board of Directors is composed in a balanced and complementary manner in order to ensure the management's effectiveness. One of the Board of Directors' key tasks is to ensure and safeguard member involvement and member influence.

Supervisory Board of the local Rabobanks

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

This encompasses the policies of the Board of Directors and the general course of affairs relating to the cooperative and its operations. The local Supervisory Board is authorized to rule on the general policy and to provide the Board of Directors with solicited and unsolicited advice. Major decisions made by the Board of Directors require the approval of the local Supervisory Board. It furthermore oversees compliance with the applicable legislation and regulations. Appointing, appraising, suspending and dismissing members of the Board of Directors are also the responsibility of the local Supervisory Board.

The local Supervisory Board and the Board of Directors of the local Rabobank jointly represent the local Rabobank in the committee meetings as a member of Rabobank.

Accountability for the supervision conducted by the local Supervisory Board is rendered in a meeting of the members council and through a report included in the annual report of the local Rabobank.

Members council of the local Rabobanks

Each local Rabobank has a members council in order to ensure that member control and influence are strongly and structurally embedded. A members council is a delegation from the total group of members who are chosen by and from the members and it therefore comprises a cross-section of the local community. A members council consists of 30 to 50 members. The local Board of Directors engages the members council to assess its policies in order to make its services as suitable as possible. The members council influences and monitors the course of the local Rabobank and forms the link to Rabobank's broad member basis. It performs an influential, sounding board, advisory and control role and serves as the link between the broad member basis on the one hand and Rabobank on the other.

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

Employee influence within Rabobank Group

Rabobank attaches great value to consultations with the various employee representative bodies. Employee influence within Rabobank Group has been enabled at various levels. Issues concerning the business of Rabobank Nederland are handled by Rabobank Nederland's Works Council. Subsidiaries such as DLL, Orbay and Rabo Real Estate Group each have their own Works Councils with consultative powers on matters concerning these enterprises. In addition, each local Rabobank has its own Works Council to discuss matters concerning that particular local Rabobank.

The Group Works Council of Member Banks ("**GOR AB**") is a cooperative-structure based employee representative body that represents the interests of the employees of the local Rabobanks on issues that concern all the local Rabobanks or a majority thereof. In the case of a proposed decision, as defined in the Dutch Works Councils Act, that affects the majority of the local Rabobanks, it is submitted for approval or advice to the GOR AB. In the case of a proposed decision that does not affect the majority of all local Rabobanks, the GOR AB does not interfere with the position of the Works Councils of the local Rabobanks.

Rabobank Group also has an employee representative body at a European level, the European Working Group ("**EWG**"), in which employees of Rabobank offices from the EU member states are represented. The EWG regularly holds discussions with the Executive Board about developments within Rabobank Group. This does not affect the role of the national employee representative bodies.

Members of Supervisory Board and Executive Board

A11.9.1

Supervisory Board of Rabobank Nederland

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

Name	Born	Year Appointed	Term Expires	Nationality
Wout (W.) Dekker, Chairman	1956	2010	2016	Dutch
Irene (I.P.) Asscher-Vonk	1944	2009	2017	Dutch
Henk (C.H.) van Dalen	1952	2013	2017	Dutch
Leo (L.N.) Degle	1948	2012	2016	German
Arian (A.A.J.M.) Kamp	1963	2014	2018	Dutch
Leo (S.L.J.) Graafsma	1949	2010	2014	Dutch
Erik (E.A.J.) van de Merwe	1950	2010	2016	Dutch
Ron. (R.) Teerlink	1961	2013	2017	Dutch

Mr. W. Dekker (Wout)

<i>Date of birth</i>	10 November 1956
<i>Former profession</i>	Professional supervisory director
<i>Main position</i>	Chairman of the Supervisory Board of Rabobank Nederland
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none">– Member of the Supervisory Board of Macintosh Retail Group N.V.– Member of the Supervisory Board of Randstad N.V.– Chairman of the Supervisory Board of Prinses Maxima Centrum
<i>Date of first appointment to the Supervisory Board</i>	June 2010
<i>Current term of appointment to the Supervisory Board</i>	June 2012 - June 2016

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

<i>Date of birth</i>	5 September 1944
<i>Profession</i>	Professional supervisory director
<i>Main position</i>	None
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none">– Member of the Supervisory Board of Rabobank Nederland– Member of the Supervisory Board of KLM– Member of the Supervisory Board of Arriva Nederland– Member of the Supervisory Board of Philip Morris Holland <u>Other auxiliary positions:</u> <ul style="list-style-type: none">– Chair of the National Arbitration Board for Schools (<i>Landelijke Geschillencommissie Scholen</i>)– Chair of The Dutch Museum Association (<i>Museumvereniging</i>)
<i>Date of first appointment to the Supervisory Board</i>	June 2009
<i>Current term of appointment to the Supervisory Board</i>	June 2013 - June 2017

Mr. C.H. van Dalen (Henk)

<i>Date of birth</i>	1 November 1952
<i>Profession</i>	– Professional director/supervisory director

	– Advisor
<i>Main position</i>	Director of Avenue Business Consulting B.V.
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u>
	– Member of the Supervisory Board of Rabobank Nederland
	– Chairman of the Supervisory Board of Macintosh Retail Group N.V.
	– Member of the Supervisory Board and Chairman of the Audit Committee of Brabantse Ontwikkelingsmaatschappij (BOM)
	– Member of the Supervisory Board of AVEBE
	– Member of the Board of Supervision of Erasmus MC
	<u>Other auxiliary positions:</u>
	– Member of the Advisory Board of the Netherlands Association for Investment Relations (NEVIR)
	– Member of the Advisory Board of Zorg-Vuldig Healthcare Organization
	– Member of the Advisory Board of Nederland Cares
	– Member of the Advisory Board of Duisenberg School of Finance
	– Member of the Advisory Board of Nationaal Fonds 4 en 5 mei
<i>Date of first appointment to the Supervisory Board</i>	September 2013
<i>Current term of appointment to the Supervisory Board</i>	September 2013 - June 2017

Mr. L.N. Degle (Leo)

<i>Date of birth</i>	15 August 1948
<i>Profession</i>	Professional director/supervisory director
<i>Main position</i>	None
<i>Nationality</i>	German
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u>
	– Member of the Supervisory Board of Rabobank Nederland
	– Member of the Supervisory Board of Berlage B.V.
	– Member of the Supervisory Board of Ten Kate B.V.
<i>Date of first appointment to the Supervisory Board</i>	June 2012
<i>Current term of appointment to the Supervisory Board</i>	June 2012 - June 2016

Mr. A. Kamp (Arian)

Date of birth	12 June 1963
Profession	Entrepreneur, owner of a cattle farm
Main position	Cattle farmer and professional supervisory director
Nationality	Dutch
Auxiliary positions	<ul style="list-style-type: none">• Member of the Supervisory Board of Rabobank• Vice-chairman Supervisory Board Koninklijke Coöperatie Agrifirm UA
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 RA (Leo)

<i>Date of birth</i>	29 March 1949
<i>Former profession</i>	Public accountant/partner of audit, tax and advisory firm KPMG
<i>Main position</i>	None
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<ul style="list-style-type: none">– Member of the Supervisory Board of Rabobank Nederland– Deputy member of the “Accountantskamer” (disciplinary court for accountants)
<i>Date of first appointment to the Supervisory Board</i>	September 2010
<i>Current term of appointment to the Supervisory Board</i>	September 2010 - June 2014

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

<i>Date of birth</i>	30 December 1950
<i>Profession</i>	<ul style="list-style-type: none">– Advisor– Professional director/supervisory director
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none">– Member of the Supervisory Board of Rabobank Nederland– Member of the Supervisory Board and member of the audit committee of Achmea B.V.– Chairman of the Supervisory Board and member of the audit committee of Staalbankiers N.V.

- Chairman of the Supervisory Board and member of the audit committee of Achmea Bank Holding N.V.

Other auxiliary positions:

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

Date of first appointment to the Supervisory Board June 2010

Current term of appointment to the Supervisory Board June 2012 -June 2016

Mr. R. Teerlink (Ron)

Date of birth 28 January 1961

Profession Management Consultant

Main position Independent Management Consultant

Nationality Dutch

Auxiliary positions Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland

Date of first appointment to the Supervisory Board September 2013

Current term of appointment to the Supervisory Board September 2013 – June 2017

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

Executive Board of Rabobank Nederland

Name	Born	Year Appointed	Nationality
Wiebe (W.) Draaijer, Chairman	1965	2014	Dutch

Name	Born	Year Appointed	Nationality
Bert (A.) Bruggink, CFRO	1963	2004	Dutch
Berry (B.J.) Marttin	1965	2009	Dutch and Brazilian
Ralf (R.J.) Dekker	1957	2013	Dutch
Rien (H.) Nagel	1963	2013	Dutch
Jan (J.L.) van Nieuwenhuizen	1961	2014	Dutch

Wiebe (W.) Draijer

Mr. Draijer was appointed as chairman of the Executive Board of Rabobank as of October 1, 2014. Mr. Draijer served as President of the Social and Economic Council of the Netherlands from 2012 to 2014. Prior to that, he held several positions within management-consulting firm McKinsey & Company and worked as a journalist. Mr. Draijer is a member of the supervisory boards of the Kröller-Müller Museum and Staatsbosheer, the national nature conservation organization. He furthermore acts as chairman of the supervisory board of the National Centre for Science and Technology. He is also the chairman of the Avond van de Wetenschap & Maatschappij Foundation.

Bert (A.) Bruggink

Mr. Bruggink was appointed to Rabobank Nederland's Executive Board as of November 15, 2004. As CFRO Mr. Bruggink is responsible for Control Rabobank Group, Credit Risk Management, Group Risk Management, Treasury Rabobank Group and Special Accounts Rabobank. Mr. Bruggink joined Rabobank Group in 1986. After several different jobs in Finance and Control within Rabobank Group, he became Head of the Control CBB (Central Banking Business), later Control RI (Rabobank International) (1994-1998) and Head of CRG (Control Rabobank Group) (1998-2004). Within the Rabobank Group, he fulfils several additional functions. He is chairman of the board of the Stichting Rabobank Pensioen Fonds, secretary of the supervisory board of Rabohypotheekbank, member of the supervisory board of Friesland Bank and a member of the supervisory board of Rabo Herverzekeringsmaatschappij N.V. Outside Rabobank he is a member of the supervisory board of Robeco, a member of the supervisory board of ROVA, member of the supervisory board of FMO N.V., a member of the supervisory board of Windesheim and member of staff in the Financial Management and Business Economics Department of the Technical Business Administration Faculty of the University of Twente, as ordinary professor since early 1996.

Ralf (R.J.) Dekker

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

Berry (B.J.) Marttin

Mr. Marttin was appointed to Rabobank Nederland's Executive Board as of July 1, 2009. Mr. Marttin joined Rabobank in 1990. Within the Executive Board, Mr. Marttin is responsible for the international retail network, the regional international operations, international risk management and Rabobank Development. From 1990 until 2004 he fulfilled a number of international positions within

Rabobank. After several positions in Brazil and Curacao he served as Head of International Corporates in Hong Kong, Head of Risk Management in Indonesia and as General Deputy Manager for Rabobank Australia and New Zealand. Prior to his appointment to Rabobank Nederland's Executive Board, he was Chairman of the board of directors of Rabobank Amsterdam. Within Rabobank Group Mr. Martin (a.o.) is a member of the supervisory boards of DLL and Rabohypotheekbank, a member of the boards of directors of Rabobank International Holding B.V., RI Investments Holding B.V., the Rabobank Foundation and a member of the board of Rabobank Australia Ltd and the board of Rabo NZ Holdings. Mr. Martin is a member of the board of Unico Banking Group, vice chairman of the board of directors of the American Chambers of Commerce in the Netherlands, a member of the supervisory board of Wageningen University, chairman of the Advisory board of Amsterdam University College, member of the Dutch Trade Board, member of the advisory board of JINC and member of the supervisory board of the Dutch Sustainable Trade Initiative.

Rien (H.) Nagel

Mr. Nagel was appointed to Rabobank Nederland's Executive Board as of November 1, 2013, where he is responsible for the domain Retail Markets Netherlands. Since 1987, Mr. Nagel held several managing positions in local Rabobanks before becoming director Retail Banking of Rabobank Nederland in 2013. Mr. Nagel is a member of the board of directors of Utrecht Development, a member of the supervisory board of The Utrechts Landschap (Utrecht landscape) as well as a member of the advisory board of the University Centre for Sports Medicine. Furthermore he is a member of the Board of the Dutch Banking Association (Nederlandse Vereniging van Banken), member of the general and the daily Board of VNO-NCW and member of the Nationale Coöperatieve Raad voor land- en tuinbouw (NCR).

Jan (J.L.) van Nieuwenhuizen

Mr. Van Nieuwenhuizen was appointed to Rabobank Nederland's Executive Board as of March 24, 2014. In the Executive Board Mr. Van Nieuwenhuizen is responsible for the domain Markets Wholesale Netherlands and International including Wholesale Clients Netherlands, Wholesale Clients International, Global Financial Markets and Professional Products. From 1986 until 2002 Mr. Van Nieuwenhuizen fulfilled several international positions at Morgan Stanley, JP Morgan and NIBC. From 2009 Mr. Van Nieuwenhuizen was a member of the Management Team of Rabobank International Wholesale, responsible for Trade and Commodity Finance, Corporate Finance and Private Equity until his appointment to the Executive Board. Within Rabobank Group, he is a member of the Supervisory Boards of Rabo Vastgoedgroep and FGH Bank. Mr Van Nieuwenhuizen is also a director at IHC BV.

Administrative, management and supervisory bodies — conflicts of interests

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

Administrative, management and supervisory bodies — business address

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

SELECTED FINANCIAL INFORMATION

The following selected financial data are derived from the audited consolidated financial statements of Rabobank Group, which have been audited by Ernst & Young Accountants LLP, the independent auditor in the Netherlands, with the exception of the bad debt costs, the latter being derived from the annual report of Rabobank Group. The data should be read in conjunction with the consolidated financial statements (and related notes), incorporated by reference herein and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Information Statement. The Rabobank Group audited consolidated financial statements for the year ended 31 December 2014 and 31 December 2013 have been prepared in accordance with IFRS as adopted by the European Union and comply with Part 9 of Book 2 of the Dutch Civil Code.

Consolidated statement of financial position

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

	At 31 December	
<i>(in millions of euros)</i>	2014	2013 <i>(restated)</i>
Liabilities		
Due to other banks	17,883	14,745
Due to customers	326,471	326,222
Debt securities in issue	189,060	195,361
Derivative financial instruments and other trade liabilities	67,560	50,171
Other debts	8,047	7,749

	At 31 December	
<i>(in millions of euros)</i>	2014	2013 <i>(restated)</i>
Other financial liabilities at fair value through profit or loss	19,744	19,069
Provisions	794	1,050
Current tax liabilities	255	266
Deferred tax liabilities	473	288
Subordinated debt	11,928	7,815
Liabilities held for sale and discontinued operations	—	7,825
Total liabilities	642,215	630,561

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

Consolidated statement of income

	Year ended 31 December	
<i>(in millions of euros)</i>	2014	2013 <i>(restated)</i>
Interest income	18,638	19,707
Interest expense	9,520	10,612
Interest	9,118	9,095
Commission income	2,075	2,189
Commission expense	196	188

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

Financial ratios:

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

Note:

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

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

The following discussion should be read in conjunction with the financial statements and the notes thereto of Rabobank Group incorporated by reference into this Information Statement. Certain figures for Rabobank Group at and for the year ended 31 December 2013 in this Information Statement 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 IFRS as adopted by the European Union and comply with Part 9 of Book 2 of the Dutch Civil Code. The financial data in the (sub) paragraphs in this chapter marked with an asterisk () has not been directly extracted from the audited financial statements but instead is unaudited and derived from the accounting records of Rabobank, unless otherwise stated.*

Business overview*

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. At 31 December 2014, it comprised 113 independent local Rabobanks and their central organization Rabobank and its subsidiaries. Rabobank Group operates in 40 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, leasing and real estate. In the Netherlands, its focus is on maintaining the Group's position in the Dutch market and, internationally, on food and agri. Rabobank Group entities have strong relationships due to Rabobank's cooperative structure. At 31 December 2014, Rabobank Group had total assets of €681.1 billion and 48,254 full-time employees.

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

The independent local Rabobanks make up Rabobank Group's cooperative core business. Clients can become members of their local Rabobank. In turn, the local Rabobanks are members of Rabobank, the supralocal cooperative organization that advises and supports the banks in their local services. Rabobank also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 547 branches and 2,305 cash-dispensing machines at 31 December 2014, the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.7 million retail customers and approximately 0.8 million corporate clients, both private and corporate, offering a comprehensive package of financial services.

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

Factors affecting results of operations

General market conditions*

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

In 2014, 70 percent 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 faced in the recent past is likely to continue in 2015, with a corresponding impact on Rabobank Group's results.

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

Critical accounting policies

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

Value adjustments

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

Rabobank distinguishes:

- Specific allowances for impaired corporate loans. For these loans, impairment is measured on a case-by-case basis. Once a loan is identified as impaired, the impairment amount is measured as the difference between the carrying amount and the recoverable amount of the loan. The recoverable amount equals the present value of expected future cash flows discounted at the loan's effective rate.

- Collective allowances for loans that are not significant enough to be assessed individually. Retail portfolios of loans that are not individually assessed for impairment are grouped into pools, based on similar risk characteristics, and are collectively assessed for impairment. The allowance is set using IFRS-adjusted Basel II parameters.
- An Incurred But Not Reported (“**IBNR**”) allowance for losses on loans that have been incurred but have not yet been individually identified at the balance sheet date. Non-impaired loans are included in groups with similar risk characteristics and are collectively assessed for the potential losses, based on IFRS-adjusted expected loss parameters. Furthermore, factors are used which assume that within three to twelve months impairment will be discovered.

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

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

Trading activities

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

Change in accounting policies and presentation

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

Results of operations

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

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Interest	9,118	9,095	9,171
Commission	1,879	2,001	2,228
Other income	1,860	1,934	2,217
Total income	12,857	13,030	13,616
Staff costs	5,086	5,322	5,494
Other administrative expenses	2,532	3,910	2,982
Depreciation	437	528	527
Operating expenses	8,055	9,760	9,003

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Gross result	4,802	3,270	4,613
Value adjustments	2,633	2,643	2,350
Bank tax expense and resolution levy	488	197	196
Operating profit before taxation	<u>1,681</u>	<u>430</u>	<u>2,067</u>
Taxation	(161)	88	158
Net profit from continuing operations	1,842	342	1,909
Net profit from discontinued operations	—	1,665	149
Net profit	<u>1,842</u>	<u>2,007</u>	<u>2,058</u>

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

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

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

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

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

Operating expenses. Rabobank Group's operating expenses were down by 17 percent 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 percent 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.

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

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

Taxation. The 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 percent in 2014 compared to 20.5 percent 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 percent to €1,842 million in 2014 compared to €2,007 million in 2013. The result in 2014 was negatively affected by €321 million as a result of the resolution levy, a non-recurring levy by the government on the Dutch banking sector in connection with the nationalisation of SNS Reaal. There were also positive effects on the result in 2013, notably due to the sale of Robeco. Without these non-recurring items, there was a strong improvement in the result. The net profit from continuing operations, which does not account for the profit from discontinued operations such as the sale of Robeco in 2013, was up €1,500 million, increasing to €1,842 million in 2014 compared to €342 million in 2013.

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

Total income. Rabobank Group's total income decreased 4 percent in 2013, falling to €13,030 million compared to €13,616 million in 2012. The decrease was mainly due to a decrease in commission income resulting from the sale of Bank Sarasin & Cie. AG (“**Sarasin**”), higher impairments on real estate and landholdings and the lower results from hedge accounting.

Interest. Interest income remains more or less stable at €9,095 million in 2013 compared to €9,171 million in 2012. This was due to a restoration of the margin on savings at the local Rabobanks and the loss of part of the interest income due to the sale of Sarasin.

Commission. Sarasin was still contributing to commission income for six months in 2012. Partly due to the absence of this income in 2013, commission income decreased 10 percent to €2,001 million in 2013 compared to €2,228 million in 2012.

Other income. Other income was down €283 million in 2013 at €1,934 million compared to €2,217 million in 2012. Other income rose as a result of the transition to the new pension scheme, however this item was negatively affected by higher impairments on real estate and land holdings and the lower result from hedge accounting. These developments drove the 13 percent decrease in other income.

Operating expenses. Rabobank Group's operating expenses rose by 8 percent in 2013 to €9,760 million compared to €9,003 million in 2012, mainly due to an increase in other administrative expenses.

Staff costs. Staff costs decreased by 3 percent to €5,322 million in 2013 compared to €5,494 million in 2012. Staff numbers declined by 2,758 FTE in 2013, to 56,870 FTE compared to 59,628 FTE in 2012, 1,387 FTE of which was due to the sale of Robeco. There was also a decline of 1,689 FTE at the local Rabobanks and Friesland Bank. The employee expenses at Sarasin were still included in the operating expenses at group level for six months in 2012. The decline in staff, in combination with the absence of the expenses for Sarasin, caused employee expenses to decline by €169 million.

Other administrative expenses. Other administrative expenses rose by 31 percent to €3,910 million in 2013 compared to €2,982 million in 2012. Other administrative expenses rose at Rabobank as a result of the settlements relating to the LIBOR investigations. Please see “Description of Business of Rabobank Group – Legal and arbitration proceedings”. At Rabobank Nederland, other administrative expenses increased due to higher costs of innovation associated with the further development of the virtual customer service as part of the Vision 2016 Program. Moreover, both the local Rabobanks and Rabo Real Estate Group faced higher costs of reorganization. The implementation of Vision 2016 Program led to heavy cuts in staff at the local Rabobanks, and a decision was made to phase out the commercial real estate development activities at Rabo Real Estate Group. The sale of Sarasin on the other hand led to a reduction in other administrative expenses. On balance, these developments resulted in a 31 percent increase in other administrative expenses.

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

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

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

Taxation. The recognized tax expense was €88 million in 2013 compared to €158 million in 2012, which corresponds to an effective tax rate of 20.5 percent in 2013 compared to 7.6 percent in 2012. The relatively low tax burden was due to the fact that certain associates, such as Achmea, were not subject to tax.

Net profit. Net profit decreased by 2 percent to €2,007 million in 2013 compared to €2,058 million in 2012. The sale of Robeco and the transition to the new pension scheme had a non-recurring positive effect while the settlements in relation to the LIBOR investigations had a negative effect. The impairments on land holdings and real estate projects and the increase in the reorganization provisions at the local Rabobanks also contributed to the decrease, as did the lower result from hedge accounting and the higher value adjustments. An amount of €929 million in 2013 compared to €843 million in 2012 remains net of non-controlling interests and payments on Rabobank Member Certificates and hybrid equity instruments. This amount was used to improve Rabobank's capital position.

Segment discussion*

Domestic retail banking

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

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

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

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

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

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

Other income. Other income decreased by 43 percent to €349 million in 2014, compared to €616 million in 2013. The transition to the new pension scheme positively affected other income in 2013. Unlike in 2013, Rabobank Nederland once again distributed dividends to the local Rabobanks in 2014. On balance, there was a net decline in other income.

Operating expenses. Total operating expenses for domestic retail banking decreased 7 percent, 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 percent to €2,233 million in 2014, compared to €2,408 million in 2013. The number of staff at the local Rabobanks declined due to the implementation of Vision 2016. The transfer of customers from Friesland Bank to Rabobank was completed on 1 August 2014. There have been no employees at Friesland Bank since 1 October 2014. As a result of these developments, staff costs fell in 2014.

Other administrative expenses. Other administrative expenses were affected by 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 percent to €2,233 million in 2014, compared to €2,408 million in 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

debt costs on residential mortgage loans stood at 6 basis points in 2013 compared to 6 basis points in 2012.

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

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

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

Wholesale banking and international retail banking

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

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Interest	2,416	2,606	2,775
Commission.....	552	641	618
Other income.....	799	793	612
Total income	3,767	4,040	4,005
Staff costs.....	1,164	1,270	1,320
Other administrative expenses.....	1,166	1,736	976
Depreciation	87	126	120
Operating expenses	2,417	3,132	2,416
Gross result	1,350	908	1,589
Value adjustments.....	420	568	621
Bank tax expense.....	67	75	60
Operating profit before taxation	863	265	908
Taxation.....	105	219	204
Net profit	758	46	704

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

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

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

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

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

Operating expenses. Total operating expenses of Wholesale banking and international retail banking decreased by 23 percent 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 percent to €1,164 million in 2014, compared to €1,270 in 2013. The sale of Bank BGZ led to a decline in the number of employees of 5,289 FTE. The reduction in staff in combination with the lower level of activity contributed to a decline in staff costs.

Other administrative expenses. Other administrative expenses were down 31 percent 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 percent to €87 million, compared to €126 million in 2013.

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

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

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

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

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

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

Interest. Interest income declined by 6 percent to €2,606 million in 2013, compared to €2,775 million in 2012, due in part to the decrease in the loan portfolio and interest expenses relating to RaboDirect.

Commission. Commission increased by 4 percent to €641 million in 2013, compared to €618 million in 2012, driven by higher commission income at Capital Markets.

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

Operating expenses. Total operating expenses of Wholesale banking and international retail banking increased by 30 percent to €3,132 million, compared to €2,416 million in 2012, principally as a result of an increase in other administrative expenses.

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

Other administrative expenses. As a result of the settlements agreed by Rabobank in the wake of the LIBOR investigations, other administrative expenses were up 78 percent to €1,736 million in 2013, compared to €976 million in 2012.

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

Value adjustments. Value adjustments at Wholesale banking and international retail banking decreased by 9 percent to €568 million in 2013, compared to €621 million in 2012. Bad debt costs amounted to 57 basis points in 2013, compared to 59 basis points in 2012 of average lending, which is higher than the long-term average of 54 basis points (based on the period 2003 to 2012).

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

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

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

Leasing

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

<i>(in millions of euros)</i>	<i>Year ended 31 December</i>		
	2014	2013	2012
Interest	1,000	973	952
Commission.....	30	52	63
Other income.....	548	545	442
Total income	1,578	1,570	1,457
Staff costs.....	535	517	526
Other administrative expenses.....	251	198	223
Depreciation	48	49	47
Operating expenses	834	764	796
Gross result	744	806	661
Value adjustments.....	131	170	147
Bank tax expense.....	9	9	9
Operating profit before taxation	604	627	505
Taxation.....	168	205	138
Net profit	436	422	367

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

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

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

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

Other income. Other incomes increased by 1 percent 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 percent 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 percent, 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 percent to €251 million, compared to €198 million in 2013.

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

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

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

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

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

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

Total income. DLL's total income increased by 8 percent, rising to €1,570 million in 2013, compared to €1,457 million in 2012. The increase was in particular attributable to a 23 percent increase in other income.

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

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

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

Operating expenses. Total operating expenses at DLL fell by 4 percent to €764 million in 2013, compared to €796 million in 2012, principally due to lower other administrative expenses.

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

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

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

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

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

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

Real estate

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

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

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

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

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

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

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

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

Staff costs. Staff costs rose by 2 percent 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 percent 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.

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

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

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

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

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

Total income. Total income in Rabobank Group's real estate business decreased by 143 percent to minus 192 million in 2013 compared to €451 million in 2012 due to lower other income.

Interest. Interest income increased by €23 million to €335 million in 2013 compared to €312 million in 2012, due to improved margins on new loans and extensions.

Commission. The size of the loan portfolio was more or less unchanged. Commission also remained fairly stable at €29 million, compared to €35 million in 2012.

Other income. Impairments on land holdings and revaluations of land operations amounted to €567 million, partly due to the postponement of projects. Large impairments were also recognized on commercial real estate holdings. This led to a decrease in other income by 635 percent to minus €556 million in 2013, compared to €104 million in 2012.

Operating expenses. Total operating expenses in Rabobank Group's real estate business increased by 13 percent in 2013, reaching €339 million, compared to €301 million in 2012, mainly due to higher administrative expenses.

Staff costs. Due in part to additional staff at FGH Bank and Fondsenbeheer Nederland, the number of staff increased by 26 FTE to 1,554, compared to 1,528 FTE in 2012. Staff costs rose slightly as a result, by 3 percent to €198 million, compared to €193 million in 2012.

Other administrative expenses. Other administrative expenses increased by 34 percent to €119 million in 2013, compared to €89 million in 2012. The increase was mostly due to the formation of a reorganization provision for the phasing out of the activities of MAB Development.

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

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

Taxation. Taxation decreased by €250 to minus €238 million in 2013 compared to €12 million in 2012.

Net profit. Net profit decreased by €707 million to minus €814 million in 2013 compared to minus €107 million in 2012. The decrease was mainly due to heavy impairments on land holdings, revaluations of land operations and a decline in the number of housing transactions (especially in the Netherlands and France) at Bouwfonds Property Development and the large increase in value adjustments to receivables at the property financier FGH Bank.

Loan portfolio

The Dutch economy grew in 2014 due to a cautious increase in exports and investment. Exports grew due to economic growth in the eurozone. Residential property sales rose, which contributed to an increase in investment. Consumers remained cautious, due to the continuing high level of unemployment. Many households chose to restore their balance sheets by repaying debt. These developments put a brake on growth in consumption. The effects of these domestic economic conditions were visible in the development of the loan portfolio. Due to these developments, the loans to customers item increased by 1 percent, or €6.5 billion, to €462.4 billion at 31 December 2014 from €455.9 billion at 31 December 2013. The private sector loan portfolio decreased by €4.3 billion to €430.4 billion at 31 December 2014, a decrease of 1 percent from €434.7 billion at 31 December 2013. Loans to private individuals, primarily for mortgage finance, were down €5.6 billion, or 3 percent, to €210.8 billion at 31 December 2014. Residential mortgage loans are granted by local Rabobanks and by Obvion. These loans are secured on underlying properties and have maturities up to 30 years. Loans to the trade, industry and services sector decreased by €4.0 billion to €127.3 billion at 31 December 2014. Lending to the food and agri sector increased by €5.3 billion to €92.3 billion at 31 December 2014, a 6 percent increase.

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

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

At 31 December

<i>(in millions of euros and as percentage of total private sector lending)</i>	2014		2013 (restated)	
Total private sector lending	430,391	100	434,691	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 to customers (public and private sector) and professional securities transactions at 31 December 2014 and 31 December 2013:

At 31 December

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

Funding

At 31 December 2014, amounts due to customers of Rabobank Group were €326.5 billion, more or less stable compared to 31 December 2013. The balance held in savings deposits decreased by €8.9 billion to €142.6 billion, a decrease of 6 percent. Other amounts due to customers (including current accounts, repurchase agreements and time deposits) increased by €9.1 billion to €183.8 billion at 31 December 2014, largely due to an increase in wholesale banking and international retail banking. Time deposits increased by €13.2 billion to €69.6 billion. At 31 December 2014, debt securities in issue (including certificates of deposit, commercial paper and bonds) totalled €189.1 billion compared to €195.4 billion at 31 December 2013. Savings deposits (except fixed-time deposits, from 1 month to 20 years) generally bear interest at rates that Rabobank can unilaterally change.

The following table shows Rabobank Group's sources of funding by source at 31 December 2014, 31 December 2013 and 31 December 2012:

At 31 December

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Savings deposits	142,6	151,5	149,6
	22	16	61
Other due to customers	183,8	174,7	184,6
	49	06	10
Debt securities in issue	189,0	195,3	223,3
	60	61	36
Other financial liabilities at fair value through profit or loss	19,74	19,06	24,09
	4	9	1

At 31 December

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Total	535,2	540,6	581,6
	75	52	98

Rabobank Group also receives funds from the inter-bank and institutional market. Rabobank Group's total due to other banks was €17.9 billion at 31 December 2014, a 22 percent increase from €14.7 billion at 31 December 2013.

Other financial assets*

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

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

Other financial assets at 31 December 2014

<i>(in millions of euros)</i>	Trading	Other at fair value through profit or loss	Available -for-sale	Total
Purchased loans.....	712	—	—	712
Short-term government securities	123	—	2,297	2,420
Government bonds	950	12	31,456	32,418
Other debt securities	2,117	2,494	4,740	9,351
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

Other financial assets at 31 December 2013 (restated)

<i>(in millions of euros)</i>	Trading	Other at fair value through profit or loss	Available -for-sale	Total
Purchased loans.....	1,171	—	—	1,171
Short-term government securities	204	—	1,710	1,914

Other financial assets at 31 December 2013 (restated)

<i>(in millions of euros)</i>	Trading	Other at fair value through profit or loss	Available -for-sale	Total
Government bonds	1,086	63	35,714	36,863
Other debt securities	2,109	2,885	8,170	13,164
Loans	—	1,056	—	1,056
Total debt securities	4,570	4,004	45,594	54,168
Venture capital	—	549	—	549
Equity instruments	719	386	958	2,063
Total other assets	719	935	958	2,612
Total	5,289	4,939	46,552	56,780
Category 1 ⁽¹⁾	2,959	371	42,597	45,927
Category 2 ⁽¹⁾	2,155	2,962	3,645	8,762
Category 3 ⁽¹⁾	175	1,606	310	2,091

Note:

(2) 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 31 December

<i>(in millions of euros)</i>	2014	2013	2012
	11,82	11,42	14,90
Financial guarantees	6	9	4
Letters of credit	5,392	5,919	5,583
	35,43	32,12	33,06
Credit granting liabilities	2	6	1
Other contingent liabilities	—	82	—
	52,65	49,55	53,54
Total credit related and contingent liabilities	0	6	8
	51,32	45,03	45,08
Revocable credit facilities	7	1	3
Total credit related commitments	103,9	94,58	98,63

At 31 December

<i>(in millions of euros)</i>	2014	2013	2012
	77	7	1

Capital adequacy

Rabobank wishes to have an adequate solvency position, which it manages based on a number of ratios. The principal ratios are the common equity Tier 1 ratio, the Tier 1 ratio, the BIS ratio (capital ratio) and the equity capital ratio. Rabobank's internal targets exceed the regulators' minimum requirements as it anticipates market expectations and developments in laws and regulations. Rabobank seeks to stand out from other financial institutions, managing its solvency position based on policy documents. The Balance Sheet and Risk Management Committee Rabobank Group (effective 1 January 2015, it was divided into the Risk Management Committee and the Asset and Liability Committee), the Executive Board and the Supervisory Board periodically discuss the solvency position and the targets to be used.

Rabobank must comply with a number of minimum solvency positions stipulated under the law. The solvency position is determined based on ratios. These ratios compare Rabobank's BIS ratio and common equity Tier 1 ratio with the total amount of the risk-weighted assets. The minimum required percentages under the CRD IV are 8 percent and 4 percent of the risk-weighted assets, respectively.

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

The common equity Tier 1 ratio, the Tier 1 ratio and the BIS ratio are the most common ratios used to measure solvency. The common equity Tier 1 ratio expresses the relationship between common equity Tier 1 capital and total risk-weighted assets. At 31 December 2014, Rabobank Group's common equity Tier 1 ratio stood at 13.6 percent (year-end 2013; 13.5 percent).

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

The Tier 1 ratio expresses the relationship between Tier 1 capital and total risk-weighted assets. As at 31 December 2014, Rabobank Group's Tier 1 ratio stood at 16.0 percent (year-end 2013: 16.6 percent). The minimum requirement set by external supervisors under the CRDIV is 6.0 percent.

The BIS ratio is calculated by dividing the total of Tier 1 and Tier 2 capital by the total of risk-weighted assets. At 31 December 2014, the BIS ratio stood at 21.3 percent (year-end 2013: 19.8 percent). This exceeds the current minimum requirement set by the external supervisors of 8.0 percent.

The following table sets forth the development in capital and solvency ratios of Rabobank Group at 31 December 2014, 31 December 2013 and 31 December 2012:

Development in capital and solvency ratios

At 31 December

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

Selected statistical information*

The following section discusses selected statistical information regarding Rabobank Group's operations. Unless otherwise indicated, average balances are calculated based on monthly balances and geographic data are based on the domicile of the customer. See "Results of operations" for an analysis of fluctuations in Rabobank Group's results between periods.

Return on equity and assets

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

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

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 Certificates for each of the past five years:

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

Note:

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

Loan portfolio

Rabobank Group's loan portfolio consists of loans, overdrafts, assets subject to operating leases, finance lease receivables to governments, corporations and consumers and reverse repurchase agreements. The following table analyses Rabobank Group's loan portfolio by sector at 31 December 2014, 31 December 2013 and 31 December 2012:

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

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

At 31 December			
<i>(in millions of euros)</i>	2014	2013 (restated)	2012
The Netherlands	1,850	1,541	2,584
Other countries in the EU zone	36	336	408
North America	235	390	444
Latin America	—	40	5
Asia	—	2	256
Australia and New Zealand	14	288	5
Other countries	—	73	61
Total government clients	2,135	2,670	3,764
	322,0	335,0	341,6
The Netherlands	89	46	14
	27,31	26,97	35,73
Other countries in the EU zone	2	2	7
	40,19	36,56	42,01
North America	8	9	0
	11,27	10,63	11,41
Latin America	3	5	4
Asia	9,230	6,631	6,284
	19,94	18,69	20,81
Australia	8	8	2

At 31 December

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Other countries	341	140	220
	430,3	434,6	458,0
Total private sector lending	91	91	91

Risk elements*

Breakdown of assets and liabilities by repayment date*

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

At 31 December 2014

<i>Payments due by period (in millions of euros)</i>	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and cash equivalents	41,992	1,377	40	—	—	43,039
Due from other banks	14,373	26,813	2,626	1,206	284	45,302
Trading financial assets	26	839	503	2,214	697	4,279
Other financial assets at fair value through profit or loss	35	752	128	1,122	2,288	4,325
Derivative financial instruments	22	4,375	3,404	12,086	36,602	56,489
Loans to customers	30,380	39,258	38,483	83,696	27,0,630	462,447
Available-for-sale financial assets	4	3,858	3,090	16,369	16,449	39,770
Deferred tax assets	74	7	—	—	1,754	2,501
Other assets (excluding employee benefits)	74	4,194	1,528	1,539	549	8,554
Total financial assets	88,323	81,466	49,802	11,8,232	32,9,253	667,076
Due to other banks	2,287	8,781	1,263	4,953	599	17,883
Due to customers	23	45,062	9,728	14,295	21,232	326,471
Debt securities in issue	22	32,318	59,470	63,839	33,204	189,060
Derivative financial instruments and other trade liabilities	17	4,477	3,830	15,421	43,656	67,560
Other debts (excluding employee benefits)	1,715	4,386	713	791	57	7,662
Other financial liabilities at fair value through profit or loss	40	695	1,494	5,611	11,904	19,744

At 31 December 2014

<i>Payments due by period (in millions of euros)</i>	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Deferred tax liabilities	47	—	—	—	—	47
Subordinated debt	3	—	3	1,077	10,848	11,928
Total financial liabilities	1,074	95,719	76,501	10,5,987	12,1,500	64,0,781
Net liquidity surplus/(deficit)	(1,52,751)	(1,4,253)	(2,6,699)	12,245	20,7,753	26,295

The above breakdown was compiled on the basis of contract information, without taking into account actual movements in items in the statement of financial position. This is taken into account, however, for the day-to-day management of liquidity risk. Customer savings are an example. By contract, they are payable on demand. However, historically this has been a stable source of financing at the long-term disposal of Rabobank. The regulations of the supervisory authority also factor this in. Based on the liquidity criteria of the Dutch Central Bank, Rabobank had a substantial liquidity surplus at 31 December 2014 and throughout 2014. The average liquidity surplus was 26 percent of the total liquidity requirement.

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

Interest rate sensitivity

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

The Basis Point Value ("**BPV**") is the absolute loss of market value of equity after a parallel increase of the yield curve with 1 basis point. In 2014, the BPV did not exceed €8 million.

Long-term interest rate risk is measured and managed using the Equity at Risk concept. Equity at Risk is the sensitivity of Rabobank Group equity's market value to interest rate fluctuations. A 100 basis point overnight upward parallel shock of the curve will result in a 0.4 percent drop in market value of equity.

Short-term interest rate risk is monitored using the Income at Risk concept. This is the amount of net interest income that is put at risk on an annual basis, based on certain interest rate scenarios. If interest rates were to gradually decrease 2 basis points over a one-year period, net interest income would decrease at the most by €55 million in 2014.

Cross-border outstandings*

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets which are denominated in a currency other than the functional currency of the office or subsidiary where the extension of credit is booked. To the extent that the material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings.

At 31 December 2014, there were no cross-border outstandings exceeding 1 percent 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 percent of total assets, by type of borrower:

<i>(in millions of euros)</i>	Banks	Public authorities	Private sector	Total
At 31 December 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 31 December 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
At 31 December 2012				
France	4,448	6,001	4,213	14,662
Germany	3,556	6,605	5,751	15,912
United Kingdom	11,441	3,775	14,709	29,925
Poland	28	3,024	7,733	10,785
United States	5,294	14,471	53,871	73,636
Brazil	1,462	663	6,219	8,344
Australia	794	919	15,566	17,279

Diversification of loan portfolio*

One of the principal factors influencing the quality of the earnings and the loan portfolio is diversification of loans, e.g. by industry or by region. Rabobank Group uses the North America Industry Classification System (“**NAICS**”) as the leading system to classify industries. NAICS distinguishes a large number of sectors, subsectors and industries.

The following table is based on data according to NAICS and represents the loan portfolio of Rabobank Group loans by main sector at 31 December 2014:

At 31 December 2014			
<i>(in millions of euros)</i>	On balance	Off balance	Total
Grain and oilseeds	17,474	595	18,069

At 31 December 2014

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

Apart from due from other banks (€45.3 billion at 31 December 2014 which is 6.7 percent of total assets), Rabobank's only significant risk concentration is in the portfolio of loans to private individuals which accounted for 49 percent of the total loan portfolio at 31 December 2014. This portfolio has a relatively low risk profile as evidenced by the actual losses incurred in previous years. The proportion of the total loan portfolio attributable to the food and agri sector was 21 percent in 2014. The proportion of the total loan portfolio attributable to trade, industry and services was 30 percent at 31 December 2014. Loans to trade, industry and services and loans to the food and agri sector are both spread over a wide range of industries in many different countries. None of these shares represents more than 10 percent of the total loan portfolio.

Impaired loans

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

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

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

Summary of loan loss experience

The following table shows the movements in the allocation of the allowance for loan losses on loans accounted for as loans to customers for the past three years:

<i>(in millions of euros)</i>	2014	2013 <i>(restated)</i>	2012 <i>(restated)</i>
Domestic retail banking	4,561	3,866	2,637
Wholesale banking and international retail banking	2,672	2,893	2,680
Asset management	—	—	1
Leasing	455	467	451
Real estate	842	376	205
Other	51	53	42
Total balance at 1 January	8,581	7,655	6,016
Domestic retail banking	1,923	1,979	1,757
Wholesale banking and international retail banking	785	1,000	1,214
Asset management	—	—	—
Leasing	252	276	264
Real estate	678	520	240
Other	10	16	26

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

Due to customers*

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

	At 31 December		
<i>(in millions of euros)</i>	2014	2013 <i>(restated)</i>	2012
Time deposits	69,614	56,418	56,006
Current accounts/settlement accounts	83,243	82,991	81,640

At 31 December

<i>(in millions of euros)</i>	2014	2013 (restated)	2012
Repurchase agreements	1,220	1,474	2,299
Other	8,579	9,535	21,525
Total due to customers by businesses	162,656	150,418	161,470
Savings deposits	142,622	151,516	149,661
Current accounts/settlement accounts	20,388	14,470	15,122
Other	805	9,818	8,018
Total due to customers by individuals	163,815	175,804	172,801
Total due to customers	326,471	326,222	334,271

Short-term borrowings*

Short-term borrowings are borrowings with an original maturity of one year or less. These are included in Rabobank Group's consolidated statement of financial position under "Debt securities in issue". An analysis of the balance of short-term borrowings at 31 December 2014, 31 December 2013 and 31 December 2012 is provided below.

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

Long-term borrowings

Long-term borrowings are borrowings with an original maturity of more than one year. These are included in Rabobank Group's consolidated statement of financial position under "Debt securities in issue" and "Other financial liabilities at fair value through profit or loss". An analysis of the balance of long-term borrowings at 31 December 2014, 31 December 2013 and 31 December 2012 is provided below.

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

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 Risk Adjusted Return On Capital (“**RAROC**”). RAROC is calculated by dividing economic return by economic capital. The calculation and review of RAROC across Rabobank Group’s business activities and entities assists Rabobank Group in striking a balance between risk, returns and capital for both Rabobank Group and its constituent parts. This approach encourages each individual group entity to ensure appropriate compensation for the risks it runs. RAROC is therefore an essential instrument for positioning products in the market at the right price.

The use of the RAROC model to classify Rabobank Group’s activities also plays a role in the allocation of capital to the various group entities and the different risk categories. If the calculated RAROC lags behind a formulated minimum result to be achieved, which is a reflection of the costs of the capital employed, economic value is wasted. A higher RAROC implies the creation of economic value. For the year ended 31 December 2014, Rabobank realized a RAROC, which is the ratio between net profit and average economic capital, after tax of 7.8 percent

Credit risk

Rabobank Group aims to offer continuity in its services. It therefore pursues a prudent credit policy. Once granted, loans are carefully managed so there is a continuous monitoring of credit risk. At 31 December 2014, 49 percent of Rabobank Group’s credit loan portfolio to the private sector consisted of loans to private individuals, mainly residential mortgages, which tend to have a very low risk profile in relative terms. The remaining 51 percent was a highly diversified portfolio of loans to business clients in the Netherlands and internationally.

Approval of larger credit applications is decided on by committees. A structure consisting of various committees has been established, with the total exposure including the requested financing determining the applicable committee level. The Executive Board itself decides on the largest credit applications. Rabobank Group has three Policy Credit Committees (“**PCCs**”): Rabobank Group PCC and the Wholesale, Rural & Retail and Member Banks PCCs. Rabobank Group PCC establishes Rabobank Group’s credit risk policy. Rabobank Group entities define and establish their own credit policies within this framework. In this context, the Member Banks PCC is responsible for domestic retail banking and the Wholesale, Rural & Retail PCC for wholesale banking and international retail banking. Rabobank Group PCC is chaired by the CFO and the Executive Board is represented by three members. The CFO also chairs the Wholesale, Rural & Retail and Member Banks PCCs. The PCCs are composed of representatives from Rabobank Group’s most senior management levels. For corporate loans, a key concept in Rabobank Group’s policy for accepting new clients is the “know your customer” principle, meaning that loans are granted only to corporate clients whose management, including their integrity and expertise, is known and considered acceptable by Rabobank Group. In addition, Rabobank Group is familiar with the industry in which a client operates

and can assess its clients' financial performance. Corporate social responsibility implies responsible financing; accordingly, corporate social responsibility guidelines apply to the lending process as well.

With respect to the management of Rabobank Group's exposure to credit risk, Rabobank's Credit Risk Management department and Group Risk Management department play a key role. Credit applications beyond certain limits are subject to a thorough credit analysis by credit officers of Credit Risk Management. Group Risk Management monitors Rabobank Group's credit portfolio and develops new methods for quantifying credit risks.

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

Rabobank Group uses the Advanced IRB approach for credit risk. This is the most risk-sensitive form of the Basel II Credit Risk approaches. Rabobank Group has 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 Basel II parameters are an important element of management information. A significant advantage associated with the use of economic capital is a streamlined and efficient approval process. The use of the Basel II parameters and RAROC support credit analysts and the Credit Committees in making well-considered decisions. Every group entity has established a RAROC target at customer level. Next to credit quality, this is an important factor in taking decisions on specific credit applications.

Rabobank Group believes it has a framework of policies and processes in place that is designed to measure, manage and mitigate credit risks. Rabobank Group's policy for accepting new clients is characterized by careful assessment of clients and their ability to make repayments on credit granted. Rabobank Group's objective is to enter into long-term relationships with clients which are beneficial for both the client and Rabobank Group.

EAD is the expected exposure to the client in the event of, and at the time of, a counterparty's default. At year-end 2014, the EAD of the total Advanced IRB loan portfolio was €582 billion (2013: €574 billion). This EAD includes the expected future usage of unused credit lines. As part of its approval process Rabobank Group uses the Rabobank Risk Rating system, which indicates the counterparty's PD over a one-year period. The counterparties have been assigned to one of the 25 rating classes, including four default ratings. These default ratings are assigned if the customer defaults, the form of which varies from payment arrears of 90 days to bankruptcy. The weighted average PD of the total Advanced IRB loan portfolio is 1.05 percent (2013: 1.12 percent). This slight improvement in PD was caused by a change in the PD of existing debtors as well as by changes in the composition of the portfolio (inflow and outflow of clients), the implementation of new models and policy changes.

The following table shows the impaired loans (i.e. the amount of loans for which an allowance has been taken) of 31 December 2014, 2013 and 2012 per business unit as a percentage of private sector loans:

Impaired loans/private sector lending per business unit

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

	At 31 December		
<i>(in percentages)</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
Rabobank Group	3.8	3.7	3.2

Bad debt costs

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

The following table sets forth Rabobank Group's bad debt costs for the three years ended 31 December 2014, 2013 and 2012 per business unit as a percentage of private sector lending:

Bad debt costs/average private sector lending per business unit

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

Country risk

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

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

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

At 31 December 2014, the ultimate collective debtor risk for non-OECD countries was €26.9 billion and the net ultimate transfer risk before provisions for non-OECD countries was €18.2 billion,

which corresponds to 2.7 percent of total assets (2013: 2.1 percent). It should be noted that reduced weighting of specific products is no longer included in this transfer risk figure.

Risk in non-OECD countries

in millions of euros

31 December 2014

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

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

Interest rate risk

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

Rabobank Group's short-term interest rate risk can be quantified by looking at the sensitivity of net interest income (interest income less interest expenses, before tax) for changes in interest rates. This "Income at Risk" figure represents the change in net interest income for the coming 12 months, due to parallel increases/decreases in interest rates, assuming no management intervention. The Income at Risk calculation also takes account of changes in client savings and prepayments behavior in reaction to interest rate movements and changes in the pricing policy of savings products. In the past, the applied interest rate scenarios were based on the assumption that all money and capital market interest rates will show an even and parallel increase/decline by 200 basis points during the first 12 months. Given the low interest rate environment and the assumption that interest rates cannot become negative, the methodology which assumed a 200 basis point decline has been replaced by an alternative methodology that assumes an interest rate decline by 10 basis points in 2013 and 2 basis points in 2014. The simulation of the possible net interest income development is based on an internal interest rate risk model. This model includes certain assumptions regarding the interest rate sensitivity of products with interest rates that are not directly linked to a certain money or capital market rate, such as savings of private customers.

Rabobank Group's long-term interest rate risk is measured and controlled based on the concept of "Equity at Risk", which is the sensitivity of Rabobank Group's economic value of equity to an instant parallel change in interest rates of 200 basis points. The economic value of equity is

defined as the present value of the assets less the present value of the liabilities plus the present value of the off-balance sheet items. In the Equity at Risk calculation, client 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 31 December 2013 and 31 December 2014, the Income at Risk (“**IaR**”) and Equity at Risk (“**EaR**”) for Rabobank Group were as follows:

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

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

Liquidity risk

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

Responsibility for the day-to-day management of liquidity exposures, the raising of professional funding on the money market and the capital market, and the management of the structural position lies with Rabobank Group's Treasury department. In keeping with the Basel principles, the policy is aimed at financing long-term loans by means of stable funding, specifically amounts due to customers and long-term funding from the professional markets. Rabobank Group's funding and liquidity risk policy also entails strictly limiting outgoing cash flows at the wholesale banking business, maintaining a large liquidity buffer and raising sufficient long-term funding in the international capital market. The retail banking division is assumed to be largely self-funding thanks to money raised from customers. The division raised more than enough money to fund operations in 2014 given low lending demand. Retail savings declined due to prepayments on mortgages.

Liquidity risk is an 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 2014, Rabobank more than satisfies the minimum survival period of three months in all the internally used scenarios.

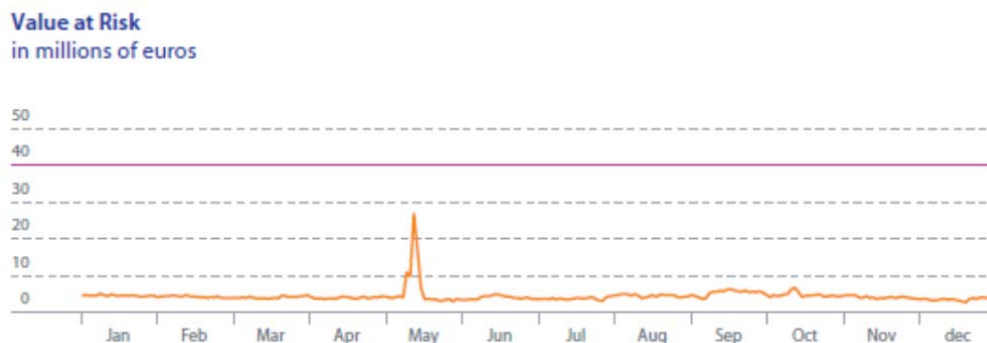
Market risk

Market risk relates to the change in value of Rabobank Group's trading portfolio as a consequence of changes in market prices, such as interest rates, foreign exchange rates, credit spreads, commodity prices and equity share prices. The RMC-RG is responsible for developing and supervising market risk policies and monitors Rabobank Group's worldwide market risk profile. On a daily basis, the Market Risk department measures and reports the market risk positions. Market risk is calculated based on internally developed risk models and systems, which are approved and accepted by the Dutch Central Bank. Rabobank Group's risk models are based on the “Value at Risk” concept. Value at Risk describes the maximum possible loss that Rabobank Group can suffer within a defined holding period, based on historical market price changes and a given certain confidence interval.

Value at Risk within Rabobank Group is based on actual historical market circumstances. To measure the potential impact of strong adverse market price movements, stress tests are applied. These “event risk scenarios” measure the effect of sharp and sudden changes in market prices. Value at Risk and event risk are tied to limits that are set by the Executive Board on an annual basis.

For the year ended 31 December 2014, the Value at Risk, based on a one-day holding period and 97.5 percent confidence level, fluctuated between €2.4 million (2013: €3.5 million) and €22.5 million (2013: €8.9 million), with an average of €3.8 million (2013: €6.4 million). The decrease of the average Value at Risk compared to 2013 follows from changes in positions and activities. The Value at Risk of €22.5 million was caused by a number of larger benchmark transactions and the issuance of tier 2 bonds in a short period of low liquidity and adverse market circumstances. The subsequent market position was brought to normal levels within days.

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



Source: Rabobank Group Annual Report 2014

Operational risk

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

Legal risk

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

Currency risk

Currency risk is the risk of changes in income or equity as a result of currency exchange movements. In currency risk management, a distinction is made between positions in trading books and positions in banking books. In the trading books, currency risk is part of market risk and is controlled using Value at Risk and other limits, as are other market risks. This risk is monitored on a daily basis. The policy aims to prevent open positions whenever possible. The value at risk from currency risk exposure in the trading books stood at €0.1 million at 31 December 2014 (2013: €0.6 million). The non-trading books are only exposed to the translation risk on capital invested in foreign activities and on issues of hybrid equity instruments not denominated in euros. For the monitoring and management of translation risk, Rabobank uses a policy designed to protect the CET1 ratio against the effects of exchange rate movements. Unhedged translation risks are measured using the Value at Risk method. Translation risks are measured using a confidence interval of 99.99% and an assumed horizon of one year. The Value at Risk for translation risk amounted to €471 million as at year-end..

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 1 January 2007 and under which Rabobank is supervised by the AFM and the Dutch Ministry of Finance (*Ministerie van Financiën*). Further, as of 4 November 2014, the ECB assumed certain supervisory tasks from the Dutch Central Bank (De Nederlandsche Bank N.V.) and is now the competent authority responsible for supervising Rabobank Group's compliance with prudential requirements. Rabobank and the various Rabobank Group entities are also subject to certain European Union ("EU") legislation, which has a significant impact on the regulation of Rabobank Group's banking, asset management and broker-dealer businesses in the EU, and to the regulation and supervision of local supervisory authorities of the various countries in which Rabobank Group does business.

Basel standards

Introduction

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

In this context, on 15 July 1988, the Basel Committee adopted risk-based capital guidelines ("**Basel I**"). A revision of Basel I was published in June 2004 ("**Basel II**"). Basel II provides a range of options for determining the capital requirements for credit risk, market risk and also operational risk. In comparison to Basel I, Pillar 1 of Basel II aligns the minimum capital requirements more closely to each bank's actual risk of economic loss. Pursuant to Pillar 2, effective supervisory review of banks' internal assessments of their overall risks is exercised to ensure that bank management is exercising sound judgement and has reserved adequate capital for these risks. Pillar 3 uses market discipline to motivate prudent management by increasing transparency in banks' public reporting.

Under Basel II, banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from simple via intermediate to advanced, giving banks the possibility to select approaches that are most appropriate for their operations and their financial market infrastructure.

Credit Risk

For credit risk, banks can choose between the "Standardised Approach", the "Foundation Internal Ratings Based Approach" and the "Advanced Internal Ratings Based Approach". The Standardised Approach is based on standardised risk weights set out in Basel II and external credit ratings and is the least complex. The two Internal Ratings Based Approaches allow banks to use internal credit rating systems to assess the adequacy of their capital. The Foundation Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the 'Probability of Default'. In addition to this component of credit risk, the Advanced Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Exposure at Default" and the "Loss Given Default". The Group has chosen the most sophisticated approach, the Advanced Internal Ratings Based Approach.

In December 2014, the Basel Committee issued two consultation papers entitled "Revisions to the Standardised Approach for credit risk" and "Capital floors: the design of a framework based on standardised approaches". The consultation papers set out the Basel Committee's proposals to reduce reliance on external credit ratings and internal models and aims to enhance the comparability of risk weighted assets and capital ratios. The biggest potential impact of the Basel Committee's proposals for the Rabobank Group is the proposal to integrate 'capital floors' into capital calculations. While most (large) banks currently calculate capital with advanced risk-sensitive models, the Basel Committee proposes to use 'capital floors' as part of the 'standardised method'. The proposals are in the consultation and impact study phase. The Basel Committee intends to publish its final guidance,

including its calibration and implementation arrangements, towards the end of 2015. The date for implementation is not yet known.

Market Risk

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

Operational Risk

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

Basel III Reforms

Under Basel III, capital and liquidity requirements have been increased. On 17 December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled “Strengthening the resilience of the banking sector”. The Basel Committee published its economic impact assessment on 18 August 2010 and, on 12 September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements. On 16 December 2010, the Basel Committee issued its final view on Basel III though it has subsequently introduced several amendments and refinements to Basel III, particularly in respect of its liquidity requirements, capital requirements for exposures to central counterparties, and other areas. The Basel Committee has indicated that it continues to consider potential revisions to the Basel III regime.

The Basel III framework, which is implemented in the EU by means of the CRD IV Directive and CRR (see “European Union Standards – The CRD IV Directive and CRR” below) sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. The Basel III Reforms include increasing the minimum common equity (or equivalent) requirement from 2 percent (before the application of regulatory adjustments) to 4.5 percent (after the application of stricter regulatory adjustments (which, under CRD IV, are gradually phased in from 1 January 2014 until 1 January 2018)). The total tier 1 capital requirement has increased from 4 percent to 6 percent 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 percent to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7 percent. 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 percent of common equity (or other fully loss absorbing capital) may be applied as an extension of the conservation buffer. Furthermore, banks considered to have systemic importance should have loss absorbing capacity beyond these standards.

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

In addition, the Basel III Reforms have introduced two international minimum standards intended to promote resilience to potential liquidity disruptions over a 30 day horizon and limit over-

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

There can be no assurance that the Basel Committee will not further amend the package of reforms described above. Further, the European Commission, the ECB and the Dutch Central Bank or the Dutch legislator may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital and liquidity requirements on Dutch banks.

The Basel III Reforms package is implemented in the EEA through the CRD IV Directive and the CRR (for further detail, see the risk factor entitled “Minimum regulatory capital and liquidity requirements” and the section entitled “European Union standards - The CRD IV Directive and CRR” below).

European Union legislation

The CRD IV Directive and CRR

As of 1 January 2014, the EC Directive 2006/48 and EC Directive 2006/49 was repealed by the CRD IV Directive. The CRD IV Directive, together with the CRR, implements the Basel III Reforms in the EEA. Both texts were published in the Official Journal of the European Union on 27 June 2013 and became effective on 1 January 2014 (except for capital buffer provisions which shall apply as from 1 January 2016). The CRD IV Directive was implemented into Dutch law by amendments to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) pursuant to an amendment act (the “**CRD IV/CRR Implementation Act**”) which entered into force on 1 August 2014. The liquidity requirements for investment firms became applicable as of 1 January 2015.

The CRR has established a single set of harmonised prudential rules which apply directly to all banks in the EEA as of 1 January 2014, but with particular requirements being phased in over a period of time, to be fully applicable by various dates up to 2021. The harmonised prudential rules include own funds requirements, an obligation to maintain a liquidity coverage buffer (similar to the LCR, although the CRR obligation does not include a requirement to meet a ratio), a requirement to ensure that long-term obligations are adequately met under both normal and stressed conditions and the requirement to report on these obligations. The competent supervisory authorities will evaluate whether capital instruments meet the criteria set out in the CRR. The CRR also includes the obligation to report on a bank’s leverage ratio (this requirement is similar to the leverage ratio requirement set out in Basel III, however, the CRR does not include a requirement to meet a minimum ratio).

On 17 January 2014, the regulation on specific provisions set out in the CRD IV Directive and the CRR (*Regeling specifieke bepalingen CRD IV en CRR*) (“**Dutch CRD IV and CRR Regulation**”) as published by the Dutch Central Bank entered into force. The Dutch CRD IV and CRR Regulation contains specific provisions relating to the CRD IV Directive and the CRR, such as the required CET1 ratio of 4.5 percent and tier 1 ratio of 6 percent and the capital conservation measures set out in CRD IV (restriction on distributions if a bank does not meet the combined buffer requirement). On 29 April 2014, the Dutch Central Bank announced that, pursuant to the CRD IV/CRR Implementation Act, it intends to impose an additional capital buffer requirement for Rabobank. This systematic risk buffer will be 3 percent of risk-weighted assets and will be phased in between 2016 and 2019. The Dutch Central Bank has the power to impose this buffer pursuant to the implementation of CRR/CRD IV by the CRR/CRD IV Implementation Act. The Dutch CRD IV and CRR Regulation will likely also be amended to this effect.

Bank Recovery and Resolution Directive

Directive 2014/59/EU for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the “**Bank Recovery and Resolution Directive**” or the “**BRRD**”) was published in the Official Journal of the European Union on 12 June 2014. The BRRD entered into force in July 2014. The BRRD includes provisions, known as the bail-in tool. The bail-in tool with respect to eligible liabilities and the other measures set out in the BRRD (outlined below) are expected to be implemented into Dutch law on or prior to 1 January 2016. The stated aim of the BRRD is to provide relevant authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and 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 (not including senior debt instruments) fully absorb losses at the point of non-viability of the issuing institution, as well as a bail-in tool comprising a more general power for resolution authorities to write down the claims of unsecured creditors (including holders of senior debt instruments) of a failing institution and/or to convert unsecured debt claims to equity.

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

Supervision

On 16 December 2002, the Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council was adopted. This directive aims to address the supervisory issues that arise from the blurring of distinctions between the activities of firms in each of the banking, securities, investment services and insurance sectors. The main objectives of this directive are to:

- ensure that a financial conglomerate has adequate capital;
- introduce methods for calculating a conglomerate’s overall solvency position;
- deal with the issues of intra-group transactions, exposure to risk and the suitability and professionalism of management at financial conglomerate level; and
- prevent situations in which the same capital is used simultaneously as a buffer against risk in two or more entities which are members of the same financial conglomerate (‘double gearing’) and where a parent issues debt and downstreams the proceeds as equity to its regulated subsidiaries (‘excessive leveraging’).

The directive was implemented in the Netherlands through the Dutch Financial Supervision Act. The directive was amended by Directive 2011/89/EU as regards the supplementary supervision of financial entities in a financial conglomerate. The bill implementing Directive 2011/89/EU through amendments to the Dutch Financial Supervision Act was published in the Dutch Bulletin of Acts and Decrees.

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

Pensions Authority (EIOPA) and European Securities and Markets Authorities (ESMA). These institutions have been in place since 1 January 2011.

However, as part of the European Banking Union two regulations have been enacted, (i) a regulation for the creation of a single supervisory mechanism (“SSM”) on the basis of which specific tasks relating to the prudential supervision of the most significant banks in the Euro area are conferred to the ECB; and (ii) the amendment of the regulation setting up the EBA. Regulation 1024/2013 for the setting up of the SSM was published in the Official Journal of the European Union on 29 October 2013 and entered into force on 4 November 2013. On 4 November 2014, the ECB began its tasks relating to the prudential supervision of the most significant banks and most significant banking groups within the Euro area. Rabobank Group qualifies as a significant group under the SSM and SSM Framework regulation, and as such the ECB is now the competent authority responsible for supervising the Rabobank Group.

The SSM provides that the ECB carries out its tasks within a single supervisory mechanism comprised of the ECB and national competent authorities. The ECB and relevant competent authorities have formed Joint Supervisory Teams (“JST”) for the supervision of each significant bank or significant banking group within the Euro area. From 4 November 2014, the day-to-day supervision of the Rabobank Group is now carried out by a JST. The ECB and national competent authorities are subject to a duty of cooperation in good faith, and an obligation to exchange information. Where appropriate, and without prejudice to the responsibility and accountability of the ECB for the tasks conferred on it by the SSM, national competent authorities shall be responsible for assisting the ECB. In view of the assumption of these supervisory tasks, the ECB together with the national competent authorities carried out a comprehensive assessment, including a balance sheet assessment, as well as a related AQR and stress tests, of the banks in respect of which it took on responsibility for formal supervision. The ECB is now the competent authority responsible for supervising Rabobank Group’s compliance with prudential requirements, including (i) the own funds requirements, LCR, NSFR, the leverage ratio and the reporting and public disclosure of information on these matters, as set out in the CRR and (ii) the requirement to have in place robust governance arrangements, including fit and proper requirements for the persons responsible for the management of a bank, remuneration policies and practices and effective internal capital adequacy assessment processes, as set out in the Dutch Financial Supervision Act. The ECB is also the competent authority to assess notifications of the acquisition of qualifying holdings in banks and to grant a declaration of no objection for such holdings.

To complement the European Banking Union and the SSM, on 10 July 2013 the European Commission proposed Regulation (EU) No 806/2014 (the “SRM Regulation”) to establish the SRM. The SRM Regulation was adopted in September 2014. The SRM proposes to establish a single resolution board (consisting of representatives from the ECB, the European Commission and the relevant national authorities) that will manage the failing of any bank in the Euro area and in other EU member states participating in the European Banking Union. On the basis of the SRM, the single resolution board is granted the same resolution tools as those set out in the Bank Recovery and Resolution Directive, including a bail-in tool. The SRM will apply directly to banks covered by the SSM. Most parts of the SRM will apply as of 1 January 2016. However, some parts applied as of 1 January 2015.

Dutch regulation

Scope of the Dutch Financial Supervision Act

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

Licensing

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

Reporting and investigation

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

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

Under the Dutch Financial Supervision Act, Rabobank is required to make its annual financial statements and its semi-annual financial statements generally available to the public within four months and two months, respectively, of the end of a period to which the financial information relates. The annual and semi-annual financial statements must be filed with the AFM simultaneously with their publication.

Solvency

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

Liquidity

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

Structure

The Dutch Financial Supervision Act provides that a bank must obtain a declaration of no-objection before, among other things, (i) acquiring or increasing a qualified holding in a bank, investment firm or insurer with its statutory seat in a state which is not part of the EEA, if the balance sheet total of that bank, investment firm or insurer at the time of the acquisition or increase amounts to more than 1 percent of the bank's consolidated balance sheet total, (ii) acquiring or increasing a qualified holding in an enterprise, not being a bank, investment firm or insurer with its statutory seat in the Netherlands or in a state which is part of the EEA or in a state which is not part of the EEA, if the amount paid for the acquisition or increase, together with the amounts paid for a previous acquisition or increase of a holding in such enterprise, amounts to more than 1 percent 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 percent 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 percent 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 1 January 2014, the definition of "qualified holding" as set out in the CRR applies. "Qualified holding" in the CRR is defined to mean a direct or indirect holding in an undertaking which represents 10 percent or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking.

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

Governance and administrative 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 13 June 2012, the Intervention Act entered into force and amended the Dutch Financial Supervision Act and the Dutch Bankruptcy Act (*Faillissementswet*). Pursuant to the Intervention Act, the Dutch Central Bank has the power to take various measures in respect of banks and insurance companies if it perceives a dangerous development regarding the entity's own funds, solvency, liquidity or technical provisions and there is a reasonable probability that this development cannot be sufficiently or promptly reversed. The possible measures available to the Dutch Central Bank under the Intervention Act include filing a request for a bank or insurance company to be declared bankrupt, or preparing and effecting the transfer of deposits, other assets and liabilities and/or shares of the entity to a third party with a view to the timely and efficient liquidation of the entity. The Dutch Central Bank can prepare a 'transfer plan' for this purpose. If the Dutch Central Bank decides to notify the relevant entity of its preparation of such a plan, then following such notification the entity must provide various information and access to the Dutch Central Bank, the entity and its corporate bodies must cooperate in the preparation of the transfer plan and the Dutch Central Bank can appoint a special receiver. The intervention will only be made public after approval of the transfer plan by the Amsterdam district court.

In addition, under the Intervention Act the Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets or securities issued by or with the consent of a financial enterprise (*financiële onderneming*) or its parent, in each case if it has its corporate seat in the Netherlands, if in the Minister of Finance's opinion the stability of the financial system is in serious and immediate danger as a result of the situation in which the entity finds itself. In taking these measures,

provisions in relevant Dutch legislation and the entity's articles of association may be set aside. Examples of immediate measures include the suspension of voting rights or of board members. The measures that can be taken by the Minister of Finance may only be used if other measures would not work, would no longer work, or would be insufficient. In addition, to ensure such measures are 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 exercise of acceleration, early termination and other rights (including the right to request collateral and the right to set-off or net), could impair the effectiveness of the supervisory measures introduced by the Intervention Act. Therefore, the Intervention Act provides that such rights, to the extent they are triggered by the preparation or implementation of the measures introduced by the Intervention Act, cannot be exercised without the prior approval of the Dutch Central Bank. Exceptions are made in respect of rights resulting from the final directive and financial collateral arrangements. Furthermore, an obligation to give notice of an event or to provide information regarding an event is not enforceable. These provisions apply regardless of the governing law and extend to group companies of banks and insurance companies.

Once the SRM takes effect, the single resolution board will have additional intervention powers including the power to operate the bail-in tool as set out in the SRM and the Bank Recovery and Resolution Directive (see “- Bank Recovery and Resolution Directive”). A legislative proposal for the implementation of the SRM/BRRD in The Netherlands was made public in November 2014 for consultation. It is currently expected that this legislation will enter into force on or prior to 1 January 2016.

Emergencies

The Dutch Financial Supervision Act contains an “emergency regulation” which can be declared in respect of a bank by a Dutch court at the request of the Dutch Central Bank if it finds *prima facie* evidence of a dangerous development regarding the bank's own funds, solvency or liquidity and there is a reasonable probability that this development cannot be sufficiently or promptly reversed. As of the date of the emergency, only the court-appointed administrators have the authority to exercise the powers of the bodies of the bank. A bank can also be declared in a state of bankruptcy by the court. Together with the request to declare the “emergency regulation”, the Dutch Central Bank can request the Dutch court to approve a “transfer plan” for a bank. This plan may include the transfer of deposits, assets/liabilities or shares of the bank.

U.S. regulation

Regulation and Supervision in the U.S.

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

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

Under U.S. law, the Group's activities and those of its subsidiaries in the U.S. are generally limited to the business of banking, and managing or controlling banks and certain other activities that are closely related to banking. So long as Rabobank is a financial holding company under U.S. law, it may also engage in non-banking activities in the U.S. that are financial in nature, or incidental or

complementary to such financial activity, including securities, merchant banking, insurance and other financial activities, subject to certain limitations on the conduct of such activities and to prior regulatory approval in some cases. As a non-U.S. bank, Rabobank is generally 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 percent of any class of voting shares of U.S. banks, certain other depository institutions, and bank or depository institution holding companies.

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

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

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

New York Branch

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

The New York Banking Law 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 will extend to almost every area of U.S. financial markets. While many of the rules implementing Dodd-Frank have been finalized or proposed significant uncertainty remains about the implementation, timing and impact of many of those rules.

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

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

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

On 10 December 2013, the five U.S. federal financial regulatory agencies released the final version of the regulations implementing the statute. The transitional conformance period for the Volcker Rule ends with respect to most covered activities on 21 July 2015, although the Federal Reserve has effectively granted a two-year extension for banking entity relationships with certain legacy funds. Financial institutions subject to the rule, such as the Rabobank Group, must bring their activities and investments into compliance and implement a compliance program. During the conformance period, Rabobank will continue to analyse the final rule, assess how it will affect its businesses and devise and implement an appropriate compliance strategy. Further implementation efforts may be necessary based on subsequent regulatory interpretations, guidelines or examinations.

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

The Dodd-Frank Act also requires large, interconnected financial institutions, including any non-U.S. bank with U.S.\$50 billion or more in total consolidated assets that has a branch or agency in the U.S. (such as the Rabobank Group) to prepare and periodically submit to the Federal Reserve, the FDIC and the FSOC a plan for such company's rapid and orderly resolution in the event of material financial distress or failure. The resolution plan requirements have been implemented through regulations issued by the Federal Reserve and the FDIC that establish rules and requirements regarding the submission and content of a resolution plan and procedures for review by the Federal Reserve and the FDIC. The Federal Reserve and the FDIC must determine that a

company's resolution plan is credible and would facilitate an orderly resolution of the company. A company that fails to submit a credible resolution plan may be subject to a range of measures imposed by the Federal Reserve and the FDIC, including more stringent capital, leverage or liquidity requirements; restrictions on growth, activities or operations; and requirements to divest assets or operations, as directed by the Federal Reserve and the FDIC.

Implementation of the Dodd-Frank Act and related final regulations could result in significant costs and potential limitations on or reorganization of the Rabobank Group's businesses and results of operations.

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The consolidated financial statements are a translation of the Dutch consolidated financial statements. In the event of any conflict in interpretation, the Dutch original takes precedence.

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Consolidated statement of financial position

<i>In millions of euros</i>	<i>Note</i>	<i>At 31 December 2014</i>	<i>At 31 December 2013</i>
Assets			
Cash and cash equivalents	6	43,409	43,039
Due from other banks	7	45,302	40,787
Financial assets held for trading	8	4,279	5,289
Other financial assets at fair value through profit or loss	9	4,325	4,939
Derivative financial instruments	10	56,489	39,703
Loans to customers	11	462,447	455,909
Available-for-sale financial assets	12	39,770	46,552
Investments in associates and joint ventures	13	3,807	3,747
Intangible assets	14	2,059	1,991
Property and equipment	15	7,148	6,901
Investment properties	16	452	1,055
Current tax assets		211	170
Deferred tax assets	24	2,501	1,910
Other assets	17, 25	8,560	8,030
Non-current assets held for sale and discontinued operations	43, 44	327	9,073
Total assets		681,086	669,095

<i>In millions of euros</i>	<i>Note</i>	<i>At 31 December 2014</i>	<i>At 31 December 2013</i>
Liabilities			
Due to other banks	18	17,883	14,745
Due to customers	19	326,471	326,222
Debt securities in issue	20	189,060	195,361
Derivative financial instruments and other trade liabilities	10	67,560	50,171
Other debts	21, 25	8,047	7,749
Other financial liabilities at fair value through profit or loss	22	19,744	19,069
Provisions	23	794	1,050
Current tax liabilities		255	266
Deferred tax liabilities	24	473	288
Subordinated debt	26	11,928	7,815
Liabilities held for sale and discontinued operations	43, 44	-	7,825
Total liabilities		642,215	630,561
Equity			
Equity of Rabobank Nederland and local Rabobanks	28	24,894	23,731
Equity instruments issued directly			
Rabobank Certificates	29	5,931	5,823
Capital Securities	30	6,349	7,029
		12,280	12,852
Equity instruments issued by subsidiaries			
Capital Securities	30	181	236
Trust Preferred Securities III to VI	30	1,043	1,269
		1,224	1,505
Other non-controlling interests	31	473	446
Total equity		38,871	38,534
Total equity and liabilities		681,086	669,095

Consolidated statement of income

<i>In millions of euros</i>	Note	<i>For the year ended 31 December</i>	
		2014	2013
Interest income	32	18,638	19,707
Interest expense	32	9,520	10,612
Interest	32	9,118	9,095
Commission income	33	2,075	2,189
Commission expense	33	196	188
Commission	33	1,879	2,001
Income from associates	34	81	79
Net income from financial assets and liabilities at fair value through profit or loss	35	219	232
Gains (losses) on available-for-sale financial assets	12	418	56
Other results	36	1,142	1,567
Income		12,857	13,030
Staff costs	37	5,086	5,322
Other administrative expenses	38	2,532	3,910
Depreciation	39	437	528
Operating expenses		8,055	9,760
Value adjustments	40	2,633	2,643
Bank tax and resolution levy	41	488	197
Operating profit before taxation		1,681	430
Taxation	42	(161)	88
Net profit from continuing operations		1,842	342
Net profit from discontinued operations	43	-	1,665
Net profit		1,842	2,007
Of which allocable to Rabobank Nederland and local Rabobanks	28	620	929
Of which allocable to holders of Rabobank Certificates	29	385	309
Of which allocable to Capital Securities	30	705	655
Of which allocable to Trust Preferred Securities III to VI	30	74	67
Of which allocable to other non-controlling interests	31	58	47
Net profit for the year		1,842	2,007

Consolidated statement of comprehensive income

<i>In millions of euros</i>	<i>Note</i>	<i>For the year ended 31 December</i>	
		<i>2014</i>	<i>2013</i>
Net profit		1,842	2,007
Unrealised gains and losses after taxation arising in the period that is transferred to profit or loss if specific conditions are met			
Foreign currency translation reserves	28		
Currency translation differences		325	(341)
Revaluation reserve - Available-for-sale financial assets	28		
Currency translation differences		(34)	(43)
Changes in associates		86	(28)
Fair value changes		533	(34)
Amortisation of reclassified assets		13	37
Transferred to profit or loss		(237)	(70)
Revaluation reserve - Associates	28		
Fair value changes		(27)	(21)
Revaluation reserve - Cash flow hedges	28		
Fair value changes		548	(1,450)
Transferred to profit or loss		(586)	1,459
Non-controlling interests	31		
Translation differences		22	(16)
Unrealised gains and losses after taxation arising in the period not transferred to profit or loss			
Foreign currency translation differences	28		
Currency translation differences Trust Preferred Securities III to VI		156	(71)
Revaluation reserve - Pensions	28		
Fair value changes		(25)	(758)
Total other comprehensive income		774	(1,336)
Total comprehensive income		2,616	671
Of which allocable to Rabobank Nederland and local Rabobanks		1,372	(391)
Of which allocable to holders of Rabobank Certificates		385	309
Of which allocable to Capital Securities		705	655
Of which allocable to Trust Preferred Securities III to VI		74	67
Of which allocable to other non-controlling interests		80	31
Total comprehensive income		2,616	671

Consolidated statement of changes in equity

<i>In millions of euros</i>	Note	Equity of Rabobank Nederland and local Rabobanks	Equity instruments issued directly	Equity instruments issued by subsidiaries	Other non-controlling interests	Total
At 1 January 2014		23,731	12,852	1,505	446	38,534
Net profit		620	1,072	92	58	1,842
Total other comprehensive income:	28					
Foreign currency translation reserves		481	-	-	22	503
Revaluation reserve - Available-for-sale financial assets		361	-	-	-	361
Revaluation reserve - Associates		(27)	-	-	-	(27)
Revaluation reserve - Cash flow hedges		(38)	-	-	-	(38)
Revaluation reserve - Pensions		(25)	-	-	-	(25)
Total comprehensive income		1,372	1,072	92	80	2,616
Payment on Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities		-	(1,072)	(92)	-	(1,164)
Redemption of Capital Securities and Trust Preferred Securities V and VI	30	(167)	(648)	(443)	-	(1,258)
Rabobank Certificates issued during the year	29	-	108	-	-	108
Other		(42)	(32)	162	(53)	35
At 31 December 2014		24,894	12,280	1,224	473	38,871
At 1 January 2013		25,311	13,786	1,576	1,407	42,080
Change in accounting policy IFRS 10 and 11		-	-	-	(588)	(588)
Adjustment of payments on Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities		(994)	-	-	-	(994)
Revised amount at 1 January 2013		24,317	13,786	1,576	819	40,498
Net profit		929	946	85	47	2,007
Total other comprehensive income:	28					
Foreign currency translation reserves		(412)	-	-	(16)	(428)
Revaluation reserve - Available-for-sale financial assets		(138)	-	-	-	(138)
Revaluation reserve - Associates		(21)	-	-	-	(21)
Revaluation reserve - Cash flow hedges		9	-	-	-	9
Revaluation reserve - Pensions		(758)	-	-	-	(758)
Total comprehensive income		(391)	946	85	31	671
Payment on Rabobank (Member) Certificates, Trust Preferred Securities III to VI and Capital Securities		-	(946)	(85)	-	(1,031)
Redemption of Capital Securities	30	(14)	(83)	-	-	(97)
Exchange of Rabobank Extra Member Bonds	29	-	225	-	-	225
Rabobank (Member) Certificates redeemed during the year	29	-	(2,074)	-	-	(2,074)
Rabobank (Member) Certificates issued during the year	29	-	1,000	-	-	1,000
Costs of issuance of Rabobank (Member) Certificates	29	(79)	-	-	-	(79)
Premium (Discount) in relation to Rabobank (Member) Certificates	29	(133)	-	-	-	(133)
Increase of share in structured finance deal	31	-	-	-	(360)	(360)
Other		31	(2)	(71)	(44)	(86)
At 31 December 2013		23,731	12,852	1,505	446	38,534

Consolidated statement of cash flows

In millions of euros	For the year ended 31 December		
	Note	2014	2013
Cash flows from operating activities			
Operating profit before taxation from continuing operations		1,681	430
Operating profit before taxation from discontinued operations		-	1,719
Adjusted for:			
Non-cash items recognised in operating profit before taxation			
Depreciation	39	437	528
Depreciation of operating lease assets and investment properties	15, 16	924	818
Value adjustments	40	2,633	2,643
Impairment on property activities		40	637
Result on sale of property and equipment		17	20
Income from associates	34	(81)	(79)
Fair value results on financial assets and liabilities at fair value through profit or loss	35	(219)	(232)
Gains (losses) on available-for-sale financial assets	12	(418)	(56)
Result from termination of DB scheme		-	(2,022)
Provisions		(256)	220
Non-cash items relating to discontinued operations		-	204
Net change in operating assets			
Due from and to other banks	7, 18, 40, 43	(1,513)	(17,014)
Financial assets held for trading	8, 35	2,724	64
Derivative financial instruments	10	(16,676)	25,591
Net change in other financial assets and liabilities at fair value through profit or loss	9, 22, 43	57	(3,021)
Loans to customers	11, 40, 43	(2,976)	20,298
Dividends received from associates and financial assets		96	95
Net change in liabilities relating to operating activities			
Derivative financial instruments and other trade liabilities	10	17,288	(24,520)
Due to customers	19, 43	(6,143)	(1,642)
Debt securities in issue	20	(6,588)	(27,689)
Other debts	21, 43	91	(2,818)
Income tax paid		(338)	(318)
Other changes		(4,243)	1,451
Net cash flow from operating activities		(13,463)	(24,693)
Cash flows from investing activities			
Acquisition of associates net of cash and cash equivalents acquired	13	(54)	(58)
Disposal of associates net of cash and cash equivalents		54	1
Acquisition of subsidiaries net of cash and cash equivalents acquired		-	-
Disposal of subsidiaries net of cash and cash equivalents	44	591	1,788
Acquisition of property and equipment and investment properties	15, 16	(2,360)	(1,791)
Proceeds from sale of property and equipment		1,609	669
Acquisition of available-for-sale financial assets and held-to-maturity financial assets	12	(9,863)	(44,524)
Proceeds from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets		19,528	44,167
Net cash flow from investing activities		9,505	252
Cash flows from financing activities			
Acceptance of Rabobank Certificates	29	-	(2,788)
Sale of Rabobank Certificates		-	1,465
Issuance of Rabobank Certificates		108	-
Redemption of Trust Preferred Securities V and VI		(382)	-
Payments on Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities		(1,164)	(1,030)
Payments on Senior Contingent Notes and Rabo Extra Member Bonds		(86)	(86)
Redemption of Capital Securities	30	(709)	(83)
Proceeds from issue of subordinated debt		3,607	3,224
Repayment of subordinated debt		(9)	(733)
Net cash flow from financing activities		1,365	(31)
Net change in cash and cash equivalents		(2,593)	(24,472)
Cash and cash equivalents at beginning of year		43,039	68,103
Foreign exchange differences on cash and cash equivalents		2,963	(592)
Cash and cash equivalents at end of year		43,409	43,039
The cash flows from interest are included in the net cash flow from operating activities			
Interest income		18,877	19,928
Interest expense		9,739	9,660

Notes to the consolidated Financial statements

1 *Basis of consolidation*

Rabobank Group (Rabobank) comprises the local Rabobanks (Members), the central cooperative Rabobank Nederland and a number of specialised subsidiaries. Rabobank Nederland advises the Members and assists them in the provision of their services. Rabobank Nederland also supervises the local Rabobanks by virtue of the Dutch Financial Supervision Act (Wet op het financieel toezicht). Furthermore, under the same Act, the Dutch Ministry of Finance has designated Rabobank Nederland as a holder of a collective license for purposes of conduct-of-business supervision.

Rabobank's cooperative structure has several executive levels, each with its own duties and responsibilities. In annual financial reporting terms, Rabobank Nederland exercises control over the local Rabobanks.

The consolidated financial statements of Rabobank include the financial information of Rabobank Nederland and that of the Members and other group companies.

2 *Accounting policies*

The main accounting policies used in preparing these consolidated financial statements are explained below.

2.1 *General information*

The consolidated financial statements of Rabobank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

New and amended standards issued by the IASB and endorsed by the European Union, applicable to the financial year under review

IFRS 10 Consolidated Financial Statements

This standard supersedes the consolidation rules of IAS 27 and SIC 12. IFRS 10 has important consequences for the consideration as to when a company has control over another entity. The effect on profit and equity is detailed in the paragraph entitled 'Changes in accounting policies and presentation'. The standard applies effective 1 January 2014.

IFRS 11 Joint Arrangements

The IASB issued a standard regarding joint ventures in May 2011, which supersedes IAS 31 and SIC 13. The proportional consolidation of joint ventures is no longer authorised. Any interests in joint ventures must be accounted for using only the equity method. This amendment achieves closer convergence with US GAAP. The remaining rules are largely identical to IAS 31. The effect on profit and equity is included in the paragraph entitled 'Changes in accounting policies and presentation'. This standard applies effective 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 aims to enable users of financial statements to assess the purpose and associated risks of interests held in other entities, as well as the effects of those interests on the financial position, results and cash flows. This pertains to additional disclosures and has no effect on results or equity. The standard applies effective 1 January 2014.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance

The objective of these amendments to IFRS 10 – The Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities, are designed to clarify the initial publication of the transitional guideline in IFRS 10. The changes also provide additional transition support in IFRS 10, IFRS 11 and IFRS 12 and reduce the requirement of providing only comparative information adapted to the previous comparative period. In addition, as a result of the changes for information provision relating to non-consolidated structured entities, the requirement of submitting comparative information for periods prior to the initial application of IFRS 12 will be cancelled. This amendment has no impact on profit or equity and took effect on 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

IFRS 10 has been amended in order to better reflect the business model of investment entities. It requires that investment entities measure their subsidiaries at fair value through profit or loss rather than consolidate them. IFRS 12 has been amended in order to require specific disclosure about such subsidiaries of investment entities. The amendments to IAS 27 also eliminated the option for investment entities to measure investments in certain subsidiaries either at cost or at fair value in their separate financial statements. This amendment, which has no impact on Rabobank, applies effective 1 January 2014.

IAS 27 Separate Financial Statements

The consolidation requirements formerly included in IAS 27 are now included in IFRS 10. The amended IAS 27 is intended for the separate financial statements of entities also preparing consolidated financial statements. The standard has no impact on Rabobank's consolidated financial statements and applies effective 1 January 2014.

IAS 28 Investments in Associates

IAS 28 lays down accounting requirements for investments in associates and describes the requirements for recognising investments in associates and joint ventures in accordance with the equity method of accounting. The standard has no impact on profit or equity and applies effective 1 January 2014.

IAS 32 Financial Instruments: Presentation

The objective of the amendment to IAS 32 is to provide additional guidelines, so as to ensure that the standard is used more consistently in practice. This amendment has no impact on profit or equity and took effect on 1 January 2014.

Amendments to IAS 39 Financial Instruments:

Novation of Derivatives and Continuation of Hedge Accounting

The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted. This standard, which does not affect profit or equity, applies effective 1 January 2014.

Amendments to IAS 36 Impairment of Assets

The objective of these amendments is to clarify that the scope of disclosures of information about the recoverable amount of assets, where this amount is based on fair value less costs of disposal, is limited to impaired assets, if this recoverable amount is based on fair value less costs of disposal. This standard has no impact on profit or equity and applies effective 1 January 2014.

IFRIC Interpretation 21 – Levies

This interpretation relates to the administrative processing of an obligation to pay a charge if this obligation falls within the scope of IAS 37. In addition, it also relates to the administrative processing of an obligation to pay a charge of which the timescale and amount have been confirmed. This standard has no impact on profit or equity and took effect on 1 January 2014.

New and amended standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union which do not yet apply in the current financial year

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions

The objective of this amendment is to simplify and clarify the administrative processing of employee contributions or contributions from third parties in relation to defined benefit pension schemes. This standard has no impact on profit or equity and took effect on 1 January 2014.

Improvements to International Financial Reporting Standards cycle 2010-2012 and cycle 2011-2013

The objective of the improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2009 on areas of inconsistencies in IFRS or where clarification of wording is required. The amendments to IFRS 3, 8 and 13 and IAS 16, 24 and 38 represent clarifications of, or adjustments to, the respective standards. The amendments to IFRS 2 and 3 and IAS 40 concern changes to the existing requirements or additional guidelines for the application of these requirements.

New standards issued by the IASB, but not yet endorsed by the European Union

- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Improvements to International Financial Reporting Standards cycle 2012-2014

Although these new requirements are currently being analysed and their impact is not yet known, Rabobank does not expect the implementation of these amended standards to have a significant impact on profit or equity.

IFRS 9 Financial Instruments

The International Accounting Standards Board published IFRS 9 Financial Instruments in July 2014. The effective date of IFRS 9 is 1 January 2018, but this date may be changed depending on endorsement by the European Union.

The application of IFRS 9 may have a significant impact on profit or loss and capital; this is currently being investigated.

The consolidated financial statements have been prepared on the basis of the accounting policies mentioned hereafter. The remaining assets and liabilities are accounted for on a historical cost basis, unless otherwise stated. Unless otherwise stated, all amounts in these financial statements are in millions of euros.

Changes in accounting policies and presentation as a result of new guidelines

The new standard IFRS 11 was applied for the first time in 2014, and the comparative data were modified in accordance with IFRS 11. As a result of IFRS 11, a number of joint ventures in the Real Estate segment are no longer consolidated on a proportional basis. These joint ventures are recognised as investments in 'Associates and joint ventures'. This has the following effect on the figures as shown in the 2013 consolidated financial statements:

<i>In millions of euros</i>	<i>31 December 2013</i>
Assets	
Due from other banks	(38)
Other financial assets at fair value through profit or loss	(8)
Loans to customers	48
Investments in associates and joint ventures	102
Investment properties	(18)
Current tax assets	(20)
Deferred tax assets	(1)
Other assets	(255)
Non-current assets held for sale and discontinued operations	(107)
Total assets	(297)
Liabilities	
Due to other banks	(171)
Other debts	(199)
Provisions	78
Current tax liabilities	(2)
Deferred tax liabilities	(2)
Total liabilities	(296)
Equity	(1)
Total liabilities and equity	(297)

<i>In millions of euros</i>	<i>For the year ended 31 December 2013</i>
Interest income	3
Interest charges	(10)
Interest	13
Commission income	(4)
Commission expense	(1)
Commission	(3)
Income from associates	(76)
Net income from financial assets and liabilities at fair value through profit or loss	(2)
Gains/(losses) on available-for-sale financial assets	-
Other income	85
Total income	17
Staff costs	(2)
Other administrative expenses	-
Depreciation	-
Operating expenses	(2)
Value adjustments	-
Bank tax and resolution levy	-
Operating profit before taxation	19
Taxation	19
Net profit from continuing operations	-
Net profit from discontinued operations	-
Net profit	-

The new standard IFRS 10 was applied for the first time in 2014 and has resulted in the deconsolidation of three entities in Wholesale banking and international retail banking segment. The comparative data have been adjusted. This has the following effect on the figures shown in the consolidated financial statements for 2013:

<i>In millions of euros</i>	<i>31 December 2013</i>
Assets	
Due from other banks	(19)
Other financial assets at fair value through profit or loss	(24)
Loans to customers	(4,341)
Available-for-sale financial assets	141
Investments in associates and joint ventures	16
Other assets	(211)
Total assets	(4,438)
Liabilities	
Due to other banks	(580)
Due to customers	(3,178)
Other debts	(89)
Current tax liabilities	1
Total liabilities	(3,846)
Equity	(592)
Total liabilities and equity	(4,438)

<i>In millions of euros</i>	<i>For the year ended 31 December 2013</i>
Interest income	(52)
Interest charges	(41)
Interest	(11)
Commission income	(1)
Commission expense	(5)
Commission	4
Income from associates	(2)
Net income from financial assets and liabilities at fair value through profit or loss	2
Gains/(losses) on available-for-sale financial assets	-
Other income	-
Total income	(7)
Staff costs	(1)
Other administrative expenses	(2)
Depreciation	-
Operating expenses	(3)
Value adjustments	-
Bank tax and resolution levy	-
Operating profit before taxation	(4)
Taxation	1
Net profit from continuing operations	(5)
Net profit from discontinued operations	-
Net profit	(5)

Other changes in accounting principles and presentation

For the notes to the consolidated financial statements, write-offs on allowance for loan losses of corporate (international) clients occurred until the end of 2013 at the moment it was clear in substance that there was no recovery expected in a reasonable way. Starting in 2014, the data contained in the financial statements are fully consistent with the credit administration, with the write-offs being effected at the time of final settlement. As a result, the accountability of prudential regulations and the consolidated financial statements are consistent with each other, resulting in greater comparability. The total value adjustments of loans to customers value adjustments for loan losses changed from 3,715 to 7,655 and from 4,177 to 8,581 as of 1 January and 31 December 2013, respectively.

Upon adopting IFRS 13 'Fair value measurement' in 2013, Rabobank continued to erroneously apply mid prices for valuing derivatives for hedging interest rates and currency risks, which was allowed under the previous standard but not under IFRS 13, unless an option under IFRS 13 was used. The effect on the 2013 and 2014 profit represented a loss of 286 and a gain of 170, respectively. Since this adjustment results in inconsistencies in the recognition of financial assets and liabilities and derivatives for hedging risks, the option under IFRS 13 was used in 2014 and the accounting policy was changed. As part of this change, mid prices are used for the valuation of specific derivatives; see the accounting principles for derivative financial instruments in paragraph 2.3.1. The effect on the profit or loss for 2013 of the new accounting policy is a gain of 291, and for 2014 an expense of 187. The impact on the change in the accounting policy largely offsets the effect of the adjustment. The net amount in the consolidated statement of income is 5 for 2013 and -16 for 2014. On the implementation of IFRS in Rabobank's consolidated financial statements, payments on equity instruments were erroneously recognised as prepayments and recognised under 'Other assets', because there is a balance sheet before profit appropriation; this occurred in the course of the year in anticipation of the formal approval regarding profit appropriation adopted by the General Meeting during the following year. Since amounts paid during the year effectively cannot be reclaimed, it was decided to take such amounts directly to equity upon payment. The solvency risks are not affected by this adjustment. The equity of Rabobank and local Rabobanks, other assets are other liabilities have been adjusted as follows:

	<i>31 December 2013</i>	<i>1 January 2013</i>
Equity before adjustment of payments on equity instruments	24,640	25,311
Decrease in other assets	(309)	(328)
Increase in other liabilities	(600)	(666)
Equity after adjustments of payments on equity instruments	23,731	24,317

2.1.2 Judgements and estimates

These financial statements were prepared on the basis of the going concern assumption, as there are no indications of Rabobank's inability to continue as a going concern.

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities at the date of the financial statements, as well as the amounts reported for income and expenses during the reporting period. The situations that are assessed based on available financial data and information mainly concern the determination of the fair value of assets and liabilities and impairments. Although management based their estimates on the most careful assessment of the current circumstances and activities, the actual results might deviate from these estimates. For the estimated modifications arising from the Asset Quality Review (AQR), please refer to paragraph 4.4.9. Due to weaker market conditions for both residential and commercial real estate and the limited number of transactions, there is increased uncertainty regarding property valuation (i.e. land holdings, work in progress, completed developments and property investments) and property financing. Property valuation is subject to a number of different assumptions and valuation methods. The use of different assumptions and methods may, due to the subjective nature involved, result in different outcomes.

2.2 Group financial statements

2.2.1 Subsidiaries

The participating interests over which Rabobank maintains control are subsidiaries (including structured entities) and are consolidated. Control is exercised over a participating interest if the investor is exposed to, or is entitled to, fluctuating income in respect of his involvement in the participating interest and has the opportunity to influence this income by using his control over the participating interest. The assets, liabilities and profit/loss of these companies are fully consolidated.

Subsidiaries are consolidated as of the date on which the effective control is transferred to Rabobank and will no longer be consolidated as of the date on which this control is terminated. All transactions, balances and unrealised gains and losses from transactions between Rabobank Group subsidiaries have been eliminated on consolidation.

Internal liability (cross-guarantee system)

In accordance with the Dutch Financial Supervision Act (Wet op het financieel toezicht), various legal entities belonging to Rabobank Group are internally liable under an intragroup mutual keep well system. Under this system the participating entities are bound, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow such deficient participant to satisfy its creditors.

The participating entities are:

- The local Rabobanks of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
- Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam
- Rabohypotheekbank N.V., Amsterdam
- Raiffeisenhypotheekbank N.V., Amsterdam
- Schretlen & Co N.V., Amsterdam
- De Lage Landen International B.V., Eindhoven
- De Lage Landen Financiering B.V., Eindhoven
- De Lage Landen Trade Finance B.V., Eindhoven
- De Lage Landen Financial Services B.V., Eindhoven

2.2.2 Investments in associates and joint ventures

Investments in associates are recognised in accordance with the equity method. With this method, Rabobank's share of the profits and losses of an associate – subject to Rabobank's accounting policies – (after the acquisition) is recognised in profit or loss, and its share of the changes in reserves after the acquisition is recognised in reserves. The cumulative changes after acquisition are adjusted to the cost of the investment. Associates are entities over which Rabobank has significant influence and in which it usually holds between 20% and 50% of the voting rights but over which it does not exercise control. A joint venture is an agreement between one or more parties whereby the parties, which have shared control over the agreement, are entitled to the net assets under the agreement. Unrealised profits on transactions between Rabobank and its associates and joint ventures are eliminated in accordance with the size of Rabobank's interest in the associates and joint ventures.

Unrealised losses are also eliminated unless the transaction indicates that an impairment loss should be recognised on the asset transferred. Investments by Rabobank in associates include the goodwill acquired. If Rabobank's share in the losses of an associate equals or exceeds its interest in the associate, Rabobank will not recognise any more losses of the associate unless Rabobank has given undertakings or made payments on behalf of this associate.

2.3 Derivative financial instruments and hedging

2.3.1 General information

Derivative financial instruments generally comprise foreign exchange contracts, currency and interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options (written as well as acquired). Derivative financial instruments can be traded either on the stock exchange or over the counter (OTC) between Rabobank and a client. All derivative financial instruments are recognised at fair value. The fair value is determined using listed market prices (a small bid-ask range applies to derivatives quoted in euros, US dollars and/or pound sterling, and mid prices are used), along with prices offered by traders, cash flow discounting models and option valuation models based on current market prices and contracted prices for the underlying instruments, as well as the time value of money, yield curves and the volatility of the underlying assets and liabilities. All derivative financial instruments are included under assets if their fair value is positive and under liabilities if their fair value is negative. Derivative financial instruments that are embedded in other financial instruments are treated separately if their risks and characteristics are not closely related to those of the underlying derivative contract and this contract is not classified as at fair value through profit and loss.

2.3.2 *Instruments not used for hedging*

If Rabobank enters into derivatives for trading purposes, realised and unrealised gains and losses are accounted for under 'Income from financial assets and liabilities at fair value through profit and loss'.

2.3.3 *Hedging instruments*

Rabobank also uses derivative financial instruments as part of asset and liability management to manage its interest-rate risks, credit risks and foreign currency risks. Rabobank makes use of the possibilities provided by the EU through the carve-out in IAS 39. The carve-out facilitates the application of fair value portfolio hedge accounting to certain positions.

On the date of concluding a derivative contract, Rabobank can designate certain derivative financial instruments as (1) a hedge of the fair value of an asset or liability in the statement of financial position (fair value hedge), as (2) a hedge of future cash flows allocable to an asset or liability in the statement of financial position, an expected transaction or a firm commitment (cash flow hedge), or as (3) a hedge of a net investment in a foreign entity (net investment hedge). Hedge accounting can be applied for derivative financial instruments designated in this manner if certain criteria are met:

- formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy and the hedge relationship before applying hedge accounting;
- the hedge is expected to be effective (in a range of 80% to 125%) in offsetting changes in the hedged item's fair value or cash flows allocable to the hedged risks during the entire reporting period;
- the hedge is continuously effective from inception onwards.

Changes in the fair value of derivative financial instruments that are designated as fair value hedges and are effective in relation to the hedged risks are recognised in profit or loss, together with the corresponding changes in the fair value of the assets or liabilities hedged against the risks in question.

If the hedge no longer meets the criteria for hedge accounting (according to the fair value hedge model), any adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised through profit or loss until the end of the hedged period.

For hedges of net investments in foreign entities, the derivative is stated at fair value, whereby the fair value changes, to the extent that they are effective, are taken to equity. The change in the hedged equity instrument as a result of exchange-rate fluctuations are also recognised under equity until the disposal of the equity instrument.

Any adjustment to the carrying amount of a hedged equity instrument is recognised as equity until disposal of the equity instrument (net investment hedge). Changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges and that are effective in relation to the hedged risks are recognised in the hedging reserve included under 'Equity' (see note 10). The non-effective part of the changes in the fair values of the derivative financial instruments is recognised in profit and loss. If the forecast transaction or the non-current liability results in the recognition of a non-financial asset or a non-financial liability, any deferred gain or loss included in equity is restated to the initial carrying amount (cost) of the asset or the liability. In all other cases, deferred amounts included in equity are taken to the statement of income and are classified as income or expenses in the periods in which the hedged noncurrent liability or the forecast transaction had an effect on profit and loss.

Certain derivative contracts, although they are economic hedges in relation to the managed risk positions taken by Rabobank, do not qualify for hedge accounting under the specific IFRS rules. These contracts are therefore treated as derivative financial instruments held for trading. The fair value of derivative financial instruments held for trading and hedging purposes is disclosed in note 10: 'Derivative financial instruments and other trade liabilities'.

2.3.4 Trade liabilities

Trade liabilities are mainly negative fair values of derivative financial instruments and delivery obligations arising on short selling of securities. Securities are sold short to realise gains from short-term price fluctuations. The securities needed to settle the short selling are acquired through securities leasing or sale and securities repurchase agreements. Securities sold short are recognised at fair value at the reporting date.

2.4 Financial assets held for trading

Financial assets held for trading are financial assets acquired with the objective of generating profit from short-term fluctuations in prices or traders' margins, or financial assets that form part of portfolios characterised by patterns of short-term profit participation. Financial assets held for trading are measured at fair value based on listed bid prices. All related comprehensive income is included under 'Income from financial assets and liabilities at fair value through profit or loss'. Interest earned on financial assets is recognised as interest income. Dividends received on financial assets held for trading are recognised as 'Income from financial assets and liabilities at fair value through profit and loss'. All acquisitions and sales of financial assets held for trading which require delivery within a time limit prescribed under the regulations or in accordance with market conventions are accounted for on the transaction date.

2.5 Other financial assets and liabilities at fair value through profit or loss

Rabobank has opted to classify financial instruments not acquired or entered into for realising gains from short-term fluctuations in traders' prices or margins at fair value through profit or loss. These financial assets, including venture capital, are carried at fair value. Management designates financial assets and liabilities to this category upon initial recognition if any or all of the following criteria are met:

- such a designation eliminates or substantially reduces any inconsistent treatment that would otherwise have arisen upon measurement of the assets or liabilities or recognition of profits or losses on the basis of different accounting policies;
- the assets and liabilities belong to a group of financial assets and/or financial liabilities that are managed and assessed on the basis of their fair value in accordance with a documented risk management or investment strategy;
- the financial instrument contains an embedded derivative financial instrument, unless the embedded derivative financial instrument does not significantly affect the cash flows or if it is evident, after limited analysis or no analysis at all, that separate recognition is not required.

Interest earned on assets with this classification is recognised as interest income and interest due on liabilities with this classification is recognised as interest expense. Any other realised and unrealised gains and losses on revaluation of these financial instruments at fair value are included under Income from other financial assets and liabilities at fair value through profit or loss. All purchases and sales of other financial assets and liabilities at fair value through profit or loss that have to be delivered within a period prescribed by regulations or market convention are recognised at the transaction date.

2.6 Day 1 profit

If, at the time a financial instrument is entered into, valuation methods are used at fair value, a discrepancy may arise between the transaction price and fair value. Such a discrepancy is referred to as 'day 1 profit'. Rabobank immediately accounts for this profit under 'Income from financial assets and liabilities at fair value through profit or loss', if the valuation method is based on observable inputs (of active markets). If non-observable inputs are used, the day 1 profit is amortised over the term of the transaction and accounted for as 'Other liabilities'. Profit is then taken at a subsequent stage if the financial instrument concerned has been sold or the data entered has become visible at a later stage.

2.7 Available-for-sale financial assets

Management determines the classification of financial assets on the date of acquisition, depending on the purpose for which the investments are acquired.

Financial assets that are intended to be held indefinitely and that could be sold for liquidity purposes or in response to changes in interest rates, exchange rates or share prices are classified as available for sale. Available-for-sale financial assets are initially recognised at fair value, including transaction costs, based on quoted bid prices or values derived from cash flow models. The fair values of unlisted equity instruments are estimated based on appropriate price/earnings ratios, adjusted to reflect the specific circumstances of the respective issuers. Any unrealised gains and losses from changes in the fair value of available-for-sale financial assets are recognised in equity unless they relate to amortised interest or exchange-rate differences of monetary assets. If such financial assets are disposed of, the adjustments to fair value are recognised in profit and loss.

Debt instruments are impaired if there are objective indications that the fair value has decreased to such a degree that no reasonable assumptions can be made that the value will recover to carrying amount in the foreseeable future. At each reporting date, management assesses whether there are objective indications of impairment of available-for-sale assets. Examples of objective evidence for value adjustments are:

- significant financial difficulties on the part of the issuer;
- default in making interest and/or redemption payments;
- the disappearance of active markets for the financial asset caused by financial difficulties.

In the event of impairment, the cumulative loss is determined by the difference between cost and current fair value, less any previously recognised impairment transferred from the revaluation reserve in equity to profit or loss. If the impairment of a debt instrument diminishes in a subsequent period and the diminution can be objectively attributed to an event that occurred after the impairment, the impairment is reversed through profit or loss.

Equity instruments are impaired if their cost permanently exceeds their recoverable amount, i.e. their fair value is permanently or significantly lower than their cost. The recoverable amount of investments in unlisted equity instruments is determined using approved valuation methods, whereas the recoverable amount of listed financial assets is determined on the basis of market value. Impairment of equity instruments is never subsequently reversed through profit or loss. All purchases and sales made in accordance with standard market conventions for available-for-sale financial assets are recognised at the transaction date. All other purchases and sales are recognised at the settlement date.

2.8 Repurchase agreements and reverse repurchase agreements

Financial assets that are sold subject to related sale and repurchase agreements are included in the financial statements under 'Financial assets held for trading' and 'Available-for-sale financial assets'. The liability to the counterparty is included under Due to other banks or Due to customers, depending on the application.

Financial assets acquired under reverse sale and reverse repurchase agreements are recognised as Due from other banks, or Loans to customers, depending on the application. The difference between the selling price and repurchasing price is recognised as interest income or interest expense over the term of the agreement, based on the effective interest method.

2.9 Securitisations and other derecognition constructions

Rabobank securitises, sells and carries various financial assets. Those assets are sometimes sold to special purpose entities (SPEs), which then issue securities to investors. Rabobank has the option of retaining an interest in sold securitised financial assets in the form of subordinated interest-only strips, subordinated securities, spread accounts, servicing rights, guarantees, put options and call options, and other constructions. A financial asset (or a portion of it) is derecognised if:

- the rights to the cash flows from the asset expire;
- the rights to the cash flows from the asset and a substantial portion of the risks and benefits of ownership of the asset are transferred;
- a commitment to transfer the cash flows from the asset is presumed and a substantial portion of the risks and benefits are transferred;
- not all the economic risks and benefits are retained or transferred; however, control over the asset is transferred.

A financial liability or part thereof is derecognised if it ceases to exist, i.e. after the contractual obligation has been fulfilled or cancelled or has expired.

If Rabobank retains control over the asset but does not retain a substantial portion of the risks and benefits, the asset is recognised in proportion to the continuing involvement of Rabobank. A related liability is also recognised to the extent of Rabobank's continuing involvement. The recognition of changes in the value of the liability corresponds to the recognition of changes in the value of the asset.

If a transaction does not meet the above conditions for derecognition, it is recognised as a loan for which security has been provided.

To the extent that the transfer of a financial asset does not qualify for derecognition, the transfer does not result in Rabobank's contractual rights being separately recognised as derivative financial instruments if recognition of these instruments and the transferred asset, or the liability arising on the transfer, were to result in double recognition of the same rights or obligations.

Gains and losses on securitisations and sale transactions depend partly on the previous carrying amounts of the financial assets transferred. These are allocated to the sold and retained interests based on the relative fair values of these interests at the date of sale. Any gains and losses are recognised through profit or loss at the time of transfer.

The fair value of the sold and retained interests is based on quoted market prices or calculated as the present value of the future expected cash flows, using pricing models that take into account various assumptions such as credit losses, discount rates, yield curves, payment frequency and other factors.

Rabobank decides whether the SPE should be included in the consolidated financial statements. For this purpose, it performs an assessment of the SPE by taking a number of factors into consideration, including the activities, decision making powers and the allocation of the benefits and risks associated with the activities of the SPE.

2.10 Cash and cash equivalents

Cash equivalents are highly liquid short-term investments held to meet current obligations in cash, rather than for investments or other purposes. Such investments have remaining terms of less than 90 days at inception. Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.11 Netting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is transferred to the statement of financial position if a legal right to set off the recognised amounts exists and it is intended to settle the expected future cash flows on a net basis, or to realise the asset and settle the liability simultaneously. This mainly concerns netting of current account balances and derivative financial instruments. The set-off of taxes is discussed in note 2.24.

2.12 Foreign currencies

2.12.1 Foreign entities

Items included in the financial statements of each entity in Rabobank Group are carried in the currency that best reflects the economic reality of the underlying events and circumstances that are relevant for the entity (the functional currency).

The consolidated financial statements are presented in euros, which is the parent company's functional currency. Gains, losses and cash flows of foreign entities are translated into the presentation currency of Rabobank at the exchange rates ruling at the transaction dates, which is approximately equal to the average exchange rates. Assets and liabilities are translated at closing rates. Translation differences arising on the net investments in foreign entities and on loans and other currency instruments designated as hedges of these investments are recognised in equity. If a foreign entity is sold, any such translation differences are recognised in profit or loss as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recognised as assets and liabilities of the foreign entity and are translated at the closing rate.

2.12.2 Foreign-currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates ruling at the transaction dates. Translation differences arising on the settlement of such transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences qualifying as net investment hedges are recognised in equity.

Translation differences on debt securities and other monetary financial assets carried at fair value are included under foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are recognised as part of the fair value gains or losses. Translation differences on available-for-sale non-monetary items are included in the revaluation reserve reported under 'Equity'.

2.13 Interest

Interest income and expense for all interest-bearing instruments is recognised in profit or loss on an accrual basis, with the effective interest method being applied. Interest income includes coupons relating to fixed interest financial assets and financial assets held for trading, as well as the cumulative premiums and discounts on government treasury securities and other cash equivalent instruments. If any loans suffer impairment losses, they are written down to their recoverable amounts and the interest income recognised henceforth is based on the original discount rate for calculating the present value of the future cash flows used to determine the recoverable amounts. Interest on derivatives held for economic hedging purposes is shown separately under interest income.

2.14 Commission

Income from asset management activities consists mainly of unit trust, fund management commission and administration. Income from asset management and insurance brokerage is recognised as earned once the services have been provided.

Commission is generally recognised on an accrual basis. Commission received for negotiating a transaction, or taking part in the negotiations, on behalf of third parties, for example the acquisition of a portfolio of loans, shares or other securities, or the sale or purchase of companies, is recognised at completion of the underlying transactions.

2.15 Loans to customers and due from other banks

Loans to customers and Due from other banks are non-derivative financial instruments with fixed or defined payments, not listed on an active market, apart from such assets that Rabobank classifies as trading, at fair value on initial recognition with changes recognised through profit or loss, or as available for sale. Loans to customers and receivables are initially recognised at fair value, including transaction costs, and subsequently carried at amortised cost, including transaction costs.

Loans are subject to either individual or collective impairment analyses. A value adjustment, a provision for expected losses on loans, is recognised if there is objective evidence that Rabobank will not be able to collect all amounts due under the original terms of the contract. The size of the provision 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 and sureties, discounted at the original (average) effective rate of interest of the loans.

The provision for loans includes losses if there is objective evidence that losses are allocable to some portions of the loan portfolio at the reporting date.

Examples of objective evidence for value adjustments are:

- significant financial difficulties on the part of the borrower;
- default in making interest and/or redemption payments on the part of the borrower;
- loan renegotiations;
- possibility of bankruptcy of or financial reorganisation at the borrower;
- changes in borrowers' payment status;
- changes in economic circumstances that could cause the borrower to default.

For each separate business unit, the losses are estimated based on the credit ratings of the borrowers and the value of the collateral provided to the bank, and taking into account the actual economic conditions under which the borrowers conduct their activities. The carrying amount of the loans is reduced through the use of a provision account, based on what the bank considers the most likely scenario, and the loss is taken to the statement of income. Write-offs of provisions for expected loan losses are made as soon as the enforcement process is completed, the security provided has been realised, when virtually no other means of recovery are available and in the event of a formal cancellation of a debt. Where there is virtually no perspective of the debtor being able to continue as a going concern, a provision for expected loan losses is written off at portfolio level, up to the amount deemed uncollectible. Any amounts subsequently collected are included under the item 'Value adjustments' in the statement of income.

As soon as the prospects for continuity have recovered and arrears have been cleared as agreed, the loan is no longer considered impaired (not fully collectible). Management continually assesses these renegotiated loans to ensure that all criteria are satisfied with a view to expected future cash flows.

The general provision constitutes the provision adopted for the portion of the portfolio that remains effectively impaired as at the balance sheet date but which has not yet been identified as such (IBNR; incurred but not reported) in the bank's risk systems. As before, Basel II parameters, adjusted to the IFRS guidelines and to current developments, are used here in order to determine the provision. An important factor in determining the general provision is what is known as the Loss Identification Period (LIP), i.e. the period between the time a loss event occurs at the client's company and the time the bank has recorded the loss event in its risk systems. The LIP is expressed in months and varies between portfolios.

At each reporting date, management assesses whether there is objective evidence that reclassified loans previously recognised as available-for-sale assets have been impaired. For exposures classified as corporate exposures under CRD IV, exposures are measured in accordance with the 'one debtor' principle. This principle entails that the approved limit for a debtor applies to the sum of all exposures – including derivatives, guarantees and the like – of the debtor group in which the debtor has been classified. Debtor groups include all debtors who form part of the economic entity in which legal entities and companies are affiliated with the same organisation. In addition, the majority shareholders also form part of the economic entity. The 'one debtor' principle applies across all entities; the exposures of the debtor group must be included for all group divisions.

2.16 Intangible assets

2.16.1 Goodwill

Goodwill is the amount by which the acquisition price paid for a subsidiary or associate exceeds the fair value on the acquisition date of Rabobank's share of the net assets and the contingent liabilities of the entity acquired. Upon each acquisition, the other minority interests are recognised at fair value or at the proportion of the identifiable assets and liabilities of the acquired entity. Impairment tests are performed annually or – if indications so dictate – more frequently to determine whether impairment has occurred.

2.16.2 Software development costs

Costs related to the development or maintenance of software are recognised as an expense at the time they are incurred. Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and that will probably provide economic benefits exceeding the costs for longer than a year are recognised as intangible assets. Direct costs include the employee expenses of the software development team, financing and an appropriate portion of the relevant overhead.

Expenditures that improve the performance of software compared with their original specifications are added to the original cost of the software. Software development costs are recognised as assets and amortised on a straight-line basis over a period not exceeding five years.

2.16.3 Other intangible assets

Other intangible assets are mainly those identified upon business combinations. They are amortised over their terms. Each year, Rabobank performs an impairment test based on expected future cash flows. An impairment loss is recognised if the expected future profits do not justify the carrying amount of the asset.

2.16.4 Impairment losses on goodwill

Each year, during the fourth quarter of the financial year, or more frequently if indications of impairment exist, goodwill is tested for impairment by comparing the recoverable amount with the carrying amount. The highest of value in use on the one hand and fair value less selling costs on the other determines the recoverable amount. The definition of cash flow generating units depend on the type of company acquired. The value in use of a cash flow generating unit is arrived at by determining the present value of the expected future cash flows of the cash flow generating unit in question at the interest rate before tax. The major assumptions used in the cash flow model depend on the input data which reflect different financial and economic variables, such as the risk-free interest rate in a country and a premium reflecting the inherent risk of the entity concerned. The variables are determined subject to review by management. Impairments of goodwill are included in 'Other income' in the statement of income.

2.16.5 Impairment losses on other intangible assets

At each reporting date, Rabobank assesses whether there are indications of impairment of other intangible assets. If such indications exist, impairment testing is carried out to determine whether the carrying amount of the other intangible assets is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Goodwill and software under development are tested for impairment each year at the reporting date or more frequently if indications of impairment exist. Impairment losses and reversed impairments of other intangible assets are included in 'Other administrative expenses' in the statement of income.

2.17 Property and equipment

2.17.1 Property and equipment for own use

Equipment (for own use) is recognised at historical cost net of accumulated depreciation and impairments if applicable. Property (for own use) represents mainly offices and is also recognised at cost less accumulated depreciation and impairments if applicable.

Straight-line depreciation is applied to these assets in accordance with the schedule below. Each asset is depreciated to its residual value over its estimated useful life:

- Land	Not depreciated
- Buildings	25 - 40 years
Equipment, including	
- Computer equipment	1 - 5 years
- Other equipment and vehicles	3 - 8 years

Each year, Rabobank assesses whether there are indications of impairment of property and equipment. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down immediately to the recoverable amount. Impairment losses and reversed impairments of property and equipment are included in Other administrative expenses in the statement of income. Gains and losses on the disposal of items of property and equipment are determined in proportion to their carrying amounts and taken into account when determining the operating result.

Repair and maintenance work is charged to profit or loss at the time the relevant costs are incurred.

Expenditures on extending or increasing the benefits from land and buildings compared with their original benefits are capitalised and subsequently depreciated.

2.18 Investment properties

Investment properties, mainly office buildings, are held for their long-term rental income and are not used by Rabobank or its subsidiaries. Investment properties are recognised as long-term investments and included in the statement of financial position at cost, net of accumulated depreciation and impairment.

Investment properties are depreciated over a term of 40 years.

2.19 Other assets

2.19.1 Work in progress

Work in progress is included in Other assets. Work in progress relates to commercial real estate projects as well as sold and unsold housing projects under construction or planned and is carried at cost plus allocated interest, net of provisions as necessary. Instalments invoiced to buyers and customers are deducted from work in progress. If the balance for a project is negative (the amount of the invoiced instalments exceeds the capitalised costs), the balance of that project is recognised as Other liabilities.

Gains and losses are recognised based on the percentage of completion method given the continuous transfer of ownership involved. In the course of the construction work, Rabobank transfers the control and the material risks and benefits of the ownership of the work in progress in its current state to the buyer as construction progresses.

2.19.2 Building sites

Building sites are valued at cost, including interest allocated and additional costs relating to site acquisition and preparation. No interest is allocated for land which has no specific designation under the zoning plan, if there is no certainty that the land will be developed. The price of land does not include the conditional requirement which depends on a future reclassification of the land in question. For losses expected upon the sale of the land, the carrying amount of the site is subject to impairment.

2.20 Leasing

2.20.1 Rabobank as lessee

Leases relating to property and equipment under which virtually all risks and benefits of ownership are transferred to Rabobank are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or at the present value of the minimum lease payments if the present value is lower. Lease payments are apportioned between the lease liability and the finance charges, so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding lease liabilities are included under Other liabilities, after deduction of finance charges. The interest components of the finance charges are recognised in profit or loss over the term of the lease. An item of property and equipment acquired under a lease agreement is depreciated over the useful life of the asset or, if shorter, the term of the lease.

Leases under which a considerable portion of the risks and benefits of ownership of the assets is retained by the lessor are classified as operating leases. Operating lease payments (less any discounts by the lessor) are charged to profit or loss on a straight-line basis over the term of the lease.

2.20.2 Rabobank as lessor

Finance leases

If assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable under Due from other banks or Loans to customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

Operating leases

Assets leased under operating leases are included in the statement of financial position under Property and equipment. The assets are depreciated over their expected useful lives in line with those of comparable items of property and equipment. Rental income (less discounts granted to lessees and write-downs) is recognised under Other income on a straight-line basis over the term of the lease.

2.21 Provisions

Provisions are recognised if Rabobank has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If Rabobank expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only if the reimbursement is virtually certain. The provisions are carried at the discounted value of the expected future cash flows.

2.21.1 Restructuring

Restructuring provisions comprise payments under redundancy schemes and other costs directly allocable to restructuring programmes. These costs are accounted for during the period in which a legal or actual payment obligation arises for Rabobank, a detailed plan has been prepared for redundancy pay, and there are realistic expectations among the parties concerned that the reorganisation will be implemented.

2.21.2 Tax and legal issues

The provision for tax and legal issues is based on the best possible estimates available at the balance sheet date, taking into account legal and tax advice. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable.

2.21.3 Other provisions

This item includes provisions for onerous contracts, credit guarantees and obligations under the terms of the deposit guarantee scheme.

2.22 Employee benefits

Rabobank has various pension schemes in place based on the local conditions and practices of the countries in which it operates. In general, the plans are financed by payments to insurance companies or trustee administered funds. The payments are calculated actuarially at regular intervals. A defined benefit plan is one that incorporates a promise to pay an amount of pension benefit, which is usually based on several factors such as age, number of years in service and remuneration. A defined contribution plan is one in the context of which Rabobank pays fixed contributions to a separate entity (a pension fund) and acquires no legal or constructive obligation if the fund has insufficient assets to pay all the benefits to employee-members of the plan in respect of service in current and past periods.

2.22.1 Pension obligations

The obligation under the defined-benefit pension schemes is the present value of the defined-benefit pension obligation on the balance sheet date after deduction of the fair value of fund investments. The defined-benefit obligation is calculated annually by independent actuaries based on the projected unit credit method. The present value of the defined-benefit obligation is determined by the estimated future outflow of cash funds based on the interest rates of high-quality corporate bonds with terms which approach that of the corresponding obligation. The majority of pension schemes are career-average schemes, and the costs of these schemes – i.e. the net pension charges for the period less employee contributions and interest, is included under 'Staff costs'. Net interest expenses or income are calculated by applying the discount rate at the beginning of the year for the asset or liability based on the defined-benefit pension scheme. Actuarial gains and losses arising from actual developments or actuarial assumptions are recognised in the consolidated statement of comprehensive income.

2.22.2 Defined contribution plans

Under defined contribution plans, Rabobank pays contributions to publicly or privately managed insured pension schemes on a compulsory, contractual or voluntary basis. Once the contributions have been made, Rabobank has no further payment obligations. The regular contributions are net period costs for the year in which they are due and are included on this basis under Staff costs.

2.22.3 Other post-employment obligations

Some Rabobank business units provide other post-employment benefits. To become eligible for such benefits, the usual requirement is that the employee remains in service until retirement and has been with the company a minimum number of years. The expected costs of these benefits are accrued during the years of service, based on a system similar to that for defined benefit plans. The obligations are valued each year by independent actuaries.

2.22.4 Variable remuneration

The costs of variable remuneration paid unconditionally and in cash are recognised in the year in which the employee renders the services. The costs of conditional payments in cash are included in staff costs in the statement of income in the period during which the employee's services are received, which equals the vesting period of the cash payment. The liability is recognised in other liabilities. The accounting treatment of equity instrument-based payments is disclosed in note 2.23.

2.23 Equity instrument-based payments

Remuneration for services rendered by identified staff is made in the form of cash-settled payments based on equity instruments that are similar to, and have the same characteristics as, Rabobank Certificates. The costs of the services received are based on the awarded equity instruments' fair value on the award date and are recalculated annually at the value applicable at the time. The costs of the awarded equity instruments are included in staff costs in the statement of income in the period during which the employee's services are received, which equals the vesting period of the equity instruments. The liability is recognised in other liabilities.

2.24 Tax

Current tax receivables and payables are set off if there is a legally enforceable right to set off such items and if simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are set off if there is a legally enforceable right to set off such items and if they relate to the same tax authority and arise from the same tax group.

Provisions are formed in full for deferred tax liabilities, using the liability method, arising from temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The main temporary differences relate to the depreciation of property and equipment, the revaluation of certain financial assets and liabilities, including derivative financial instruments, provisions for pensions and other post-employment benefits, provisions for loan losses and other impairment and tax losses, and, in connection with business combinations, the fair values of the net assets acquired and their tax bases. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Provisions are formed in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Taxes on profit are calculated in accordance with the tax legislation of the relevant jurisdiction and recognised as an expense in the period in which the profit is realised. The tax effects of the carry-forward of unused tax losses are recognised as an asset if it is probable that future taxable profits will be available against which the losses can be utilised.

Deferred tax assets or deferred tax liabilities are included for the revaluation of available-for-sale financial assets and cash flow hedges that are directly taken to equity. Upon realisation, they are recognised in profit or loss together with the respective deferred gain or loss.

2.25 Due to other banks, due to customers and debt securities in issue

These borrowings are initially recognised at fair value, i.e. the issue price less directly allocable and non-recurring transaction costs, and subsequently carried at amortised cost, including transaction costs. If Rabobank repurchases one of its own debt instruments, it is derecognised, with the difference between the carrying amount of a liability and the consideration paid being recognised as profit or loss.

2.26 Rabobank Certificates

The proceeds of the issue of Rabobank Certificates are available to Rabobank Group on a perpetual basis, subordinated to all liabilities (also subordinate to the Trust Preferred Securities and the Capital Securities). As the payment of planned distributions is fully discretionary, the proceeds of the issue of Rabobank Certificates are recognised as equity. Accordingly, planned distributions are accounted for in the profit appropriation.

2.27 Trust Preferred Securities and Capital Securities

Trust Preferred Securities, which pay a non-discretionary dividend and are redeemable on a specific date or at the option of the holder, are classified as financial liabilities and included under Subordinated debt. The distributions on these preferred securities are recognised in profit or loss as interest expense based on amortised cost using the effective interest method.

The remaining Trust Preferred Securities and Capital Securities are recognised as 'Equity', as there is no formal obligation to repay the principal or to pay the dividend.

2.28 Financial guarantees

Financial guarantee contracts require that the issuer compensate the holder for a loss the latter incurs because a specified debtor fails to meet its obligations in accordance with the terms of a debt security. Such financial guarantees are initially measured at fair value and subsequently measured at the value of the discounted liability under the guarantee or the higher initially measured value less the amount of previously recognised cumulative gains or losses, thus reflecting the revenue recognition principles.

2.29 Segment information

A segment is a distinguishable component of Rabobank that engages in providing products or services and is subject to risks and returns that are different from those of other segments. The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means they are the segments that are reviewed as part of Rabobank's strategic management and for the purpose of making business decisions, and have different risks and returns. Rabobank's primary segment reporting format is by business segment; the secondary format is by geographical segment.

2.30 Business combinations

Business combinations are accounted for on the basis of the acquisition method. The price of an acquisition is determined as the monetary amount or equivalent agreed for the acquisition of the business combination, if applicable plus costs directly relating to the acquisition. Goodwill represents the difference between the price of the acquisition and Rabobank's interest in the fair value of the assets, liabilities and conditional liabilities acquired. Goodwill is capitalised and recognised as an intangible asset. For each business combination, the minority interests are valued against the share of the company acquired in the identifiable net assets. Direct acquisition costs are directly taken to the profit or loss account.

2.31 Disposals groups classified as held for sale and discontinued operations

Disposal groups classified as held for sale are valued at carrying amount or, if lower, fair value less estimated cost of sale. A group of assets (or a fixed asset) sold is classified as held for sale if the carrying amount will be realised primarily by means of a sales transaction as opposed to continued use. This is solely the case if the sale is extremely likely and the group of assets (or a fixed asset) hived off is immediately available for sale in its current condition. In addition, the management must have committed to the sale, which is expected to be

completed within one year after the time of classification as held for sale. If a group of assets classified as held for sale represents a key business activity or key geographic region, it is classified as discontinued operations. The latter are presented separately from comprehensive income arising from continuing operations.

2.32 Statement of cash flows

Cash and cash equivalents comprises cash resources, money market deposits and deposits at central banks. The statement of cash flows is prepared in accordance with the indirect method of calculation and provides details of the source of the cash and cash equivalents that became available during the year as well as their application during the year. Operating profit before taxation in the net cash flow from operating activities is adjusted for items in the statement of income and changes in items in the statement of financial position which do not actually generate cash flows during the year.

The cash flows from operating, investing and financing activities are stated separately. Changes in loans and receivables, interbank deposits, due to customers and debt securities in issue are accounted for under cash flows from operating activities. Investing activities relate to acquisitions and disposals and repayments on financial investments, as well as the acquisition and disposal of subsidiaries and property and equipment. The proceeds from the issue of and payments on Rabobank Certificates, Trust Preferred Securities, Capital Securities, Senior Contingent Notes, Rabo Extra Member Notes and subordinated debts qualify as financing activities. Changes on account of currency translation differences are eliminated, as are the consolidation effects of acquisitions of associates.

The difference between the net change presented in the statement of cash flows and the change in cash and cash equivalents presented in the statement of financial position is due to currency translation differences. These are presented separately as part of the reconciliation between those two amounts.

3 Solvency and capital management

In its objective of securing an adequate cash position, Rabobank aims to achieve a number of solvency ratios, with the main ones being the common equity tier 1 ratio, the tier 1 ratio, the capital ratio and the equity capital ratio.

Rabobank's internal targets exceed the regulators' minimum requirements as it anticipates market expectations and developments in laws and regulations. Rabobank seeks to stand out from other financial institutions, managing its solvency position based on policy documents. The Balance Sheet and Risk Management Committee Rabobank Group (Effective 1 January 2015, this was divided into the Risk Management Committee and the Asset and Liability Committee). The Executive Board and the Supervisory Board periodically discuss the solvency position and the targets to be used.

The Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) together constitute the European implementation of the Basel Capital and Liquidity Accord of 2010. These rules, which became effective on 1 January 2014, apply to Rabobank's financial reporting. The 2013 figures are based on CRD III, as applicable at that time.

Rabobank must comply with a number of minimum solvency positions stipulated under the law. The solvency position is determined based on ratios. These ratios compare Rabobank's BIS ratio (capital ratio) and core tier 1 ratio with the total amount of the risk-weighted assets.

The minimum required percentages under the CRD III are 8% and 4% of the risk-weighted assets, respectively. Effective 1 January 2014, the minimum required percentages are determined based on CRD IV/CRR.

The regulatory capital and core capital remain subject to the minimum of 8% and 6% respectively in 2014.

The minimum required percentages will gradually be increased between now and the year 2019; Rabobank taken this into account in its capital plan. The table below shows the minimum buffers in accordance with CRD III and according to the final situation of CRD IV/CRR.

- 1 In 2014, the minimum for CET 1 was 4%; effective 2015, it is 4.5%.
- 2 These percentages apply with effect from 2019, to be phased in over a 4-year period starting in 2016.

Minimum capital buffer from 2019					
			<i>CET 1</i>	<i>Tier 1</i>	<i>Total capital</i>
CRD III	Minimum	2013	2.0%	4.0%	8.0%
CRD IV/CRR	Minimum ¹	2014	4.5%	6.0%	8.0%
	Capital conservation buffer ²	2016-2019	2.5%	2.5%	2.5%
	Minimum + capital conservation buffer		7.0%	8.5%	10.5%
	Countercyclical buffer ²	2016-2019		0% - 2.5%	
	SIFI buffer ²	2016-2019	3.0%	3.0%	3.0%

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.

Rabobank Group's ratios		
	<i>CRD IV</i>	<i>CRD III</i>
<i>In millions of euros</i>	<i>2014</i>	<i>2013</i>
Retained earnings (note: 28)	24,528	27,197
Expected dividends	(119)	(119)
Rabobank Certificates	5,931	5,823
Part of non-controlling interest treated as qualifying capital	28	437
Reserves	365	(1,089)
Deductions	(5,248)	(3,698)
Transition guidance	3,229	-
Common equity tier 1 capital	28,714	28,551
Trust-Preferred Securities III to VI (note: 30)	-	1,269
Capital Securities (note: 30)	-	7,265
Grandfathered instruments	7,283	-
Non-controlling interests	6	-
Deductions	(3)	(1,993)
Transition guidance	(2,126)	-
Tier 1 capital	33,874	35,092
Part of reserves treated as qualifying capital	-	(301)
Part of subordinated debt treated as qualifying capital	11,738	7,744
Minority interests	8	-
Deductions	-	(885)
Transition guidance	(481)	-
Qualifying capital (BIS capital)	45,139	41,650
Risk-weighted assets	211,870	210,829
Common equity tier 1 ratio	13.6%	13.5%
Tier 1 ratio	16.0%	16.6%
BIS ratio	21.3%	19.8%
Equity capital ratio	14.4%	16.1%

The deductions consist mostly of goodwill, other intangible non-current assets, deferred tax liabilities which depend on future profit and non-temporary differences, the IRB shortfall for credit risk adjustments and adjustments relating to cumulative profits due to changes in the bank's credit risk on instruments issued at market value (FVPL). In accordance with CRR, a number of deductions are adjusted for the 'transition guidance' line, as these adjustments are set to be phased in after five years for the period 2014-2018. The 'transition guidance' line consists mainly of goodwill, other intangible non-current assets, deferred tax liabilities depending on future profit (i.e. non-temporary differences) and the IRB shortfall for credit-risk adjustments. The tier instruments issued by Rabobank prior to 2015 do not satisfy the new requirements under the CRR; these instruments are subject to grandfathering, which means that they will be phased out in accordance with the statutory requirements.

4 Risk exposure of financial instruments

4.1 Risk governance

Rabobank Group manages risks at various levels. At the highest level, the Executive Board determines the risk strategy it will pursue, the policy framework as well as the limits, under the supervision of the Supervisory Board and on the recommendation of the Rabobank Group Balance Sheet and Risk Management Committee and Rabobank Group Credit Management Committee. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of Rabobank Group. The Chief Financial Officer, who is also a member of the Executive Board, is responsible for the risk management policy within Rabobank Group. Responsibility for the risk policy within Rabobank Group is spread across two directorates. Risk Management is in charge of the policies for interest rate, market, liquidity, currency and operational risks, as well as for the policy for credit risks at portfolio level. Credit Risk Management is responsible for the credit risk acceptance policy at item level. Furthermore, the group entities practice independent risk management.

4.1.1 Risk appetite

Identifying and managing risk for its organisation is an ongoing process at Rabobank. It uses an integrated risk management strategy for this purpose. The risk management cycle includes determining risk appetite, preparing integrated risk analyses, and measuring and monitoring risk. Throughout this process, Rabobank uses a risk strategy aimed at continuity and designed to protect profit, maintain solid balance-sheet ratios and protect identity and reputation.

4.2 Strategy for the use of financial instruments

Rabobank's activities are inherently related to the use of financial instruments, including derivative financial instruments. Rabobank accepts deposits from clients at fixed and variable rates of interest for a variety of terms and aims to earn above average interest margins on these deposits by investing them in high-quality assets. Rabobank also aims to increase these margins by means of a portfolio approach of short funds and allocation to loans for longer terms at higher interest rates, at the same time keeping sufficient cash resources to meet all payments that might become due.

A further objective of Rabobank is to increase its interest rate result by obtaining above-average margins, after deduction of provisions, and by granting loans to commercial and retail borrowers with various credit ratings. These risks apply not only to loans recognised in the statement of financial position; Rabobank also gives guarantees, such as letters of credit and performance and other guarantee documents.

Rabobank also trades in financial instruments when it takes positions in tradable and unlisted instruments (OTCs), including derivative financial instruments, in order to profit from short-term movements on the share and bond markets and in exchange rates, interest rates and commodity prices.

4.3 Interest-rate risk in the banking environment

'Interest-rate risk in the banking environment' refers to the risk that the profit/loss and/or the economic value of bank books, investment books and capital books is adversely affected by changes in the money-market and capital-market interest rates. Bank books contain financial products and related derivatives which are held in order to generate interest-rate income and the stable growth thereof. Investment books consist of financial instruments which are held for strategic purposes, including for the management of solvency risk, interest-rate risk and liquidity risk. Capital books contain financial instruments financed with the bank's own capital. Rabobank accepts a certain amount of interest-rate risk in the banking environment, as this constitutes a fundamental part of banking, but at the same time the bank also aims to avoid unexpected material fluctuations in the profit/loss and the economic value as a result of interest-rate fluctuations. The Executive Board, overseen by the Supervisory Board, therefore annually approves the risk appetite for interest-rate risk and the corresponding interest-rate risk limits.

As part of its interest-rate risk policy, Rabobank uses the following two key criteria:

- Equity at risk, duration of equity; and
- Income at risk; the vulnerability of the interest income to a gradual increase or decrease in interest rates over the next 12 months.

Interest-rate risk at Rabobank arises as a result of discrepancies in the maturities and terms of loans and funds, option risk, basis risk and yield-curve risk. Any interest-rate risk to which clients are exposed as a result of an increase in their obligations due to interest-rate movements has no effect on Rabobank's level of risk exposure. Any negative effects arising from this exposure are regarded as credit risk.

At the group level, Rabobank's interest-rate risk is managed by the Asset and Liability Committee Rabobank Group chaired by the Chief Financial Officer. The Central Treasury is responsible for implementing the decisions of this committee, while Risk Management is responsible for measurement and reporting.

Rabobank's interest-rate risk arises primarily from mortgages provided and business loans provided with a long fixed-interest period. These mortgages and loans are financed with, among other things, customers' savings, customers' current account balances and in current account and with funding provided by professional money market and capital market players. Interest-rate risk is measured not only based on contractually recorded data; customer behaviour in the interest-rate risk models is also taken into account. The definition used for managing interest-rate risk varies from the IFRS definition of equity.

For interest-rate risk management, 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. Through the use of hedge accounting and due to the fact that a large portion of the balance sheet is stated at amortised cost (in IFRS terms) and therefore does not change in value, the effects of the calculated value changes on IFRS capital will be largely restricted to an impact on interest income. Paragraphs 4.3.1 and 4.3.2 provide further details of Income at risk and Equity at risk trends in 2014.

4.3.1 Income at risk

Income at risk is calculated once a month based on a standard interest-rate-sensitivity analysis. This analysis shows the main deviation, in a negative sense, of the projected interest income over the next 12 months as a result of a scenario in which all money-market and capital-market interest rates gradually increase by 2 percentage points and of a scenario in which all money-market and capital-market interest rates gradually decrease by 2 percentage points.

The projected interest-rate income is based on a scenario in which all interest rates and other rates remain equal. Rabobank's profit from interest was vulnerable to an interest-rate decrease throughout the year 2014. The maximum income at risk was 55 (data for May 2014). On 31 December 2014, the income at risk was only 15. This low position can be attributed mainly to the assumption that the interbank money-market interest rates and the swap interest rates cannot be lower than 0%. As a result, the estimated decline in the euro interest rates at 31 December 2014 was 2 basis points rather than 200 basis points. At 31 December 2013 and for the first five months of 2014, this estimated decline was still 10 basis points. The effects on interest profit may be greater if not all interest rates increase or decrease equally.

Income at risk		
<i>In millions of euros</i>	<i>31 Dec 2014</i>	<i>31 Dec 2013</i>
	2 bp decline	10 bp decline
	(15)	(50)

4.3.2 Equity at risk

The equity at risk or duration of equity indicates by what percentage the economic value of equity will fall if the money-market and capital-market interest rates increase by one percentage point. The Executive Board has set a lower limit of 0% and an upper limit of 6% for this purpose. Furthermore, additional limits apply for the basis-point vulnerability of equity and the delta profile for equity. Equity at risk fell from 2.3% to 0.4% in 2014. In lending, the increase in equity at risk has been very limited. One of the reasons for this is the low number of new mortgages and business loans. At the same time, the volume of bank savings products with long interest rate schedules increased, which, in turn, reduces equity at risk. However, in 2014 equity at risk declined mainly as a result of the lower market interest rates. This decline, in turn, resulted in a decline in quotation risk and an upward effect on the economic value of equity.

Equity at risk		
	<i>31 Dec 2014</i>	<i>31 Dec 2013</i>
	0.4%	2.3%

Periodic analyses are performed in addition to the monthly interest-rate sensitivity tests, whereby the effect on interest income is calculated for one or more macroeconomic effects. The results of these scenario analyses are part of Rabobank's integrated interest-rate risk management and are included in the reports submitted to the highest management bodies.

4.4 Credit risk

Credit risk is the risk that a counterparty is unable to meet a financial or other contractual obligation vis-à-vis the bank. Credit risk is inherent to granting loans. Positions in tradable assets such as bonds and shares are also subject to credit risk.

Rabobank restricts its credit risk exposure by setting limits for loans to an individual counterparty, or a group of counterparties, as well as for loans to countries. The four-eyes principle is a key factor when granting loans. A multi-level committee structure is in place to make decisions on major loan applications, with the competent committee being chosen based on the size of the loan. Decisions on the largest loans are made directly by the Executive Board.

The credit risk exposure relating to each individual borrower is further restricted by the use of sub-limits to hedge amounts at risk, not all of which are disclosed in the statement of financial position, and the use of daily delivery risk limits for trading items such as forward currency contracts. Most actual risks are assessed daily against the limits.

Once a loan has been granted, it is continually subject to credit management as part of which new information – financial and other – is reviewed. Credit limits are adjusted where necessary. Rabobank obtains collateral or guarantees for the majority of the loans.

4.4.1 Maximum credit risk

The table below sets out the maximum credit risk to which Rabobank is subject at the reporting date in respect of the various categories, without taking into account any collateral or other measures for restricting credit risk. It also shows the financial effect of any collateral provided or other types of credit risk reduction.

In some cases the amounts following deviate from the carrying amounts, since the outstanding equity instruments are not included in the maximum credit risk.

<i>In millions of euros</i>	<i>Maximum gross credit risk</i>		<i>Credit risk reduction</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Cash and cash equivalents	43,409	43,039	0%	0%
Due from other banks	45,302	40,787	61%	56%
Derivative financial instruments	56,489	39,703	87%	92%
Loans to customers	462,447	455,909	77%	79%
Available-for-sale financial assets	38,493	45,735	2%	8%
Subtotal	646,140	625,173	67%	67%
Credit related and contingent liabilities	52,650	49,556	16%	15%
Total	698,790	674,729	63%	64%

4.4.2 Loans

Rabobank has a significant market share in private sector lending; these loans to private individuals account for 49% of private sector lending. These loans have a very low risk profile as evidenced by the actual losses incurred, which were below 6 basis points. The proportion of the private sector lending allocable to the food and agri sector was 21% in 2014. The proportion of the private sector lending allocable to trade, industry and services was 30% at year-end 2014. Loans to trade, industry and services and loans to the food and agri sector are both spread over a wide range of industries in many different countries. None of these shares represents more than 10% of the total private sector lending.

<i>In millions of euros</i>	<i>2014</i>		<i>2013</i>	
Total loans to customers	462,447		455,909	
Of which: to government clients	2,135		2,661	
reverse repurchase transactions and securities borrowing	18,295		10,697	
interest rate hedges (hedge accounting)	11,626		7,860	
Private sector lending	430,391		434,691	
<i>This can be broken down geographically as follows:</i>				
The Netherlands	322,089	75%	335,046	77%
Rest of Europe	27,312	6%	26,972	6%
North America	40,198	9%	36,569	9%
Latin America	11,273	3%	10,635	2%
Asia	9,230	2%	6,631	2%
Australia	19,948	5%	18,698	4%
Africa	341	0%	140	0%
Total	430,391	100%	434,691	100%
<i>Breakdown of loans by business sector</i>				
Private individuals	210,788	49%	216,351	50%
Trade, industry and services	127,287	30%	131,364	30%
Food and agri	92,316	21%	86,976	20%
Total	430,391	100%	434,691	100%

TIS loan portfolio analysed by industry		
<i>In millions of euros</i>	2014	2013
Lessors of real estate	26,202	26,568
Finance and insurance (except banks)	14,091	14,565
Wholesale	11,194	14,157
Activities related to real estate	6,253	6,795
Manufacturing	10,752	8,557
Transport and warehousing	6,103	6,581
Construction	5,343	6,615
Healthcare and social assistance	5,968	6,065
Professional, scientific and technical services	9,478	5,442
Retail (except food and beverages)	4,718	4,711
Utilities	2,364	2,311
Information and communication	823	1,008
Arts, entertainment and leisure	1,340	1,310
Other TIS	22,658	26,679
Total loans granted to TIS	127,287	131,364

Food and agri loan portfolio analysed by industry		
<i>In millions of euros</i>	2014	2013
Grain and oil seeds	17,474	14,890
Animal protein	22,977	16,716
Dairy	14,031	14,293
Fruit and vegetables	9,933	9,006
Farm inputs	7,249	6,032
Food retail	4,276	4,735
Beverages	3,823	3,683
Flowers	1,792	2,915
Sugar	2,285	1,959
Miscellaneous crop farming	1,772	1,649
Other food and agri	6,704	11,098
Total loans granted to food and agri	92,316	86,976

4.4.3 Derivative financial instruments

Rabobank sets strict limits for open positions, in amounts as well as in terms. If ISDA (International Swaps and Derivatives Association) standards apply or a master agreement including equivalent terms has been concluded with the counterparty, and if the jurisdiction of the counterparty permits setting off, the net open position is monitored. This credit risk is managed as part of the general lending limits for clients. Where needed, Rabobank obtains collateral or other safeguards with respect to credit risks inherent in these transactions. The credit risk exposure represents the current fair value of all open derivative contracts showing a positive market value, taking into account master netting agreements enforceable by law.

4.4.4 Credit risk management methods

Rabobank's credit risk exposure is restricted in part by obtaining collateral where necessary.

The amount and nature of the collateral required depends partly on the assessment of the credit risk of the loan to the counterparty. Rabobank follows guidelines for the purpose of accepting and valuing different types of collateral. The major types of collateral are:

- residential mortgage collateral;
- mortgage collateral on immovable property, pledges on movable property, inventories and receivables, mainly for business loans;
- cash and securities, mainly for securities lending activities and reverse repurchase transactions.

The management monitors the market value of collateral obtained and requires additional collateral where necessary. Rabobank also uses credit derivative financial instruments to manage credit risks. Rabobank further limits its exposure to credit risk by entering into master netting arrangements with counterparties for a significant volume of transactions. In general, master netting arrangements do not lead to the setting off of assets and liabilities included in the statement of financial position, as transactions are usually settled gross.

The credit risk is limited by master netting arrangements, however, to the extent that, if an event or cancellation occurs, all amounts involving the counterparty are frozen and settled net. The total credit risk exposure of Rabobank from derivative financial instruments to which netting arrangements apply is highly sensitive to the closing of new transactions, lapsing of existing transactions and fluctuations in market interest and exchange rates.

The table below shows offsets which have been applied in the consolidated balance sheet (IAS 32 Offsetting) and of sets which have not been applied in the consolidated balance sheet. The remaining offsets consist of securities Rabobank has received from reverse buyback transactions and securities Rabobank has provided in relation to buyback transaction loans.

Offsetting of financial instruments						
<i>In millions of euros</i>	<i>Gross carrying amount</i>	<i>IAS 32 Offsetting</i>	<i>Net carrying amount included in balance sheet</i>	<i>Master netting agreements</i>	<i>Other offsetting</i>	<i>Net value after other offsetting</i>
At 31 December 2014						
Due from other banks	46,030	(728)	45,302	-	(28,676)	16,626
Other financial liabilities at fair value through profit and loss	4,279	-	4,279	-	-	4,279
Derivative financial instruments	124,764	(68,275)	56,489	(43,195)	-	13,294
Loans to customers	483,732	(21,285)	462,447	-	(18,864)	443,583
Other assets	8,917	(357)	8,560	-	-	8,560
Total	667,722	(90,645)	577,077	(43,195)	(47,540)	486,343
Due to other banks	20,169	(2,286)	17,883	-	(721)	17,162
Due to customers	341,230	(14,759)	326,471	-	(2,036)	324,435
Derivative financial instruments and other trade liabilities	140,803	(73,243)	67,560	(43,195)	-	24,365
Other assets	8,404	(357)	8,047	-	-	8,047
Total	510,606	(90,645)	419,961	(43,195)	(2,757)	374,009
At 31 December 2013						
Due from other banks	41,786	(999)	40,787	-	(23,277)	17,510
Other financial liabilities at fair value through profit and loss	4,939	-	4,939	-	-	4,939
Derivative financial instruments	66,836	(27,133)	39,703	(30,492)	-	9,211
Loans to customers	474,001	(18,092)	455,909	-	(11,265)	444,644
Other assets	8,400	(370)	8,030	-	-	8,030
Total	595,962	(46,594)	549,368	(30,492)	(34,542)	484,334
Due to other banks	17,384	(2,639)	14,745	-	(904)	13,841
Due to customers	338,114	(11,892)	326,222	-	(1,636)	324,586
Derivative financial instruments and other trade liabilities	81,864	(31,693)	50,171	(30,492)	-	19,679
Other liabilities	8,119	(370)	7,749	-	-	7,749
Total	445,481	(46,594)	398,887	(30,492)	(2,540)	365,855

4.4.5 Off-balance-sheet financial instruments

The guarantees and standby letters of credit which Rabobank provides to third parties in the event a client cannot fulfil its obligations vis-à-vis these third parties, are exposed to credit risk. Documentary and commercial letters of credit and written undertakings by Rabobank on behalf of clients authorise third parties to draw bills against Rabobank up to a present amount subject to specific conditions. These transactions are backed by the delivery of the underlying goods to which they relate. Accordingly, the risk exposure of such an instrument is less than that of a direct loan. Obligations to grant loans at specific rates of interest during a fixed period of time are recognised under credit granting liabilities and accounted for as such unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, in which case they are considered to be transactions conforming to standard market conventions. Rabobank is exposed to credit risk when it promises to grant lending facilities. The size of such losses is less than the total of the unused commitments, as promises to grant credit facilities are made subject to the clients

meeting certain conditions that apply to loans. Rabobank monitors the term to expiry of credit promises, as long-term commitments are generally associated with a higher risk than short-term commitments.

4.4.6 Credit quality of financial assets

In its financing approval process, Rabobank Group uses the Rabobank Risk Rating, which reflects the counterparty's probability of default (PD) over a one-year period. The table below shows the loan quality (after deduction of the bad-debt provision) of the loan-related balance sheet items. The loan-quality categories are determined based on the internal Rabobank Risk Rating. The Rabobank Risk Rating consists of 21 performing ratings (R0-R20) and four default ratings (D1-D4). The performing ratings are linked to the probability that the client will default within a period of one year, whereby the rating is determined, as a rule, on a cyclically neutral basis. The D1-D4 rating refers to default classifications: D1 represents 90 days' arrears; D2 indicates a high probability that the debtor is unable to pay.

D3 refers to the debtor's inability to meet its commitments and that their properties will most likely be sold off; and D4 indicates bankruptcy status. The default ratings make up the total impaired exposure.

The 'vulnerable' category consists of performance ratings which have been cancelled but which have not undergone impairment.

Credit quality of financial assets					
<i>In millions of euros</i>	<i>(Virtually) no risk</i>	<i>Adequate to good</i>	<i>Vulnerable</i>	<i>Impaired</i>	<i>Total</i>
At 31 December 2014					
Due from other banks	29,372	15,616	175	139	45,302
Loans to customers					
Loans to government clients	1,269	777	3	71	2,120
Loans to private clients:					
- overdrafts	1,544	20,185	589	1,193	23,511
- mortgages	39,411	173,101	4,327	1,391	218,230
- leases	1,344	20,424	1,845	224	23,837
- reverse repurchase transactions and securities borrowing agreements	9,848	8,447	-	-	18,295
- corporate loans	13,158	147,604	3,386	4,572	168,720
- other	4,257	2,045	7	130	6,439
Total	100,203	388,199	10,332	7,720	506,454
At 31 December 2013					
Due from other banks	26,742	14,041	-	4	40,787
Loans to customers					
Loans to government clients	1,612	933	1	-	2,546
Loans to private clients:					
- overdrafts	984	13,368	934	1,788	17,074
- mortgages	51,071	163,548	3,177	1,588	219,384
- leases	1,019	18,397	1,538	562	21,516
- reverse repurchase transactions and securities borrowing agreements	4,450	6,247	-	-	10,697
- corporate loans	19,916	147,761	4,572	3,859	176,108
- other	962	7,358	110	154	8,584
Total	106,756	371,653	10,332	7,955	496,696

The table below gives an age analysis of financial assets expired (overdue) but unimpaired.

Age analysis					
<i>In millions of euros</i>	<i>< 30 days</i>	<i>30 to 60 days</i>	<i>61 to 90 days</i>	<i>> 90 days</i>	<i>Total</i>
At 31 December 2014					
Due from other banks	139	-	35	1	175
Loans to customers					
Loans to government clients	-	1	1	1	3
Loans to private clients:					
- overdrafts	300	61	28	200	589
- mortgages	2,955	549	282	541	4,327
- leases	1,171	333	116	225	1,845
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	1,883	334	178	991	3,386
- other	6	1	-	-	7
Total	6,454	1,279	640	1,959	10,332
At 31 December 2013					
Due from other banks	-	-	-	-	-
Loans to customers					
Loans to government clients	1	-	-	-	1
Loans to private clients:					
- overdrafts	594	264	67	9	934
- mortgages	2,057	683	356	81	3,177
- leases	1,042	289	206	1	1,538
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	3,187	907	362	116	4,572
- other	84	20	6	-	110
Total	6,965	2,163	997	207	10,332

4.4.7 Clemency (forbearance)

Rabobank developed a policy in 2013 for monitoring its forbearance portfolio every quarter; this policy was implemented in 2014. 'Forbearance' and 'clemency' are related terms, and this portfolio consists of the customers of Rabobank for whom forbearance measures have been put in place. The measures under that name comprise concessions to debtors facing or about to face difficulties in meeting their financial commitments. A concession refers to either of the following actions:

- A modification of the previous terms and conditions of a contract the debtor is unable to comply with due to its financial difficulties ('bad debt') in order to allow for sufficient debt service ability, that would not have been granted had the debtor not been in financial difficulty.
- A total or partial refinancing of a bad-debt contract, which would not have been granted had the debtor not been in financial difficulty.

Examples include postponements of repayments and extensions of the term of a facility. The rationale for the focus on this portfolio derives from the concerns of the European regulators about the deterioration of the quality of the portfolio; it is feared that forbearance measures might camouflage this deterioration of the portfolio as debtors are able to meet their financial obligations for longer periods as a result of the concessions. The identification of forbearance measures for the corporate portfolio will be based on the current Loan Quality Classification framework, with forbearance measures only applying to the classified portfolio. If forbearance measures are applied to a debtor, the debtor will, by definition, be fall under the supervision of the Special Asset Management department. Lastly, items in the forbearance category must be reported for up to two years after recovery from 'non-performing' to 'performing'. This period of two years is referred to as 'Forborne under probation'.

4.4.8 Trends in the real estate portfolio

Rabobank's portfolio of commercial real estate in the Netherlands is primarily managed by FGH Bank and the local Rabobanks. The commercial real estate market deteriorated further in 2014, particularly in the offices and retail segments. Long-term trends such as demographic ageing, the 'New Way of Working' and online shopping are all important factors in this development. Due to the current market conditions, in which there is a clear distinction between properties with little or no prospect of viability and those with a chance of success, the quality of the commercial real estate loan portfolio has declined. Less marketable properties, in particular, are declining in value. The review and appraisal policy and the non-performing loans policy are based on a risk-oriented approach. Where reviews reveal that the assumed value may no longer reflect the market value, the value is reassessed. Appraisals are performed by an independent appraiser. Rabobank thereby complies with the requirements set by the Dutch Central Bank for valuation, and the age of appraisals.

As a result of the report by the Valuers and Accountants Platform (Taxateurs en Accountants, or 'PTA') on real estate appraisal, Rabobank brought its valuation process in line with the recommendations made in connection with the banking process where this was not already the case in 2013.

Within the Rabobank Group, management of the commercial real estate portfolio in the Netherlands has been intensified. The Commercial Real Estate Task Force was set up for this specific purpose in mid-2010. The Task Force frequently reports to the Executive Board on changes in the size of the Dutch portfolio and the level of risk it contains, and it will continue to keep a close eye on market trends and portfolio movements for the next few years. Steps to tighten the financing, revision and appraisal policies have already been taken in recent years.

The table below gives information on the commercial real estate loan portfolio in the Netherlands as of 31 December 2014. The Property Development segment is presented separately, since this segment is experiencing longer processing times and a stagnating real estate market. Rabobank's lending in this segment, at EUR 0.8 billion, is relatively low.

<i>In millions of euros</i>	<i>Loan portfolio</i>	<i>Impaired portfolio</i>	<i>Provisions</i>	<i>Value adjustments</i>	<i>Write-off</i>
At 31 December 2014					
Investment property of domestic retail banking business	8,586	1,197	673	249	152
Investment property of Rabo Real Estate Group	14,676	3,059	1,104	544	333
Total investment property	23,262	4,256	1,777	793	485
Property development of domestic retail banking business	1,062	527	342	23	26
Property development of Rabo Real Estate Group	820	89	37	8	2
Total property development	1,882	616	379	31	28

<i>In millions of euros</i>	<i>Loan portfolio</i>	<i>Impaired portfolio</i>	<i>Provisions</i>	<i>Value adjustments</i>	<i>Write-off</i>
At 31 December 2013					
Investment property of domestic retail banking business	9,087	949	516	144	35
Investment property of Rabo Real Estate Group	16,163	2,632	788	485	23
Total investment property	25,250	3,581	1,304	629	58
Property development of domestic retail banking business	1,942	680	396	168	48
Property development of Rabo Real Estate Group	1,041	135	30	29	11
Total property development	2,983	815	426	197	59

Rabobank's commercial real estate portfolio in the Netherlands declined again in 2014 due to repayments and a lower risk appetite. The developments in the market caused a deterioration in the quality of the portfolio, as can be seen from the higher level of impaired loans, and therefore also the costs of loan losses in recent years. Important mitigating factors for the quality of the loan portfolio are Rabobank's focus on relationship banking and the fact that its financing policy is customer-driven rather than property-driven. Since some of the difficulties in the commercial real estate market are structural in nature, loan losses in the real estate portfolio are expected to remain high in the years to come. Nearly the entire commercial real estate portfolio outside the Netherlands is provided by ACC Loan Management. This is a run-off portfolio. Although property values in prime locations in Ireland are stabilising to some extent, in other locations values are still under pressure. Further contributions amounting to EUR 111 million were accordingly made to the allowances for this portfolio in 2014. Rabobank expects to make further contributions in the coming year, albeit at a lower level than in previous years.

4.4.9 Asset Quality Review (AQR)

The financial crisis and the huge impact of this on the banking sector led to the creation of the Single Supervisory Mechanism (SSM) and a sector-wide review of the quality of assets by the European Central Bank (ECB). This Asset Quality Review (AQR) concentrated on the reference date of 31 December 2013. It thus concerned exposures and provisions already recognised in the financial statements for 2013. The findings with respect to the various areas of the AQR and the effect of these on the common equity tier 1 capital also relate to 31 December 2013. The review focused on a large part of the portfolio. In the Netherlands, this involved the total loan portfolio of the local Rabobanks and subsidiaries. In Ireland, the review concerned the funding of commercial real estate and the commercial loan portfolio, while in New York the review focused on the portfolio of sizeable corporate finance transactions.

The review also considered the market risks, in particular with reference to the valuation of Credit Valuation Adjustment (CVA) and the proprietary land holdings of Rabo Real Estate Group.

The effect of the AQR findings on the 2014 financial statements mainly concerns an adjustment to the provisions for loan losses. The amount of the provisions recognised in the statement of financial position as at 31 December 2013 is the result of the methodology used by Rabobank for loan losses in 2013.

This methodology results in a specific provision, a collective provision and a general provision (also referred to as IBNR) and was based on the information available at the time, events that could involve impairments and the models used.

No items were found during the review that would entail changes to the comparative figures for 2013.

The total addition to the capital requirement and the provisions is, as published in October 2014, set by the ECB at EUR 2,093 million. A significant proportion of this addition that relates to loans and land holdings has been recognised in the profit and loss account for 2014 as part of the normal provision process. This mainly concerns adjustments on the basis of information that only became available to the management in 2014. The financial crisis has led to a more prudent approach to credit risk. The SSM and the AQR as carried out by the ECB have accelerated this change. For Rabobank, it will lead to the introduction of more conservative and stricter loss indicators. An adjustment to the related provision levels has already been made in 2014.

In addition, the more conservative approach has led to a change in the parameters for the general provision (IBNR). For the determination of its IBNR, Rabobank uses the Expected Loss (EL) as the starting point.

An adjustment has been made for the period needed to identify a loss (the Loss Identification Period).

In view of the development of the economy and the portfolio, this period was extended in 2014. The basis for determining the EL was also changed to more prudent principles in 2014.

4.5 Currency risk in the banking environment

Rabobank is exposed to the effect of fluctuations in exchange rates on its financial position and cash flows. In the trading environment, currency risk – like other market risks – is managed based on the Value at Risk (VaR) limits set by the Executive Board, as detailed in paragraph 4.7, 'Market risk in the trading environment'. The banking environment is affected only by translation risk; the other currency risks in the banking environment are fully hedged. Translation risk becomes evident when the bank's consolidated balance sheet and results are prepared, whereby all items in foreign currencies must be valued against euros. This makes the financial data sensitive to foreign-currency valuations. Translation risk manifests itself in different ways within Rabobank.

- Rabobank's solvency ratios may be affected by exchange-rate fluctuations as a result of differences in the exchange-rate composition of the capital and the RWAs.
- Exchange-rate fluctuations can potentially affect the value of (fully or partially) consolidated foreign entities whose functional currencies are not euros.
- The value of non-euro-denominated strategic interests can be affected by exchange-rate fluctuations.

In relation to the monitoring and management of translation risk, Rabobank applies a policy designed to protect the bank's Core Tier 1 ratio from exchange-rate fluctuations.

4.6 Liquidity risk

Rabobank is exposed to liquidity risk, i.e. the risk that the bank is unable to meet all of its (re)payment obligations, as well as the risk that the bank is unable to fund increases in assets at reasonable prices or unable at all. This could happen if, for instance, clients or professional counterparties suddenly withdraw more funds than expected, which cannot be met by the bank's cash resources or by selling or pledging assets or by borrowing funds from third parties.

For a long time now, Rabobank has recognised liquidity risk as a major risk type. Rabobank's policy therefore is to match the term of funding with the term of loans granted. Long-term loans must be financed through funds entrusted by customers or long-term funding by professional markets.

Liquidity risk is managed based on three pillars. The first of these sets strict limits for the maximum outgoing cash flows within the wholesale banking business. Among other things, Rabobank measures and reports on a daily basis what incoming cash flows can be expected during the first twelve months. Limits have been set for these outgoing cash flows, including for each currency and each site. In order to be as well prepared as possible for potential crisis situations, a number of detailed contingency funding plans (CFPs) are in place which are subjected to operational tests on a regular basis.

The second pillar is used to maintain a substantial buffer of liquid assets. In addition to the funds held at central banks, these assets can be used to borrow from central banks, used in repo transactions or in order to sell directly in the market in order to generate liquidities immediately. The amount of the liquidity buffer is related to the risk to which Rabobank is exposed through its balance sheet. Rabobank Group has securitized a portion of the loan portfolio (within the company) in recent years, which means it can be pledged from the central bank and therefore serves as an additional liquidity buffer. Since this concerns internal securitisations, solely for liquidity purposes, they are not visible in the economic balance sheet but are included in the available liquidity buffer.

The third pillar entails the restriction of liquidity risk through a prudent funding policy aimed at meeting the financing requirements of the group units at acceptable cost. Diversification of sources of funding and currencies, flexibility of the funding instruments applied and a hands-on investor relations approach are key factors. This prevents Rabobank Group from being overly dependent on a single source of funding. Furthermore, scenario analyses are performed each month to simulate the possible consequences of a wide range of stress scenarios, distinguishing between scenarios specific for the market and scenarios specific for Rabobank, as well as a combination of them. Monthly reports on the liquidity position of the Group as a whole are submitted to the Dutch Central Bank. These reports are prepared in accordance with the guidelines drawn up by this supervisory authority.

The table below shows Rabobank's non-discounted liabilities grouped by the liquidity period remaining between the reporting date and the expected contract repayment date. The total amounts do not correspond exactly with the amounts in the consolidated statement of financial position, since this table is based on non-discounted cash flows, related to both principal and future interest payments. 'Derivative financial instruments and other trade liabilities' have not been analysed on the basis of the contract repayment date because they are not essential for the management of liquidity risk and for reporting to the management of Rabobank.

Contract repayment date						
<i>In millions of euros</i>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>Longer than 5 years</i>	<i>Total</i>
At 31 December 2014						
Liabilities						
Due to other banks	2,293	8,777	1,270	5,015	666	18,021
Due to customers	238,882	44,500	9,987	15,138	23,079	331,586
Debt securities in issue	229	32,350	59,775	67,318	44,938	204,610
Other debts (excluding employee benefits)	1,543	4,878	712	811	22	7,966
Other financial liabilities at fair value through profit and loss	38	684	1,523	5,624	23,553	31,422
Subordinated debt	-	-	3	1,382	15,340	16,725
Total financial liabilities	242,985	91,189	73,270	95,288	107,598	610,330
Financial guarantees	11,826	-	-	-	-	11,826
At 31 December 2013						
Liabilities						
Due to other banks	2,934	5,791	1,670	3,326	1,392	15,113
Due to customers	250,658	35,739	10,567	12,881	21,462	331,307
Debt securities in issue	112	31,975	63,353	74,674	42,378	212,492
Other debts (excluding employee benefits)	1,333	4,568	238	870	83	7,092
Other financial liabilities at fair value through profit and loss	69	821	1,511	6,892	22,280	31,573
Subordinated debt	-	5	-	94	12,055	12,154
Total financial liabilities	255,106	78,899	77,339	98,737	99,650	609,731
Financial guarantees	11,429	-	-	-	-	11,429

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.

Contract repayment date						
<i>In millions of euros</i>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>Longer than 5 years</i>	<i>Total</i>
At 31 December 2014						
Financial assets						
Cash and cash equivalents	41,992	1,377	40	-	-	43,409
Due from other banks	14,373	26,813	2,626	1,206	284	45,302
Financial assets held for trading	26	839	503	2,214	697	4,279
Other financial assets at fair value through profit and loss	35	752	128	1,122	2,288	4,325
Derivative financial instruments	22	4,375	3,404	12,086	36,602	56,489
Loans to customers	30,380	39,258	38,483	83,696	270,630	462,447
Available-for-sale financial assets	4	3,858	3,090	16,369	16,449	39,770
Deferred tax assets	747	-	-	-	1,754	2,501
Other assets (excluding employee benefits)	744	4,194	1,528	1,539	549	8,554
Total financial assets	88,323	81,466	49,802	118,232	329,253	667,076
Financial liabilities						
Due to other banks	2,287	8,781	1,263	4,953	599	17,883
Due to customers	236,154	45,062	9,728	14,295	21,232	326,471
Debt securities in issue	229	32,318	59,470	63,839	33,204	189,060
Derivative financial instruments and other trade liabilities	176	4,477	3,830	15,421	43,656	67,560
Other debts (excluding employee benefits)	1,715	4,386	713	791	57	7,662
Other financial liabilities at fair value through profit and loss	40	695	1,494	5,611	11,904	19,744
Deferred tax liabilities	473	-	-	-	-	473
Subordinated debt	-	-	3	1,077	10,848	11,928
Total financial liabilities	241,074	95,719	76,501	105,987	121,500	640,781
Net liquidity surplus	(152,751)	(14,253)	(26,699)	12,245	207,753	26,295
At 31 December 2013						
Financial assets						
Cash and cash equivalents	15,495	27,542	2	-	-	43,039
Due from other banks	6,361	30,692	2,376	1,138	220	40,787
Financial assets held for trading	50	1,868	544	1,802	1,025	5,289
Other financial assets at fair value through profit and loss	40	819	402	888	2,790	4,939
Derivative financial instruments	152	3,511	2,841	11,477	21,722	39,703
Loans to customers	27,749	33,349	33,823	85,605	275,383	455,909
Available-for-sale financial assets	70	4,058	3,040	11,778	27,606	46,552
Deferred tax assets	460	-	-	-	1,450	1,910
Other assets (excluding employee benefits)	870	3,590	1,216	1,568	780	8,024
Total financial assets	51,247	105,429	44,244	114,256	330,976	646,152
Financial liabilities						
Due to other banks	2,907	5,657	1,691	3,224	1,266	14,745
Due to customers	249,908	36,462	10,526	12,408	16,918	326,222
Debt securities in issue	112	31,850	62,865	70,110	30,424	195,361
Derivative financial instruments and other trade liabilities	888	3,958	2,872	16,454	25,999	50,171
Other debts (excluding employee benefits)	1,663	4,548	299	866	85	7,461
Other financial liabilities at fair value through profit and loss	70	653	1,533	7,076	9,737	19,069
Deferred tax liabilities	160	-	-	-	128	288
Subordinated debt	-	5	-	89	7,721	7,815
Total financial liabilities	255,708	83,133	79,786	110,227	92,278	621,132
Net liquidity surplus	(204,461)	22,296	(35,542)	4,029	238,698	25,020

The above breakdown was compiled on the basis of contract information, without taking into account actual changes in items in the statement of financial position. This is taken into account, however, for the day-to-day management of the liquidity risk. Customer savings are an example. By contract, they are payable on demand. However, experience has shown that this is a very stable source of financing at the long-term disposal of Rabobank. The regulations of the supervisory authority also factor this in. Based on the liquidity criteria of the Dutch Central Bank, Rabobank had a substantial liquidity surplus at 31 December 2014 and throughout 2014. The average liquidity surplus was 26% (2013: 40%) of the total 1-month liquidity requirement. The surplus at 31 December 2014 was 23% (2013: 30%).

The liquidity requirements to meet payments under guarantees and standby letters of credit are considerably lower than the amount 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.

4.7 Market risk in the trading environment

'Market risk in the trading environment' refers to changes in the value of the trading book as a result of, among other things, changes in interest rates, credit spreads, foreign currencies and share prices. Analyses of the market risk in the bank book are included in paragraph 4.3, 'Interest-rate risk in the banking environment' and paragraph 4.5, 'Currency risk in the banking environment'.

At the consolidated level, the risk is represented by the Value at Risk (VaR), basis-point sensitivity and event risk. The Executive Board annually ratifies the risk appetite and the corresponding limits. These limits are converted into limits at book level and are monitored daily by the market management risk management departments. In addition to the VaR, basis-point sensitivity and event-risk limits, an extremely detailed system of trading controls per book is in place, including rotation risk (i.e. risk that the yield curve will shift), delta limits per bucket, nominal limits and the maximum number of contracts. The risk position is reported to the senior management on a daily basis and discussed in the various risk management committees on a monthly basis. The VaR indicates, based on one year of historical market trends, the maximum loss for a given reliability level and horizon under 'normal' market conditions. The internal VaR model forms an integral part of Rabobank's risk management framework and has also been approved by DNB for the determination of the solvency requirement for market risk in the trading book. Rabobank has opted to use a VaR based on historical simulation, where historical data is used for a period of one year. The VaR is calculated for a time horizon of both one day and ten days. Rabobank has elected to apply a reliability level of 97.5% for its internal risk management. The VaR is also calculated on a daily basis with a reliability rate of 99%.

A significant advantage of a VaR model based on historical simulation is that no assumptions need to be made with regard to distributions of potential value changes for the various financial instruments.

A drawback, however is that a choice needs to be made with regard to the period of historical market trends which could potentially affect the amount of the VaR as calculated. Based on the requirements imposed by the regulator and following our own research, we decided to use an historical period of one year.

Back testing is used in order to test the actual outcomes on a regular basis in order to determine the validity of the assumptions and parameters/factors used in calculating the VaR.

The table below shows how the VaR is composed; it is divided into various components. A diversity advantage is achieved in this case by the opposing positions of various books which partially cancel each other out.

The average VaR fell from EUR 6 million in 2013 to EUR 4 million in 2014. The VaR briefly peaked at a level of EUR 22 million in 2014. This one-off peak was the result of a large number of benchmark transactions and the issue of Tier-2 bonds, short-term liquidity shortage in the market and unfavourable market trends. The resulting market risk position was fully reduced within several days. The VaR remained within the limit of EUR 40 million throughout 2014, also during this peak.

VaR (1 day, 97.5%)							
<i>In millions of euros</i>	<i>Interest</i>	<i>Credit</i>	<i>Foreign currencies</i>	<i>Shares</i>	<i>Commodities</i>	<i>Diversification</i>	<i>Total</i>
2014 – 31 December	3	1	-	1	-	1	3
2014 – average	3	1	-	1	-	n/a	4
2014 – highest	16	7	1	1	1	n/a	22
2014 – lowest	2	1	-	-	-	n/a	2
2013 – 31 December	4	2	1	1	-	(3)	4
2013 – average	6	2	-	1	1	n/a	6
2013 – highest	10	2	1	2	1	n/a	9
2013 – lowest	3	1	-	-	-	n/a	4

In addition to the VaR for market risk, there are several other key risk indicators. Basis-point sensitivity, for example, indicates how the value of the trading book positions changes if the yield curve increases, in parallel, by 1 basis point. The table below shows these positions for each major currency.

Basis-point sensitivity		
<i>In millions of euros</i>	<i>2014</i>	<i>2013</i>
Euro	0.6	0.6
US dollar	(0.3)	1.1
Pound sterling	0.2	0.0
Other	0.0	(0.2)
Total	0.5	1.5

4.8 Operational risk

Rabobank defines operational risk as the risk of losses incurred as a result of inadequate or dysfunctional internal processes, people and systems, or as a result of external trends and developments. Potential legal risks and reputational risks are considered in the assessment and management of operational risk. In measuring and managing operational risks, Rabobank Group operates within the parameters of the most advanced Basel II approach, the Advanced Measurement Approach.

The bank's operational risk policy is based on the principle that the group entities have primary responsibility for managing operational risk and that this must be integrated into the strategic and day-to-day decision-making processes. The purpose of operational risk management is to identify, measure, mitigate and monitor various types of operational risks. The risk quantification process supports the management responsible in prioritising the actions to be undertaken and the allocation of people and resources.

In order to implement this policy, Rabobank applies the 'three lines of defence' model. The group entities represent the 'first line of defence' and are fully responsible for day-to-day risk acceptance and integrated risk management and mitigation within the risk appetite framework determined. The risk management functions within the group entities and within Risk Management together constitute the 'second line of defence'. The risk management function within the group entities acts as an adviser on risks and challenges the 'first line of defence' on the risk management method used within the group entity. Risk Management is responsible for the group picture and for challenging group entities and local risk management functions on their risk management. Internal audit at the group level and within the group entities constitute the 'third line of defence'. At the group level, the Operational Risk Committee is responsible for adopting the policy and parameters. In addition, Risk Management also reports each quarter on changes in operational risks at the group level. A number of risk management committees have been established within the group entities, whose responsibilities include identifying, managing and monitoring the operational risks (including system continuity risk and fraud risks) of the relevant entity. A Risk Self Assessment is conducted within the group entities. This process includes making an assessment of the main operational risks and identifying mitigating measures if risks fall outside the risk appetite. This process is facilitated by Risk Management and the results are communicated, at the group level, to the Operational Risk Committee. In addition, Risk Management coordinates annual scenario analyses with senior management of the full Rabobank Group, which sheds light on the group's risk profile.

4.9 Fair value of financial assets and liabilities

The table on page 46 shows the fair value of financial instruments based on the valuation methods and assumptions detailed below. This table is included because not all financial instruments are recognised at fair value in the balance sheet. Fair value represents the price that would have been received for the sale of an asset or that would have been paid in order to transfer a liability in a standard transaction conducted between market participants on the valuation date.

Rabobank's assumption for fair value measurement is that the transaction to sell the asset or transfer the liability is conducted in the key market for the asset or liability – or, in the absence of a key market, in a market offering favourable conditions.

Market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. Hence, for financial instruments for which no market prices are available, the fair values shown in the table on page 47 have been estimated using the present value or the results of other estimation and valuation methods, based on the market conditions at the reporting date. The values produced using these methods are highly sensitive to the underlying assumptions used for the amounts as well as for the timing of future cash flows, discount rates and possible market illiquidity. The following methods and assumptions have been used.

Cash and cash equivalents. The fair value of cash and cash equivalents is assumed to be almost equal to their carrying amount. This assumption is also used for highly liquid investments and the current component of all other financial assets and liabilities.

Due from other banks. Due from other banks comprise interbank placings and items to be collected. The fair values of floating rate placings and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated using appropriate money market interest rates for debts with comparable credit risks and terms to maturity.

Financial assets and derivative financial instruments held for trading. Financial assets and derivative financial instruments held for trading are carried at fair value based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from discounted cash flow models and option valuation models. For derivatives, the bank factors in counterparty risk and our own creditworthiness. In estimating counterparty risk, Rabobank uses the latest market data, including CDS curves and Monte Carlo simulations. Another factor taken into account is funding valuation adjustments (FVA). FVA concerns the valuation difference between transactions hedged by securities and transactions not hedged by securities. The former are valued using a discount curve based on the overnight index spread; the latter are valued using a discount curve based on Euribor/Libor plus a spread reflecting market conditions.

Other financial assets at fair value through profit or loss. These financial assets are carried at fair value based on quoted market prices if available. If not, they are estimated from comparable assets on the market, or using valuation methods, including appropriate discounted cash flow models and option valuation models.

Loans to customers. The fair value of issued loans is estimated from the present value of the cash flows, using current market rates for similar loans. For variable-interest loans that are reviewed regularly and do not vary significantly in terms of credit risk, the fair value is based on the carrying amount until maturity.

Available-for-sale financial assets. Available-for-sale financial assets are measured at fair value based on listed market prices. If no listed market prices are unavailable, fair value is estimated based on models of discounted cash flows and option valuation models.

Other financial assets. For almost all other financial assets, the carrying amount is a good approximation of the fair value.

Due to other banks. Due to other banks comprise interbank placings, items to be delivered and deposits. The fair values of floating rate placings and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated using ruling money market interest rates for debts with comparable credit risks and terms to maturity.

Trade liabilities. The fair value of trade liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from valuation models.

Other financial liabilities at fair value through profit or loss. The fair value of these liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from discounted cash flow models and option valuation models.

Due to customers. Due to customers include current accounts and deposits. The fair value of savings and current accounts that have no specific termination date is assumed to be the amount payable on demand at the reporting date, i.e. their carrying amount at that date. The fair value of the deposits is estimated from the present value of the cash flows, based on current bid rates of interest for similar arrangements with terms to maturity that match the items to be measured. The carrying amount of variable-interest deposits is a good approximation of their fair value at the reporting date.

Debt and other instruments issued by Rabobank. The fair value of these instruments is calculated using quoted market prices. For notes for which no quoted market prices are available, a discounted cash flow model is used, based on a current yield curve appropriate for the term to maturity.

The fair value measurement in 2014 of financial assets and liabilities carried at amortised cost is more based on market information. Consequently, the 2013 figures are adjusted and beside this correction also an effect of hedge accounting that was taken into account in the fair value measurement of the loans to customers and debt securities in issue in 2013 is adjusted. Ultimately, the adjustment of the 2013 figures leads to a change of -1,345 of the loans to customers, -1,024 of due to customers and -415 for the debt securities in issue.

<i>In millions of euros</i>	2014		2013	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
Assets				
Cash and cash equivalents	43,409	43,409	43,039	43,012
Due from other banks	45,302	45,312	40,787	40,859
Financial assets held for trading	4,279	4,279	5,289	5,289
Other financial assets at fair value through profit or loss	4,325	4,325	4,939	4,939
Derivative financial instruments	56,489	56,489	39,703	39,703
Loans to customers	462,447	473,920	455,909	461,056
Available-for-sale financial assets	39,770	39,770	46,552	46,552
Total financial assets	656,021	667,504	636,218	641,410
Liabilities				
Due to other banks	17,883	17,912	14,745	14,879
Due to customers	326,471	331,238	326,222	327,870
Debt securities in issue	189,060	196,056	195,361	199,043
Derivative financial instruments and other trade liabilities	67,560	67,560	50,171	50,171
Other financial liabilities at fair value through profit or loss	19,744	19,744	19,069	19,069
Subordinated debt	11,928	13,111	7,815	8,103
Total financial liabilities	632,646	645,621	613,383	619,135

The above-stated figures represent the best possible estimates by management, based on a range of methods and assumptions. If a quoted market price is available, this is the best estimate of fair value. If no quoted market prices are available for fixed-term securities, equity instruments, derivative financial instruments and commodity instruments, Rabobank bases the expected fair value on the present value of the future cash flows, discounted at market rates corresponding to the credit ratings and terms to maturity of the investments. Also, a model-based price can be used to determine fair value. Rabobank's policy is to have all models used for valuing financial instruments validated by expert staff who are independent of the staff who determine the fair values of the financial instruments. In determining market values or fair values, various factors have to be considered, such as the time value of money, volatility, underlying options, warrants and derivative financial instruments. Other factors include liquidity and the creditworthiness of the counterparty. The valuation process has been designed such that market prices that are available on a periodic basis are systematically used. This systematic valuation process has proved its worth during the credit market crisis. Modifications to assumptions might affect the fair value of trading and non-trading financial assets and liabilities. The table on the next page illustrates the fair value hierarchy used in determining the fair value of financial assets and liabilities. The breakdown is as follows:

- Category 1: Quoted prices in active markets for identical assets or liabilities; an 'active market' is a market in which transactions relating to the asset or liability occur with sufficient frequency and at a sufficient volume in order to provide price information on a permanent basis.
- 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.

Rabobank determines for recurrent valuations of financial instruments at fair value when transfers between the various categories of the fair-value hierarchy occurred by reassessing the category during each new reporting period.

<i>In millions of euros</i>	<i>Category 1</i>	<i>Category 2</i>	<i>Category 3</i>	<i>Total</i>
At 31 December 2014				
Assets				
Cash and cash equivalents	726	42,683	-	43,409
Due from other banks	-	45,312	-	45,312
Financial assets held for trading	3,059	1,091	129	4,279
Other financial assets at fair value through profit or loss	318	2,274	1,733	4,325
Derivative financial instruments	60	55,306	1,123	56,489
Loans to customers	-	105,434	368,486	473,920
Available-for-sale financial assets	36,974	1,805	991	39,770
Non-current assets held for sale and discontinued operations	-	-	327	327
Liabilities				
Due to other banks	-	17,912	-	17,912
Due to customers	-	73,994	257,244	331,238
Debt securities in issue	1,059	166,200	28,797	196,056
Derivative financial instruments and other trade liabilities	1,399	65,079	1,082	67,560
Other financial liabilities at fair value through profit or loss	15	19,683	46	19,744
Subordinated debt	13,082	29	-	13,111
In millions of euros				
At 31 December 2013				
Assets				
Cash and cash equivalents	1,709	41,303	-	43,012
Due from other banks	1,790	31,799	7,270	40,859
Financial assets held for trading	2,959	2,155	175	5,289
Other financial assets at fair value through profit or loss	371	2,962	1,606	4,939
Derivative financial instruments	591	38,765	347	39,703
Loans to customers	1,001	104,560	355,495	461,056
Available-for-sale financial assets	42,597	3,645	310	46,552
Non-current assets held for sale and discontinued operations	-	-	9,073	9,073
Liabilities				
Due to other banks	23	13,949	907	14,879
Due to customers	2	68,306	259,562	327,870
Debt securities in issue	1,380	169,684	27,979	199,043
Derivative financial instruments and other trade liabilities	2,036	48,061	74	50,171
Other financial liabilities at fair value through profit or loss	1,787	17,228	54	19,069
Subordinated debt	8,064	39	-	8,103
Liabilities held for sale and discontinued operations	-	-	7,825	7,825

The potential effect before taxation, if more positive reasonable assumptions are made for the valuation of financial instruments in category 3 on the profit or loss account, is 108 (2013: 212); on equity, it is 73 (2013: nil). The positive effect before taxation, if more negative reasonable assumptions are used for the valuation of financial instruments in category 3 on the profit or loss account, is -101 (2013: -212) and -67 on equity (2013: nil).

Category 3 of the other financial assets at fair value, with recognition of value changes in the profit and loss account, includes both debt instruments and private equity interests. The latter amount to 212, and a significant non-perceivable input for the valuation of these interests is the multiplier. The multiplier is determined at the time the interests are acquired and is applied to the EBITDA. The average weighted multiplier is 6.0, with a bandwidth of -1 and +1 of the multiplier. The debt instruments mainly concern structured investments (RMBS and CDO) at an amount of 414. The main input for the valuation of these instruments is at least two broker quotes with a range of -3.6% to 6.0% of the carrying amount.

Financial instruments at fair value in category 3								
<i>In millions of euros</i>	<i>At 1 January 2014</i>	<i>Fair value changes through profit or loss</i>	<i>Fair value changes through equity</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to or from category 3</i>	<i>At 31 December 2014</i>
Assets								
Financial assets held for trading	175	25	-	5	(70)	-	(6)	129
Other financial assets at fair value through profit or loss	1,606	159	-	456	(937)	(1)	450	1,733
Derivative financial instruments	347	102	-	1	-	(339)	1,012	1,123
Available-for-sale financial assets	310	87	113	317	(23)	-	187	991
Liabilities								
Derivative financial instruments and other trade liabilities	74	73	-	-	-	(73)	1,008	1,082
Other financial liabilities at fair value through profit or loss	54	1	-	(1)	-	(8)	-	46

The table shows movements in the financial instruments which are stated at fair value in the statement of financial position and which are classified in category 3. The fair value adjustments in category 3 which are included in equity are accounted for in the revaluation reserves for available-for-sale financial assets. In 2014, derivatives in the amounts of 1,008 (active) and 1,102 (passive) were transferred from category 2 to category 3 as a result of a lack of a perceivable prepayment rate which has a significant impact on the determination of the fair value of these derivatives. There were no significant transfers between category 1 and category 2 in 2014.

Financial instruments at fair value in category 3									
<i>In millions of euros</i>	<i>At 1 January 2013</i>	<i>Fair value changes through profit or loss</i>	<i>Fair value changes through equity</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transferred to held for sale/ discontinued operations</i>	<i>Transfers to or from category 3</i>	<i>At 31 December 2013</i>
Assets									
Financial assets held for trading	83	(2)	-	128	(24)	(4)	-	(6)	175
Other financial assets at fair value through profit or loss	1,657	(32)	-	344	(488)	(152)	-	277	1,606
Derivative financial instruments	245	(56)	-	152	-	6	(1)	1	347
Available-for-sale financial assets	98	2	8	299	(89)	(2)	(6)	-	310
Liabilities									
Derivative financial instruments and other trade liabilities	121	(62)	-	-	-	-	(1)	16	74
Other financial liabilities at fair value through profit or loss	16	11	-	88	(57)	(4)	-	-	54

The amount in total gains or losses presented in the statement of income for the period relating to the assets and liabilities held in category 3 until the end of the reporting period is presented in the table on the next page.

Financial instruments in category 3 – fair value changes through profit or loss			
<i>In millions of euros</i>	<i>Recognised</i>	<i>Derecognised</i>	<i>Total</i>
At 31 December 2014			
Assets			
Financial assets held for trading	24	1	25
Other financial assets at fair value through profit or loss	145	14	159
Derivative financial instruments	102	-	102
Available-for-sale financial assets	87	-	87
Liabilities			
Derivative financial instruments and other trade liabilities	69	4	73
Other financial liabilities at fair value through profit or loss	1	-	1
At 31 December 2013			
Assets			
Financial assets held for trading	(3)	1	(2)
Other financial assets at fair value through profit or loss	(58)	26	(32)
Derivative financial instruments	78	(134)	(56)
Available-for-sale financial assets	2	-	2
Liabilities			
Derivative financial instruments and other trade liabilities	(53)	(9)	(62)
Other financial liabilities at fair value through profit or loss	11	-	11

The table below shows the changes in deferred profit of the Financial assets held for trading which were initially recognised at a value determined using a valuation technique based on data input not substantiated by market prices.

Provision for Day 1 profit		
<i>In millions of euros</i>	<i>2014</i>	<i>2013</i>
Opening balance	27	37
Additions	-	11
Amortisation	(11)	(15)
Changes	(10)	(6)
Closing balance	6	27

4.10 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 will not have a materially adverse effect on the Rabobank Group's financial position or profitability, given its size, strong balance sheet, steady flow of income and provisions policy.

Libor/Euribor

Rabobank has received a number of requests in recent years from regulators in various countries to issue information and documents in relation to various issues, including issues related to the fixing of interest rates. Rabobank is cooperating, and will continue to cooperate, with the regulators and authorities involved in these global investigations.

On 29 October 2013, Rabobank entered into a settlement agreement with various authorities in relation to their investigations into Rabobank's historical LIBOR and EURIBOR submission processes. Additional information is available on the bank's corporate website. All financial fines related to this settlement agreement were fully paid and accounted for by Rabobank in 2013. The method in which the investigation by the Dutch Public Prosecution Service into Rabobank of the interest-rate submissions was terminated is currently being reviewed by the Hague Court of Appeal.

Rabobank, along with a large number of other panel banks and inter-dealer brokers, has been mentioned in connection with a large number of alleged class action suits and individual civil court cases brought before the Federal courts in the United States. These proceedings relate to the US dollar (USD), LIBOR, Japanese yen (JPY), LIBOR, TIBOR (note: Rabobank was never a member of the TIBOR panel) and EURIBOR.

An Argentinean consumer protection organisation brought an alleged class action suit against Rabobank in Argentina in relation to USD LIBOR in 2014. Additionally, the bank has also been summoned to appear before several Dutch courts in civil proceedings relating to EURIBOR. Furthermore, various individuals and entities have made a number of allegations relating to EURIBOR in letters to, and legal proceedings against, Rabobank and an Irish subsidiary.

Since the alleged class action suits and civil proceedings listed above which have been brought in the US or elsewhere are, by their nature, subject to uncertainties, it is difficult to predict their outcomes. Rabobank maintains that it has mounted compelling legal and factual defences against these claims and intends to continue defending itself against them.

Fortis

The Dutch Investors' Association (VEB) has issued a summons against the company formerly known as Fortis N.V. and currently trading as Ageas N.V., the underwriters involved – including Rabobank – and the former directors of Fortis N.V. The Dutch Investors' Association states in this summons that investors were misled by the prospectus published by Ageas N.V. in connection with its rights issue in September 2007. The Association states that the impact and risks of the subprime crisis on Fortis and its cash position were misrepresented in the prospectus and has requested a declaratory judgment stating that the defendants acted illegitimately and must therefore be held liable for the loss allegedly suffered by investors in Fortis. We maintain the view that the above-mentioned loss of EUR 18 billion has not been properly substantiated. The proceedings concern a settlement of the collective loss, which means that the court will only rule on the question of whether the defendants, including Rabobank, are liable. Depending on the outcome of these proceedings, it will become clear whether separate loss proceedings are to be expected. Rabobank is defending itself against the claim; at present, however, the bank is unable to assess the outcome of these or any subsequent proceedings.

Interest-rate derivatives in the SME segment

Rabobank provides interest rate derivatives for business customers who wish to reduce interest rate risk associated with variable (Euribor) loans. Such an interest rate swap protects customers from rising (Euribor) interest rates and helps businesses to keep their interest payments at an acceptable level.

For business customers who have both a loan and an interest rate derivative, the bank assesses, or reassesses, the individual position in 2014 (and into 2015). If a closed derivative turns out to no longer suit the customer's requirements, the bank and the customer set out to find a solution which is acceptable to the customer.

This solution may range from restructuring to offsetting the derivative, a combination of these two measures, or full or partial compensation. Each of these solutions is tailor-made, which means that all the circumstances of the business are considered in the assessment.

5 Business segments

The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means they are the segments that are reviewed as part of Rabobank's strategic management and for the purpose of making business decisions, and have different risks and returns.

Rabobank distinguishes five major business segments: Domestic retail banking, Wholesale banking and international retail banking, Leasing, Real estate and Other segments. Various organisational changes were implemented in 2014. This was the result of two trends: a) the sale or downsizing of operations and b) internal changes, such as the integration of Rabobank International and Rabobank Nederland, the reorganisation at the local Rabobanks, and the impending changes at FGH Bank. The effects of the reorganisation at the local Rabobanks and the sale of Bank BGZ are discussed in Section 23, 'Provisions' and Section 43, 'Fixed assets and liabilities held for sale', respectively.

The segment Domestic retail banking mainly comprises the activities of the local Rabobanks, Obvion and Roparco. The segment Wholesale banking and international retail banking supports the Rabobank Group in becoming the market leader in the Netherlands and focuses on the food and agri sector at the international level. This segment is engaged in regional corporate banking activities, as well as managing entities with global operations such as Global Financial Markets, Acquisition Finance, Global Client Solutions, Project Finance and Trade & Commodity Finance. The segment is also involved in International Direct Retail Banking and Rabo Private Equity. The international retail banking operations fall under the Rabobank label, with the exception of ACC Loan Management. Following the sale of Robeco in the second half of 2013, the Asset management segment is no longer displayed separately. The operations of Schretlen & Co. are currently reported in the Other segment. The Leasing segment – DLL – is responsible for the leasing activities and offers a wide range of leasing, trading and consumer finance products in the Dutch home market.

Manufacturers, vendors and distributors globally are supported in their sales with products related to asset financing. DLL operates in European markets with the Athlon Car Lease leasing company. The core businesses of the segment Real Estate – Rabo Real Estate Group, which holds investments, are residential and commercial real estate, finance and asset management. In the Dutch market, Rabo Real Estate Group operates BPD, MAB Development, FGH Bank and Bouwfonds Investment Management brands. The Other segments are comprised of various sub-segments, of which no single segment should be listed separately. The Other segments mainly include the financial results of associates (particularly Achmea B.V.) and the head office operations. There are no customers who own a share of more than 10% in Rabobank's total revenues. Transactions between the various business segments are conducted at regular commercial terms and under normal market conditions. In the segment Domestic retail banking, the dividend provided to the local Rabobanks is included under 'Other results' 218 (2013: nil).

Apart from operating activities, there is no other material comprehensive income between the business segments. A segment's operating activities comprise business assets and liabilities, i.e. a large portion of the balance sheet excluding items such as tax. The accounting principles used for the segments are identical to those described in the summary of the main accounting principles.

<i>In millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects/hedge accounting</i>	<i>Total</i>
For the year ended on 31 December 2014							
Interest	5,783	2,416	1,000	313	(394)	-	9,118
Commission	1,318	552	30	36	(20)	(37)	1,879
Other income	349	799	548	261	(550)	453	1,860
Total income	7,450	3,767	1,578	610	(964)	416	12,857
Segment expenses	4,662	2,417	834	311	(50)	(119)	8,055
Value adjustments	1,422	420	131	656	4	-	2,633
Bank tax and resolution levy	354	67	9	8	50	-	488
Operating profit before taxation	1,012	863	604	(365)	(968)	535	1,681
Taxation	261	105	168	(102)	(726)	133	(161)
Net profit from continuing operations	751	758	436	(263)	(242)	402	1,842
Net profit from discontinued operations	-	-	-	-	-	-	-
Net profit	751	758	436	(263)	(242)	402	1,842
Business segment assets	354,315	494,452	37,226	22,953	89,072	(320,739)	677,279
Investments in associates	17	684	22	193	2,891	-	3,807
Total assets	354,332	495,136	37,248	23,146	91,963	(320,739)	681,086
Business segment liabilities	326,481	482,889	32,957	21,862	84,306	(306,280)	642,215
Total liabilities	326,481	482,889	32,957	21,862	84,306	(306,280)	642,215
Additions to property and equipment	140	39	1,509	4	59	-	1,751
Depreciation of tangible assets and amortisation of intangible assets	127	87	47	9	167	-	437
Impairment of tangible and intangible assets	9	32	1	6	24	-	73
Goodwill	322	676	455	1	-	-	1,454

<i>In millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other Segments</i>	<i>Consolidation effects/hedge accounting</i>	<i>Total</i>
Value adjustments in loans to customers							
At 1 January	4,561	2,672	455	842	51	-	8,581
Impairment for credit losses	1,923	785	252	678	10	-	3,648
Reversal of impairment for credit losses	(454)	(337)	(67)	(21)	(7)	-	(886)
Defaulting loans written off during the year	(1,263)	(355)	(268)	(335)	(6)	-	(2,227)
Interest and other adjustments	69	51	6	106	-	-	232
Closing balance	4,836	2,816	378	1,270	48	-	9,348
Individual value adjustment (specific provision)	3,297	2,424	186	1,141	44	-	7,092
Collective value adjustment (collective provision)	1,014	169	101	-	-	-	1,284
IBNR	525	223	91	129	4	-	972
Closing balance	4,836	2,816	378	1,270	48	-	9,348

<i>In millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Asset management</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects/hedge accounting</i>	<i>Total</i>
For the year ended on 31 December 2013								
Interest	5,605	2,606	(2)	973	335	(422)	-	9,095
Commission	1,319	641	3	52	29	(10)	(33)	2,001
Other income	616	793	2	545	(556)	1,544	(1,010)	1,934
Total income	7,540	4,040	3	1,570	(192)	1,112	(1,043)	13,030
Segment expenses	5,015	3,132	2	764	339	591	(83)	9,760
Value adjustments	1,384	568	-	170	513	8	-	2,643
Bank tax	90	75	-	9	8	14	1	197
Operating profit before taxation	1,051	265	1	627	(1,052)	499	(961)	430
Taxation	270	219	-	205	(238)	(129)	(239)	88
Net profit from continuing operations	781	46	1	422	(814)	628	(722)	342
Net profit from discontinued operations	-	-	80	-	-	1,585	-	1,665
Net profit	781	46	81	422	(814)	2,213	(722)	2,007
Business segment assets	376,241	482,309	1,276	33,128	27,192	70,943	(325,741)	665,348
Investments in associates	17	643	-	25	213	2,849	-	3,747
Total assets	376,258	482,952	1,276	33,153	27,405	73,792	(325,741)	669,095
Business segment liabilities	349,172	472,329	1,051	29,267	26,344	63,995	(311,597)	630,561
Total liabilities	349,172	472,329	1,051	29,267	26,344	63,995	(311,597)	630,561
Additions to property and equipment	160	28	-	1,420	13	38	-	1,659
Depreciation of tangible assets and amortisation of intangible assets	145	127	-	50	27	179	-	528
Impairment of tangible and intangible assets	2	52	-	-	-	12	-	66
Goodwill	322	599	-	460	-	-	-	1,381

<i>In millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Asset management</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects/hedge accounting</i>	<i>Total</i>
Value adjustments in loans to customers								
At 1 January	3,866	2,893	-	467	376	53	-	7,655
Impairment for credit losses	1,979	1,000	-	276	520	16	-	3,791
Reversal of impairment for credit losses	(582)	(408)	-	(40)	(6)	(9)	-	(1,045)
Defaulting loans written off during the year	(826)	(467)	-	(223)	(34)	(10)	-	(1,560)
Interest and other adjustments	124	(346)	-	(25)	(14)	1	-	(260)
Closing balance	4,561	2,672	-	455	842	51	-	8,581
Individual value adjustment (specific provision)	4,153	2,328	-	262	758	47	-	7,548
Collective value adjustment (collective provision)	256	176	-	111	-	-	-	543
IBNR	152	168	-	82	84	4	-	490
Closing balance	4,561	2,672	-	455	842	51	-	8,581

	<i>Additions to property and equipment and intangible assets</i>	<i>Additions to property and equipment and intangible assets</i>
	<i>At 31 December 2014</i>	<i>At 31 December 2013</i>
<i>In millions of euros</i>		
The Netherlands	1,483	1,091
Other eurozone	109	85
Rest of Europe (Non-eurozone)	84	53
North America	234	527
Latin America	3	6
Asia	15	3
Australia	43	13
Other and consolidation effects	-	-
Total	1,971	1,778

Geographic information (country-by-country reporting)

Rabobank operates in seven main geographical areas; see the table below. For Rabobank, the country of domicile is the Netherlands. The information is reported by distinguishable components of Rabobank that provide products and/or services within a particular economic environment within particular geographical locations/areas. The allocation is based on the location of the individual subsidiary from which the transactions are originated.

At 31 December 2014

<i>Geographic location</i>	<i>Country</i>	<i>Name of subsidiary</i>	<i>Type of operations</i>	<i>Income from continuing operations</i>	<i>Average number of FTEs</i>	<i>Operating profit before taxation</i>	<i>Taxes</i>	<i>Government subsidies received</i>
The Netherlands	The Netherlands	Local Rabobanks, Rabobank, DLL, Obvion, Friesland Zekerheden Maatschappij NV, Rabohypotheekbank, Rabo Real Estate Group	Domestic retail banking, Wholesale banking and international retail banking, Leasing, Real estate	8,959	37,553	185	(595)	-
Other eurozone countries	France	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	192	597	60	27	-
	Belgium	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	80	301	26	6	-
	Germany	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	212	677	135	55	-
	Italy	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	67	167	26	9	-
	Luxembourg	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	8	11	14	(4)	-
	Ireland	DLL, Rabobank, ACC Loan Management	Leasing, Wholesale banking and international retail banking	(54)	545	(30)	-	-
	Finland	DLL	Leasing	4	5	2	1	-
	Austria	DLL	Leasing	2	2	1	-	-
	Portugal	DLL	Leasing	5	18	(2)	-	-
	Spain	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	71	169	24	8	-

<i>Geographic location</i>	<i>Country</i>	<i>Name of subsidiary</i>	<i>Type of operations</i>	<i>Income from continuing operations</i>	<i>Average number of FTEs</i>	<i>Operating profit before taxation</i>	<i>Taxes</i>	<i>Government subsidies received</i>
Rest of Europe (non-eurozone)	United Kingdom	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	240	694	(10)	(7)	-
	Norway	DLL	Leasing	18	28	5	2	-
	Sweden	DLL, Rabo Real Estate Group	Leasing, Real estate	41	115	4	-	-
	Denmark	DLL, Rabo Real Estate Group	Leasing, Real estate	13	24	4	1	-
	Switzerland	DLL	Leasing	4	5	2	-	-
	Russia	DLL	Leasing	25	55	7	2	-
	Poland	DLL, Rabobank, Bank BGZ	Leasing, Wholesale banking and international retail banking	219	2,795	2	2	-
	Czech Republic	Rabo Real Estate Group	Real estate	-	1	-	-	-
	Hungary	DLL	Leasing	8	27	2	-	-
	Romania	DLL	Leasing	1	2	1	-	-
	Turkey	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	21	33	5	2	-
North America	United States	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	1,296	3,991	625	190	-
	Canada	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	97	201	51	12	-
Latin America	Mexico	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	9	56	1	(1)	-
	Cayman Islands	Rabobank	Wholesale banking and international retail banking	-	-	-	-	-
	Curacao	Rabobank	Wholesale banking and international retail banking	99	13	73	2	-
	Brazil	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	294	706	71	30	-
	Chile	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	60	332	5	(2)	-
	Argentina	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	4	27	2	-	-
Asia	India	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	24	112	10	4	-
	Singapore	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	76	184	33	4	-
	Indonesia	Rabobank	Wholesale banking and international retail banking	41	1,487	(11)	(3)	-
	Malaysia	Rabobank	Wholesale banking and international retail banking	-	2	2	-	-
	China	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	169	341	81	16	-
	South Korea	DLL	Leasing	7	26	2	-	-
	Japan	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	-	1	-	-	-
Australia	Australia	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	354	952	139	41	-
	New Zealand	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	191	307	134	37	-
Other	Mauritius	Rabobank	Wholesale banking and international retail banking	-	-	-	-	-
				12,857	52,562	1,681	(161)	-

At 31 December 2013

<i>Geographic location</i>	<i>Country</i>	<i>Name of subsidiary</i>	<i>Type of operations</i>	<i>Income from continued operations</i>	<i>Average number of employees in FTE</i>
The Netherlands	The Netherlands	Local Rabobanks, Rabobank, DLL, Obvion, Friesland Zekerheden Maatschappij NV, Rabohypotheekbank, Rabo Real Estate Group	Domestic retail banking, Wholesale banking and international retail banking, Leasing, Real estate	9,090	40,490
Other eurozone countries	France	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	152	577
	Belgium	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	105	291
	Germany	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	104	653
	Italy	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	56	169
	Luxembourg	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	6	12
	Ireland	DLL, Rabobank, ACC Loan Management	Leasing, Wholesale banking and international retail banking	(38)	648
	Finland	DLL	Leasing	4	6
	Austria	DLL	Leasing	2	2
	Portugal	DLL	Leasing	3	17
	Spain	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	60	171
Rest of Europe (non-eurozone)	United Kingdom	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	297	714
	Norway	DLL	Leasing	17	27
	Sweden	DLL	Leasing	52	112
	Denmark	DLL, Rabo Real Estate Group	Leasing, Real estate	9	24
	Switzerland	DLL	Leasing	2	4
	Russia	DLL	Leasing	20	51
	Poland	DLL, Rabobank, Bank BGZ	Leasing, Wholesale banking and international retail banking	384	5,525
	Czech Republic	Rabo Real Estate Group	Real estate	(3)	3
	Hungary	DLL	Leasing	7	23
	Romania	DLL, Rabo Real Estate Group	Leasing, Real estate	-	2
	Turkey	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	2	10
North America	United States	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	1,495	3,976
	Canada	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	104	193
Latin America	Mexico	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	13	55
	Cayman Islands	Rabobank	Wholesale banking and international retail banking	-	-
	Curacao	Rabobank	Wholesale banking and international retail banking	119	14
	St Maarten	Rabobank	Wholesale banking and international retail banking	-	-
	Brazil	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	310	717
	Chile	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	54	333
	Argentina	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	8	41
Asia	India	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	20	106
	Singapore	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	83	168
	Indonesia	Rabobank	Wholesale banking and international retail banking	15	1,464
	Malaysia	Rabobank	Wholesale banking and international retail banking	3	3
	China	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	170	354
	South Korea	DLL	Leasing	7	30
	Japan	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	6	11
Australia	Australia	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	199	948
	New Zealand	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	94	305
Other	Mauritius	Rabobank	Wholesale banking and international retail banking	(1)	-
				13,030	58,249

6 Cash and cash equivalents

<i>In millions of euros</i>	2014	2013
Cash	726	954
Deposits at central banks other than mandatory reserve deposits	42,318	35,802
	43,044	36,756
Mandatory reserve deposits at central banks	365	6,283
Total cash and cash equivalents	43,409	43,039

The average minimum reserve to be held for the Netherlands for the month of December 2014 is 2,964 (December 2013: 2,849).

7 Due from other banks

<i>In millions of euros</i>	2014	2013
Deposits with other banks	12,905	12,220
Reverse repurchase transactions and securities borrowing agreements	27,592	22,418
Loans	4,471	5,758
Other	120	62
Less: value adjustments	(26)	(51)
	45,062	40,407
Reclassified assets	240	380
Total due from other banks	45,302	40,787
<i>Breakdown of value adjustments</i>		
At 1 January	51	48
Impairment for credit losses	-	3
Reversal of impairment for credit losses	(14)	(10)
Value adjustments	(14)	(7)
Defaulting loans written off during the year	(17)	-
Other changes	6	10
At 31 December	26	51

Value adjustments of 'Due from other banks' have been recognised in the statement of income as 'Value adjustments'. The gross carrying amount of Due from other banks whose value adjustments were established on an individual basis is 165 (2013: 55).

8 Financial assets held for trading

<i>In millions of euros</i>	2014	2013
Purchased loans	712	1,171
Short-term government securities	123	204
Government bonds	950	1,086
Other debt securities	2,117	2,109
Equity instruments	377	719
Total	4,279	5,289

9 Other financial assets at fair value through profit or loss

<i>In millions of euros</i>	2014	2013
Government bonds	12	63
Other debt securities	2,494	2,885
Loans	1,090	1,056
Venture capital (equity instrument)	274	549
Other equity instruments	455	386
Total	4,325	4,939

The change in the year under review in the fair value of the loans designated as at fair value through profit or loss that is allocable to the changes in credit risk is 14 (2013: -18). The cumulative change is -34 (2013: -48). Any changes in fair value are calculated by discounting future cash flows. When setting the discount rate, account is taken of expected losses, the liquidity mark-ups and the risk margin.

No credit derivative financial instruments are used to hedge the loans designated as at fair value through profit and loss.

10 Derivative financial instruments and other trade liabilities

Derivatives are used at Rabobank for the purpose of mitigating at least a portion of the long-term market risks arising from the bank's various operations. Examples of this include interest-rate swaps used to hedge interest-rate risk arising from the difference in duration between assets and liabilities. Another example are cross-currency swaps, which are used to hedge the currency risk to which the bank is exposed after issuing debt instruments in foreign currencies.

The bank's hedging policy is designed to optimise its income within the risk appetite framework. In addition to using derivatives for hedging purposes, derivatives are transacted for the bank's customers. This includes, for example, forward foreign exchange contracts which corporate clients enter into with Rabobank in order to hedge their currency risks. The resulting exposures are largely mitigated by entering into reverse positions with one or more professional counterparties, within the trading limits set.

10.1 Types of derivative instruments used by Rabobank

Forward currency and interest rate contracts are contractual obligations to receive or pay a net amount based on changes in exchange or interest rates, or to purchase or sell foreign currency or a financial instrument on a future date at a fixed specified price in an organised financial market. As collateral for forward contracts is provided in the form of cash, cash equivalents or marketable securities, and changes in the value of forward contracts are settled daily, the credit risk is negligible.

Forward rate agreements are individually agreed forward interest rate contracts under which the difference between a contractually agreed interest rate and the market rate on a future date has to be settled in cash, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps entail an economic exchange of currencies or interest rates (such as a fixed rate for one or more variable rates), or a combination (i.e. a cross-currency interest-rate swap). Except for certain currency swaps, there is no transfer of the principal amount. The credit risk exposure of Rabobank represents the potential cost of replacing the swaps if the counterparties default. The risk is monitored continuously against current fair value, a portion of the notional amount of the contracts and the liquidity of the markets. As part of the credit risk management process, Rabobank employs the same methods for evaluating counterparties as it does for evaluating its own lending activities.

Currency and interest rate options are contracts under which the seller (known as the writer) gives the buyer (known as the holder) the right, entailing no obligation, to purchase (in the case of a call option) or sell (in the case of a put option) a specific amount of foreign currency or a specific financial instrument on or before an agreed date or during an agreed period at a price set in advance. As consideration for accepting the currency

or interest rate risk, the writer receives a payment (known as a premium) from the holder. Options are traded on exchanges or between Rabobank and clients (OTC). Rabobank is exposed to credit risks only as option holder and only up to the carrying amount, which is equal to the fair value in this case.

Credit default swaps (CDSs) are instruments by means of which the seller of a CDS undertakes to pay the buyer an amount equal to the loss that would be incurred by holding an underlying reference asset if a specific credit event were to occur (i.e. the materialisation of a risk). The buyer is under no obligation to hold the underlying reference asset.

The buyer pays the seller a credit protection fee expressed in basis points, with the size of the fee depending on the credit spread of the reference asset.

10.2 Derivative financial instruments issued or held for trading

Rabobank trades in financial instruments to take positions in tradable or OTC instruments, including derivative financial instruments, so that it can profit from short-term movements on share and bond markets and in exchange and interest rates. For this type of trading, Rabobank sets risk limits relating to market positions at the end of the day (overnight trades) as well as during the day (intraday trades). Except under specific hedging arrangements, the currency and interest rate risks associated with these derivative financial instruments are usually offset by taking counter positions in order to manage the volatility in the net amounts needed to liquidate the market positions.

10.3 Derivative financial instruments held as hedges

Rabobank concludes various financial derivative contracts that are intended as fair value, cash flow or net investment hedges, and which accordingly qualify as such. Rabobank also concludes derivative contracts as hedges against economic risks. It does not apply hedge accounting to these contracts.

Fair value hedges

The main components of Rabobank's fair value hedge are interest-rate swaps and cross-currency interest-rate swaps which serve as protection against a potential change in the fair value of fixed-income financial assets and liabilities in both local and foreign currencies. The net fair value of these swaps at 31 December 2014 is -12,869 (2013: -10,427).

Rabobank hedges a portion of its existing currency and interest-rate risk of securities issued by means of fair value hedges in the form of currency swaps and cross-currency interest-rate swaps. The net fair value of these interest-rate swaps as at 31 December is 3,908 (2013: 1,947). For the year ending on 31 December 2014, Rabobank reported a profit of -164 (2013: 215) as a result of the portion of the fair value hedges which was classified as ineffective hedges.

For the year ending on 31 December 2014, Rabobank reported a profit of -5,242 (2013: 2,782) for the hedging instruments. Total profit from the hedged position, allocable to the hedged risk, totalled 5,078 (2013: -2,567).

Cash-flow hedges

Rabobank's cash-flow hedges consist mainly of cross-currency interest-rate swaps which serve to protect against a potential change in cash flows from financial assets in foreign currencies with floating interest rates. The net fair value of the cross-currency interest-rate swaps, classified as cash-flow hedge at 31 December 2014 is -2,660 (2013: -2,405).

In 2014, Rabobank accounted for an amount of 548 (2013: -1,450) after taxation in equity as effective changes in the fair value of derivatives in cash-flow hedges. In 2014, an amount of -586 (2013: 1,459) after taxation of cash-flow hedge reserves was reclassified to the profit or loss account. The cash-flow hedge reserves as part of equity totalled 11 (2013: 49) at 31 December 2014. This amount fluctuates along with the fair value of the derivatives in the cash-flow hedges and is accounted for in profit over the term of the hedged positions as trading profit. The cash-flow hedge reserve relates to a large number of derivatives and hedged positions with different terms. The maximum term is 97 years, with the largest concentrations exceeding five years.

For the year ending on 31 December 2014, Rabobank reported a profit of 185 (2013: 225) as a result of the portion of the cash-flow hedges classified as ineffective hedges.

Net investment hedges

Rabobank uses foreign forward-exchange contracts to hedge a portion of the currency translation risk of net investments in foreign entities. The net fair value of these foreign forward-exchange contracts at 31 December 2014 was 8 (2013: 29).

At 31 December 2014, futures contracts with a nominal amount of 1,797 (2013: 2,386) were designated as net investment hedges. These resulted in exchange gains and losses of -87 for the year (2013: 279), which are deferred in equity. A total of 106 was made in withdrawals from equity during the year (2013: nil). For the year ending 31 December 2014, Rabobank reported no ineffectiveness resulting from the net investment hedges.

10.4 Notional amount and fair value

Although the notional amount of certain types of financial instruments provides a basis for comparing instruments that are included in the statement of financial position, it does not necessarily represent the related future cash flows or the fair values of the instruments. Hence, it does not represent the exposure of Rabobank to credit or exchange risks. It is the amount of the asset or the reference rate or index underlying a derivative financial instrument, representing the basis on which changes in a derivative financial instrument's value are measured. It provides an indication of the volume of transactions executed by Rabobank; it is not a measure of risk exposure, however. Some derivative financial instruments are standardised in terms of notional amount or settlement date, having been designed for trading on active markets (i.e. on stock exchanges). Others are specifically constructed for individual clients and not for trading on an exchange, even though they can be traded at prices negotiated by buyers and sellers (OTC instruments). The positive fair value represents the cost for Rabobank to replace all contracts on which it will be entitled to receive payment. Replacement would apply in the event of all counterparties remaining in default. This is the standard method in the industry for calculating the current credit risk exposure. The negative fair value represents the cost of all Rabobank contracts on which it will have to make payment. Replacement would apply in the event of Rabobank remaining in default. The total of positive fair values and the total of negative fair values are disclosed separately in the statement of financial position. Derivative financial instruments are positive (assets) or negative (liabilities) as a result of fluctuations in market or exchange rates in relation to their contract values. The total contract amount or notional amount of derivative financial instruments held, the degree to which these instruments are positive or negative, and hence the total fair value of the derivative financial assets and liabilities can sometimes fluctuate significantly. The next table shows the notional amounts and the positive and negative fair values of Rabobank's derivative contracts.

<i>In millions of euros</i>	<i>Notional amounts</i>	<i>Fair values</i>	
At 31 December 2014		<i>Assets</i>	<i>Liabilities</i>
Derivative financial instruments held for trading	2,545,638	50,172	48,298
Derivative financial instruments held as hedges	158,464	6,317	17,938
Short positions shares and bonds	-	-	1,324
Total derivative financial assets/liabilities recognised	2,704,102	56,489	67,560
Derivative financial instruments held for trading			
Currency derivative financial instruments			
Unlisted tradable contracts (OTC)			
Currency swaps	362,705	5,190	6,842
Currency options	3,990	81	58
Listed tradable contracts			
Currency futures	4,912	61	42
Total currency derivative financial instruments	371,607	5,332	6,942
Interest-rate derivative financial instruments			
Unlisted tradable contracts (OTC)			
Interest-rate swaps	1,993,667	39,016	35,237
Interest-rate options	113,689	4,897	5,199
Total OTC contracts	2,107,356	43,913	40,436
Listed tradable contracts			
Interest-rate swaps	49,301	1	4
Total interest-rate derivative financial instruments	2,156,657	43,914	40,440
Credit derivative financial instruments			
Credit default swaps	3,988	6	10
Total return swaps	1,996	15	49
Total credit derivative financial instruments	5,984	21	59
Equity instruments/index derivative financial instruments			
Unlisted tradable contracts (OTC)			
Options - purchased and sold	6,409	446	374
Listed tradable contracts			
Options - purchased and sold	3,122	187	138
Total equity instruments/index derivative financial instruments	9,531	633	512
Other derivative financial instruments	1,859	272	345
Total derivative financial assets/liabilities held for trading	2,545,638	50,172	48,298
Derivative financial instruments held as hedges			
Derivative financial instruments designated as fair value hedges			
Currency swaps and cross-currency interest-rate swaps	92,569	3,950	50
Interest-rate swaps	44,400	1,571	14,440
Total derivative financial instruments designated as fair value hedges	136,969	5,521	14,490
Derivative financial instruments designated as cash flow hedges			
Currency swaps and cross-currency interest rate swaps	19,698	788	3,448
Derivatives classified as net investment hedges			
Currency futures contracts	1,797	8	-
Total derivative financial assets/liabilities designated as hedges	158,464	6,317	17,938

<i>In millions of euros</i>	<i>Notional amounts</i>	<i>Fair values</i>	
<i>At 31 December 2013</i>		<i>Asset</i>	<i>Liability</i>
Derivative financial instruments held for trading	2,747,381	36,118	34,272
Derivative financial instruments held as hedges	133,428	3,585	14,441
Short positions shares and bonds	-	-	1,458
Total derivative financial assets/liabilities recognised	2,880,809	39,703	50,171
Derivative financial instruments held for trading			
Currency derivative financial instruments			
Unlisted tradable contracts (OTC)			
Currency futures	40,423	391	339
Currency swaps	330,785	4,146	5,172
Currency options - purchased and sold	3,681	41	41
Cross-currency interest-rate swaps	17	5	1
Listed tradable contracts			
Currency futures	3,808	11	5
Options - purchased and sold	257	17	8
Total currency derivative financial instruments	378,971	4,611	5,566
Interest-rate derivative financial instruments			
Unlisted tradable contracts (OTC)			
Interest-rate swaps	2,009,856	26,818	23,483
Forward rate agreements	166,404	-	1
Interest-rate options	113,487	3,028	3,103
Total OTC contracts	2,289,747	29,846	26,587
Listed tradable contracts			
Interest-rate swaps	47,937	2	1
Total interest rate derivative financial instruments	2,337,684	29,848	26,588
Credit derivative financial instruments			
Credit default swaps	3,815	23	10
Total return swaps	4,036	173	442
Total credit derivative financial instruments	7,851	196	452
Equity instruments/index derivative financial instruments			
Unlisted tradable contracts (OTC)			
Options - purchased and sold	2,137	340	300
Listed tradable contracts			
Futures	37	-	-
Options - purchased and sold	7,643	373	372
Total equity instruments/index derivative financial instruments	9,817	713	672
Other derivative financial instruments	13,058	750	994
Total derivative financial assets/liabilities held for trading	2,747,381	36,118	34,272
Derivative financial instruments held as hedges			
Derivative financial instruments designated as fair value hedges			
Currency swaps and cross-currency interest-rate swaps	47,264	2,019	72
Interest-rate swaps	63,733	1,071	11,498
Total derivative financial instruments designated as fair value hedges	110,997	3,090	11,570
Derivative financial instruments designated as cash flow hedges			
Currency swaps and cross-currency interest rate swaps	20,045	466	2,871
Derivatives classified as net investment hedges			
Currency futures contracts	2,386	29	-
Total derivative financial assets/liabilities designated as hedges	133,428	3,585	14,441

11 Loans to customers

<i>In millions of euros</i>	2014	2013
Loans initiated by Rabobank:		
Loans to government clients:		
- leases	207	634
- other	1,928	2,027
Loans to private clients:		
- overdrafts	24,983	17,281
- mortgages	218,482	219,628
- leases	24,078	21,925
- reverse repurchase transactions and securities borrowing agreements	18,295	10,697
- corporate loans	175,783	182,144
- other	6,744	7,348
Gross loans to customers	470,500	461,684
Less: value adjustments in loans to customers	(9,348)	(8,581)
	461,152	453,103
Reclassified assets	1,295	2,806
Total loans to customers	462,447	455,909

The impairment of reclassified assets is -122 (2013: -154) and is stated in the profit or loss account under 'Income from other financial assets and liabilities through profit and loss'.

<i>In millions of euros</i>	2014	2013
Value adjustments in loans to customers		
Value adjustments in loans to customers can be broken down as follows:		
At 1 January	8,581	7,655
Impairment for credit losses	3,648	3,791
Reversal of impairment for credit losses	(886)	(1,045)
Defaulting loans written off during the year	(2,227)	(1,560)
Interest and other changes	232	(260)
Total value adjustments in loans to customers	9,348	8,581
Individual value adjustment (specific provision)	7,092	7,548
Collective value adjustment (collective provision)	1,284	543
IBNR	972	490
Total value adjustments in loans to customers	9,348	8,581
Gross carrying amount of loans whose value adjustments were established on an individual basis	15,957	16,042

Rabobank acquired financial and non-financial assets during the year by taking possession of collateral with an estimated value of 86 (2013: 29). In general, it is Rabobank's policy to sell these assets in the reasonably foreseeable future. Yields are allocated to repay the outstanding amount.

Reclassified assets

Based on the amendments to IAS 39 and IFRS 7, 'Reclassification of financial assets', Rabobank reclassified a number of 'Financial assets held for trading' and 'Available-for-sale financial assets' to 'Loans to customers' and 'Due from other banks' in 2008. Rabobank has identified assets to which this amendment applies, with the intention clearly shifting to holding the securities for the near future as opposed to selling or trading them in the short term. The reclassifications were effected as from 1 July 2008 at their fair value at the time. This note provides details on the impact of the reclassifications at Rabobank.

The table below shows the carrying amounts and fair values of the reclassified assets.

<i>In millions of euros</i>	<i>31 December 2014</i>		<i>31 December 2013</i>	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
Financial assets held for trading reclassified to loans	347	334	579	533
Available-for-sale financial assets reclassified to loans	1,188	1,213	2,607	2,718
Total financial assets reclassified to loans	1,535	1,547	3,186	3,251

If the reclassification had not been made, net profit for the assets held for trading would be 26 higher (2013: 42 higher). The change in equity position in 2014 would have been 180 more negative (2013: 113 more positive) if the classification of available financial assets for sale had not been made. Following reclassification, the reclassified financial assets made the following contribution to operating profit before taxation:

	<i>For the year ended 31 December</i>	
	<i>2014</i>	<i>2013</i>
Net interest income	-	3
Value adjustments	1	-
Operating profit before taxation on reclassified financial assets held for trading	1	3
Net interest income	37	57
Value adjustments	121	154
Operating profit before taxation on reclassified available-for-sale financial assets	158	211

Value adjustments include reversed impairments and recoveries subsequent to write-offs in the amount of 148 (2013: 233), as well as impairments in the amount of 26 (2013: 79).

Finance leases

Loans to customers also includes receivables from finance leases, which can be broken down as follows:

<i>In millions of euros</i>	<i>2014</i>	<i>2013</i>
Receivables from gross investment in finance leases		
Not exceeding 1 year	8,798	8,535
Longer than 1 year but not longer than 5 years	17,370	15,847
Longer than 5 years	857	814
Total receivables from gross investment in finance leases	27,025	25,196
Unearned deferred finance income from finance leases	3,074	3,043
Net investment in finance leases	23,951	22,153
Net investment in finance leases		
Not exceeding 1 year	7,838	7,532
Longer than 1 year but not longer than 5 years	15,391	13,910
Longer than 5 years	722	711
Net investment in finance leases	23,951	22,153

The provision for finance leases included in value adjustments amounted to 344 at 31 December 2014 (2013: 406). The unguaranteed residual values accruing to the lessor amount to 2,166 (2013: 1,911). The contingent lease payments recognised as income in 2014 are nil (2013: nil). The finance leases chiefly concern the lease of equipment and cars, as well as factoring.

12 Available-for-sale financial assets

<i>In millions of euros</i>	2014	2013
Short-term government securities	2,297	1,710
Government bonds	31,456	35,714
Other debt securities	4,740	8,170
Equity instruments	1,277	958
Total available-for-sale financial assets	39,770	46,552

The impairment of available-for-sale financial assets amounts to 60 (2013: -111) and is recognised in profit or loss under 'Net income from financial assets and liabilities at fair value through profit and loss'.

<i>In millions of euros</i>	2014	2013
Gains/(losses) on available-for-sale financial assets	418	56

The changes in available-for-sale financial assets can be broken down as follows:

<i>In millions of euros</i>	2014	2013
Opening balance	46,552	50,425
Foreign exchange differences	1,106	(749)
Additions	9,863	44,524
Disposals (sale and redemption)	(19,528)	(44,167)
Transferred to non-current assets held for sale	-	(1,163)
Fair value changes	1,836	(1,984)
Other changes	(59)	(334)
Closing balance	39,770	46,552

13 Investments in associates and joint ventures

The carrying amount of the investments in associates and joint ventures is 3,807 (2013: 3,747). These joint ventures are addressed in Section 49, 'Joint ventures'.

<i>In millions of euros</i>	2014	2013
Opening balance	3,747	3,649
IFRS 10/11 accounting policy change	-	196
Purchases	54	58
Sales	(54)	(1)
Share of profit of associates	81	79
Dividends paid	(53)	(62)
Revaluation	86	(118)
Other	(54)	(54)
Total	3,807	3,747

The main associates in terms of the size of the capital interest held by Rabobank include:

<i>As at 31 December 2014</i>	<i>Share interest</i>	<i>Voting right</i>
Nederland		
Achmea B.V.	29%	29%
Equens N.V.	15%	15%
Gilde Venture Capital fondsen	Various	Various

Rabobank holds less than 20% of the voting rights in Equens, but has significant control in Equens. For example, two Rabobank representatives are members of the Supervisory Board, while Rabobank also supplies the chairman of the Audit & Compliance Committee. Due to Rabobank's substantial stake in Equens, this stake is classified as an 'associate'.

Achmea is a strategic partner of Rabobank for insurance products. Interpolis, a subsidiary of the Achmea Group, works closely with the local Rabobanks. Achmea's head office is located in Zeist, the Netherlands. The stake in Achmea, for which no listed market price is available, is valued in accordance with the equity method.

<i>Achmea</i>	2014	2013
Cash and cash equivalents	1,716	3,265
Investments	65,817	66,124
Banking business loans	15,227	15,251
Other assets	10,445	9,724
Total assets	93,205	94,364
Insurance-related provisions	61,559	59,043
Loans and funds borrowed	7,011	11,133
Other liabilities	14,817	14,450
Total liabilities	83,387	84,626
Revenues	26,796	23,397
Result from continued operations	16	349
Result from discontinued operations	-	-
Off-balance-sheet profit for loss	288	(505)
Total of realised and unrealised results	304	(156)

<i>Other associates</i>	2014	2013
Income from continuing operations	111	50
Income after taxation from discontinued operations	-	-
Net profit	111	50
Off-balance-sheet profit or loss	28	(26)
Total of realised and unrealised results	139	24

14 Intangible assets

<i>In millions of euros</i>	<i>Goodwill</i>	<i>Software developed in-house</i>	<i>Other intangible assets</i>	<i>Total</i>
Year ended 31 December 2014				
Opening balance	1,381	428	182	1,991
Foreign exchange differences	77	1	3	81
Additions	7	138	75	220
Disposals	-	(8)	(7)	(15)
Other	21	8	11	40
Amortisation	-	(117)	(80)	(197)
Impairments	(32)	(29)	-	(61)
Closing balance	1,454	421	184	2,059
Cost	1,490	1,356	648	3,494
Accumulated amortisation and impairments	36	(935)	(464)	(1,435)
Net carrying amount	1,454	421	184	2,059
Year ended 31 December 2013				
Opening balance	1,523	474	346	2,343
Foreign exchange differences	(39)	(1)	(8)	(48)
Additions	-	87	32	119
Transferred to non-current assets held for sale and discontinued operations	(63)	-	(100)	(163)
Disposals	-	(4)	(1)	(5)
Other	2	19	17	38
Amortisation	-	(134)	(103)	(237)
Impairments	(42)	(13)	(1)	(56)
Closing balance	1,381	428	182	1,991
Cost	1,413	1,232	593	3,238
Accumulated amortisation and impairments	(32)	(804)	(411)	(1,247)
Net carrying amount	1,381	428	182	1,991

Goodwill is reviewed for impairment by comparing the carrying amount of the cash-generating unit (including goodwill) with the best estimate of the value in use of the cash-generating unit. For that purpose, first the best estimate of the value in use is determined on the basis of cash flow forecasts taken from annual medium-term plans drawn up as part of the annual planning cycle, which reflect the management's best estimates of market conditions, market restrictions, discount rates (before taxation), growth in operations, et cetera. If the outcome shows that there is no significant difference between the fair value and the carrying amount, the fair value is assessed in more detail, with the relevant share price being used for listed companies. In addition, valuation models are used which are similar to the initial recognition of an acquisition, peer reviews, et cetera. The valuation models are assessed and include the development of the activities since the acquisition, the most recent comprehensive income forecasts drawn up by management, as well as updated forecasts, assessments of discount rates, end values of growth rates, et cetera. Peer reviews include an assessment of the price/earnings ratio and price/carrying amount ratio of similar listed companies, or similar market transactions. Assumptions are generally based on experience, management's best estimates of future developments and, if available, external data. The goodwill allocated to one of the cash-generating units in the wholesale banking segment is significant as a proportion of the goodwill's total carrying amount. The carrying amount of this goodwill is 669. The recoverable amount is based on the value in use. Value in use is determined using cash flow forecasts. The principal assumptions used are profit expected in the near term, the pre-tax discount rate (16.5%) and the multiplier (11.7x) for long-term profit or loss. As the recoverable amount substantially exceeded the carrying amount, it was concluded that the goodwill allocated to this cash-generating unit was not impaired. A reasonable change in one of the principal assumptions does not cause the carrying amount to exceed the recoverable amount. The impairment of goodwill of 32 (2013: 42) relates primarily to the sale of Bank BGZ; see Section 43, 'Non-current assets and liabilities held for sale'.

Impairments of software developed in-house and other intangible assets are not material individually. In the aggregate, impairments of software developed in-house of 29 (2013: 13) were mainly caused by the fact that part of that software is no longer used.

15 Property and equipment

<i>In millions of euros</i>	<i>Land and buildings</i>	<i>Equipment</i>	<i>Total</i>
Year ended 31 December 2014			
Opening balance	2,101	4,800	6,901
Foreign exchange differences	13	108	121
Purchases	121	1,630	1,751
Disposals	(74)	(484)	(558)
Impairment losses	(11)	(1)	(12)
Depreciation	(109)	(131)	(240)
Depreciation of operating lease assets	-	(914)	(914)
Other	(72)	171	99
Closing balance	1,969	5,179	7,148
Cost	3,314	8,207	11,521
Accumulated depreciation and impairments	(1,345)	(3,028)	(4,373)
Net carrying amount	1,969	5,179	7,148
Year ended 31 December 2013			
Opening balance	2,390	4,110	6,500
Foreign exchange differences	(10)	(63)	(73)
Purchases	124	1,535	1,659
Disposals	(62)	(486)	(548)
Transferred to non-current assets held for sale and discontinued operations	(118)	(44)	(162)
Transferred from loans to customers	-	682	682
Impairment losses	(10)	-	(10)
Depreciation	(141)	(150)	(291)
Depreciation of operating lease assets	-	(807)	(807)
Other	(72)	23	(49)
Closing balance	2,101	4,800	6,901
Cost	3,512	7,754	11,266
Accumulated depreciation and impairments	(1,411)	(2,954)	(4,365)
Net carrying amount	2,101	4,800	6,901

16 Investment properties

Investment properties are stated at cost.

<i>In millions of euros</i>	2014	2013
Opening balance	1,055	1,489
IFRS 10/11 accounting policy change	-	(18)
Purchases	609	132
Sales	(1,051)	(75)
Transferred to non-current assets held for sale	-	(274)
Depreciation	(10)	(11)
Impairments	13	(172)
Other	(164)	(16)
Closing balance	452	1,055
The fair value approximates the carrying amount (2013: approximated the carrying amount)		
Cost	810	1,597
Accumulated depreciation	(358)	(542)
Net carrying amount	452	1,055

Rabo Real Estate Group sold PalaisQuarter in 2014 for roughly 800 – the largest real estate project in its portfolio up to that time.

Valuations		
	2014	2013
External valuations	44%	76%
Internal valuations	56%	24%

External valuations of the investment property were performed by duly certified external parties in accordance with RICS valuation standards or other equivalent standards. The investment property was valued based on the methodologies which are most appropriate for the property in question. This includes the discounted cash-flow valuation method and the capitalisation based on net initial yields for comparable transactions. Real estate expertise available in-house is used for internal valuations of investment properties, and 84% (2013: 87%) were valued by certified staff of Rabo Real Estate Group. Investment properties valued internally are typically measured using a discounted cash flow valuation technique.

17 Other assets

<i>In millions of euros</i>	Note	2014	2013
Receivables and prepayments		590	1,701
Accrued interest		1,599	1,838
Precious metals, goods and warehouse receipts		1,495	880
Real estate projects		1,835	2,048
Accrued income		101	280
Employee benefits	25	6	6
Other assets		2,934	1,277
Total other assets		8,560	8,030

Real estate projects		
<i>In millions of euros</i>	2014	2013
Building sites and equalisation funds	1,227	1,119
Work in progress	426	786
Trade receivables, real estate	182	143
Total real estate projects	1,835	2,048

Real estate stocks are valued at cost or the low net recoverable value. The net recoverable value of the building sites and equalisation funds is the highest of the direct yield amount and the indirect yield amount. The direct yield amount is the estimated value on sale less the estimated costs of completing the sale. The indirect yield value is the estimated yield based on ordinary business operations less the estimated costs of completion and the estimated costs necessary to complete the sale, whereby the estimated cash flows are discounted at the weighted average capital base. In determining the weighted average capital base, the bank factors in expected capital, timing of cash flows, operational risk and certain conditions specific to Rabobank Real Estate Group. In determining both direct and indirect recoverable value, Rabobank uses assessments and estimates. In determining direct and indirect yield, risks related to current land operation, sites not subject to a zoning plan, and equalisation funds, including demographic trends, location, use and the elaboration of development plans and administrative decision-making, are incorporated on a location-specific basis as much as possible. For individual locations, this results in expected movements in land and house prices, expected margins per home, and other variables, which ultimately determine the direct and indirect yield amount.

For individual plots and sites, net recoverable value is determined by comparing the direct and indirect yield amounts with each other. For plots of land ready for construction and the current land operation, net recoverable value is generally equal to the indirect yield amount. For the other categories, both the direct and the indirect yield amount may have been decisive in determining the net recoverable value, whereby the direct yield amount is generally used more often the longer it takes to begin construction.

The risk of deviations from assessments and estimates is generally greater for sites not subject to a zoning plan than for sites which are subject to a zoning plan, whereby the risk of deviations further increases if the commencement of construction is expected to be delayed.

The net recoverable value of all current land operation, sites not subject to a zoning plan and equalisation funds was calculated in 2014 and compared with the carrying amount. Overall, this resulted in a transfer to provisions of a total of 16 (2013: 518). A negative carrying amount may arise, for example, if Rabo Real Estate Group has committed to developing real estate, whereby the property, according to current estimates, is loss-making and the loss is greater than the amount capitalised at that time. The lower values are caused primarily by deteriorated market conditions for homes, which have changed the outlook of success in terms of properties, completion time, expected profit margins and number of residential units completed.

<i>In millions of euros</i>	<i>At 1 January 2014</i>	<i>IFRS 11 accounting policy change</i>	<i>Additions/ release</i>	<i>Withdrawals/ other changes</i>	<i>At 31 December 2014</i>
Movements in provisions for property projects					
Building sites and equalisation funds	850	(101)	16	(96)	669
Work in progress	266	(25)	24	(149)	116
Trade debtors – property	9	-	-	(1)	8
Total	1,125	(126)	40	(246)	793
Movements in provisions for property projects					
<i>In millions of euros</i>	<i>At 1 January 2013</i>	<i>Additions</i>	<i>Withdrawals/ other changes</i>	<i>Balance at 31 December 2013</i>	
Building sites and equalisation funds	351	518	(19)	850	
Work in progress	113	119	34	266	
Trade debtors – property	11	-	(2)	9	
Total	475	637	13	1,125	

Work in progress		
<i>In millions of euros</i>	2014	2013
Homes in preparation and under construction	495	677
Commercial real estate in development and in progress	205	1,018
Pre-invoiced terms for housing construction	(127)	(317)
Pre-invoiced terms for commercial real estate	(147)	(546)
IFRS 11 accounting policy change	-	(46)
Total work in progress	426	786

18 Due to other banks

<i>In millions of euros</i>	2014	2013
Demand deposits	979	4,077
Fixed-term deposits	16,136	9,747
Repurchase agreements	708	808
Miscellaneous liabilities to other banks	60	113
Total due to other banks	17,883	14,745

19 Due to customers

<i>In millions of euros</i>	2014	2013
Current accounts	56,438	46,881
Deposits with agreed maturity	96,572	91,015
Deposits redeemable at notice	162,857	175,870
Repurchase agreements	2,025	1,474
Other due to customers	8,579	10,982
Total due to customers	326,471	326,222

Due to customers also includes the investments of central banks amounting to 20 (2013: 22) billion.

20 Debt securities in issue

<i>In millions of euros</i>	2014	2013
Certificates of deposit	41,824	42,796
Commercial paper	13,241	11,620
Bonds	127,792	137,482
Other debt securities	6,203	3,463
Total debt securities in issue	189,060	195,361

21 Other liabilities

<i>In millions of euros</i>	2014	2013
Payables	5,411	4,838
Accrued interest	2,791	3,010
Employee benefits	385	288
Other	(546)	(414)
Provision for day 1 profit	6	27
Total other liabilities	8,047	7,749

22 Other financial liabilities at fair value through profit or loss

The change in the fair value of the other financial liabilities at fair value through profit or loss that is attributable to changes in Rabobank's credit risk is a loss of 669 (2013: gain of 363). The cumulative change in fair value attributable to changes in Rabobank's credit risk in relation to the credit spread at the time of issue of the structured notes amounts to 674 before taxes (2013: 1,343). The book value of the structured notes is 5,108 (2013: 5,061) lower than the amount Rabobank is obliged to repay to the holders of the structured notes. The change in fair value that is attributable to changes in credit risk is calculated by establishing a connection with the change in the credit mark-up of structured notes issued by Rabobank.

<i>In millions of euros</i>	2014	2013
(Structured) notes	14,629	14,116
Other debt securities	688	1,928
Deposits with agreed maturity	4,427	3,025
Total other financial liabilities at fair value through profit or loss	19,744	19,069

23 Provisions

<i>In millions of euros</i>	2014	2013
Restructuring provision	315	396
Provision for tax and legal issues	267	268
Other	212	386
Total provisions	794	1,050
Changes in provisions were as follows:		
Restructuring provision		
Opening balance	396	120
Interest	-	-
Additions charged to profit	135	381
Withdrawals	(172)	(95)
Release	(44)	(10)
Closing balance	315	396
Provision for tax and legal issues		
Opening balance	268	304
Additions charged to profit	68	579
Withdrawals	(44)	(582)
Release	(25)	(33)
Closing balance	267	268
Other		
Opening balance	386	328
IFRS 10/11 policy change	-	78
Additions charged to profit	61	75
Withdrawals	(26)	(61)
Release	(209)	(34)
Closing balance	212	386
Total provisions	794	1,050

The additions deducted from profit from the restructuring provision is an amount of 80 (2013: 283) for the reorganisation programme for the local Rabobanks. This reorganisation provision consists of future payments relating to redundancy pay and other costs directly attributable to the reorganisation programme. These costs are accounted for once a detailed redundancy plan is in place. The expected outflow of funds will occur in 2015 and 2016.

Approximately 21% (2013: 32%) of the provision for tax and legal issues relates to tax claims. The provision for tax and legal issues is based on the best possible estimates available at year-end, taking into account legal and tax advice. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable. 'Other' includes provisions for onerous contracts, credit guarantees and obligations under the terms of the deposit guarantee scheme.

Maturities of Rabobank Group (excluding provisions for employee benefits and doubtful debts)				
<i>In millions of euros</i>	<i>Up to one year</i>	<i>1-5 year</i>	<i>More than 5 years</i>	<i>Total</i>
At 31 December 2014	653	141	-	794
At 31 December 2013	207	843	-	1,050

24 Deferred tax

Deferred tax assets and liabilities are measured for all temporary differences using the 'liability' method. The effective tax rate in the Netherlands for measuring deferred tax is 25% (2013: 25%). There were no changes in deferred tax assets and liabilities resulting from changes in the effective tax rate in the Netherlands. No deferred tax asset has been recognised for unused tax losses totalling 1,657 (2013: 1,738). These carry forward losses relate to various tax authorities and their term to maturity is largely unlimited. Deferred tax assets recognised in respect of carry forward losses can only be utilised if taxable profits are realised in the future. At 31 December 2014, there is a realistic expectation that sufficient taxable profits will be generated within the applicable periods.

	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>	<i>Deferred tax charges</i>	<i>Tax on other comprehensive income</i>
<i>In millions of euros</i>				
For the year ending on 31 December 2014				
Pensions and other post-employment benefits	54	1	1	(8)
Impairments	437	(13)	203	-
Financial liabilities at fair value	(287)	-	(168)	-
Other provisions	3	11	36	-
Hedging of interest rate risk	183	-	262	-
Carry forward losses	1,754	(89)	(33)	-
Intangible assets	-	3	(58)	-
Revaluation reserve for available-for-sale financial assets	(112)	8	-	(114)
Revaluation reserve – cash flow hedges	(7)	-	-	9
Property and equipment, including leases	61	705	(38)	-
Other temporary differences	415	(153)	(349)	-
Total	2,501	473	(144)	(113)
<i>In millions of euros</i>				
For the year ending on 31 December 2013				
Pensions and other post-employment benefits	35	-	502	(252)
Impairments	641	(1)	116	-
Financial liabilities at fair value	(455)	-	91	-
Other provisions	75	142	77	-
Hedging of interest rate risk	445	-	(278)	-
Carry forward losses	1,451	128	(784)	-
Intangible assets	(68)	-	(5)	-
Revaluation reserve for available-for-sale financial assets	1	7	-	34
Revaluation reserve – cash flow hedges	(110)	-	-	(4)
Property and equipment, including leases	(20)	75	2	-
Other temporary differences	(85)	(63)	(14)	-
Total	1,910	288	(293)	(222)

25 Employee benefits

<i>In millions of euros</i>	2014	2013
Employee benefits – assets	(6)	(6)
Employee benefits – liabilities	385	288
Net pension liabilities	379	282
Pension schemes	116	66
Other employee benefits	263	216
Net pension liabilities	379	282

25.1 Pension schemes

In May 2013, Rabobank reached agreement with the trade unions regarding the amendment to the Collective Labour Agreement (CAO). The parties agreed on a new pension scheme to replace the current scheme administered by the Rabobank Pension Fund. The new pension scheme, which became effective with retroactive effect on 1 January 2013, is a group defined-benefit scheme based on a retirement age of 67 and a target accrual rate of 2 percent. Each year Rabobank deposits pension contributions into the Rabobank Pension Fund based on a fixed system in an attempt to achieve the target pension accrual for services provided during the year of service based on a conditional career-average scheme with a conditional indexation. In paying the annual pension contributions, Rabobank will fully and finally have satisfied all its pension obligations and will no longer have any financial commitments in relation to the underlying years of participation and pensions previously accrued. In the context of the risks transferred, Rabobank paid a one-time amount of 500 towards the creation of an index deposit. In addition, Rabobank will act as a guarantor during the period 2014-2020 for the realisation of the target pension accrual for the services provided during this period up to a maximum amount of 250.

The new pension scheme qualifies as a defined contribution plan under IAS 19. Rabobank's obligation is limited to the premium payments owed, less previously made payments. Since the pension scheme administered by Stichting Rabobank Pensioenfondsen no longer qualifies as a defined-benefit pension scheme, practically the only pension schemes that continue to qualify as defined-benefit schemes are those of Friesland Bank and ACC Loan Management at 31 December 2014. These are career-average defined-benefit pension schemes, administered by a fund or otherwise. The assets related to the schemes maintained in a fund are held independently of Rabobank assets in separate funds managed by trustees. The assets are valued each year by independent actuaries based on the method prescribed by IFRS. The most recent actuarial valuations were performed at the end of 2014. The tables relating to the weighted averages of the main actuarial assumptions and the future premium payments in 2014 relate to these two pension schemes. The table showing investments in plan assets are based on the pension scheme administered by ACC Loan Management.

<i>In millions of euros</i>	2014	2013
Present value of liabilities administered by funds	673	545
Fair value of plan assets	557	479
Net liabilities	116	66

Movements in plan assets and liabilities:

<i>In millions of euros</i>	2014	2013
Present value of liabilities administered by funds		
Present value of entitlements at 1 January	545	19,464
Foreign exchange differences	9	-
Interest	21	244
Increase in entitlements during the year	3	225
Premiums contributed by the employees	-	16
Benefits paid	(17)	(119)
Transfer of accrued benefits	-	-
Pension scheme termination	-	(20,620)
Pension scheme amendment	26	-
Curtailments	(1)	(6)
Other	2	(3)
Actuarial gains and losses arising from changes in demographic assumptions	39	(47)
Actuarial gains and losses arising from changes in financial assumptions	46	1,391
Present value of liabilities held in a fund at 31 December	673	545
Fair value of plan assets		
Fair value of assets at 1 January	479	18,202
Foreign exchange differences	7	-
Interest	19	230
Premium contributed by the employer	8	491
Premiums contributed by the employees	-	17
Benefits paid	(17)	(119)
Transfer of accrued benefits and costs	-	(5)
Pension scheme termination	-	(18,779)
Other	(5)	(3)
Actuarial result	66	445
Fair value of plan assets at 31 December	557	479

Estimated premium contributions for 2015 are approximately 6. Plan assets have been allocated as follows:

	2014	2013
Shares and alternatives	24.2%	31.6%
Interest-bearing securities	31.0%	26.4%
Real Estate	4.7%	6.2%
Cash and cash equivalents	0.6%	-0.4%
Other	39.5%	36.2%
Total	100%	100%

The costs recognised in the consolidated profit or loss account are shown in the table below.

<i>In millions of euros</i>	2014	2013
Interest on liabilities	21	244
Interest on plan assets	(19)	(230)
Costs based on period of employment during the year	3	225
Pension scheme changes	26	-
Losses/(gains) on discounts, settlements and costs	1	(1)
Total cost of defined benefit plans	32	238

The weighted averages of the main actuarial assumptions for the valuation of the pension provision (defined-benefit pension schemes) as at 31 December are shown in the table below (in % per year):

	2014	2013
Discount rate	2.3%	3.8%
Wage inflation	1.6%	2.5%
Price inflation	1.6%	2.0%

25.2 Other employee benefits

Other employee benefits mainly comprise liabilities for future long-service awards for an amount of 106 (2013: 96).

26 Subordinated debt

<i>In millions of euros</i>	2014	2013
Rabobank Nederland	11,902	7,782
Friesland Bank	-	9
Other	26	24
Total subordinated debt	11,928	7,815

Rabobank Nederland issued three subordinated bonds in 2014, one in GBP, one in EUR and one in JPY.

The EUR 2 billion bond has a maturity date of May 2026 and has a coupon rate of 2.50%. Rabobank is entitled, but not obliged, to early repayment of this bond loan in 2019. The GBP 1 billion bond has a maturity date of May 2028 and has a coupon rate of 4.625%. The JPY 50.8 billion bond has a maturity date of December 2024 and a coupon rate of 1.429%.

Rabobank Nederland issued three subordinated loans in 2013: a EUR 1,000 million loan with a fixed interest rate of 3.875% and a maturity date of 2023; a USD 1,750 million loan with a fixed interest rate of 4.625% and a maturity date of 2023; and a USD 1,250 million loan with a fixed interest rate of 5.75% and a maturity date of 2043.

Rabobank Nederland issued three subordinated loans in 2012: a EUR 1,000 million loan with a fixed interest rate of 4.125% and a maturity date of 2022; a GBP 500 million loan with a fixed interest rate of 5.25% and a maturity date of 2027; and a USD 1,500 million loan with a fixed interest rate of 3.95% and a maturity date of 2022.

Rabobank Nederland issued a EUR 1,000 million loan in 2010 with a fixed interest rate of 3.75% and a maturity date of 2020. Rabobank Nederland issued a EUR 1,000 million loan in 2009 with a fixed interest rate of 5.875% and a maturity date of 2019.

27 Contingencies and commitments

Credit related contingent liabilities

Credit granting liabilities represent the unused portions of funds authorised for the granting of credit in the form of loans, financial guarantees, letters of credit and other lending related financial instruments.

Rabobank's credit risk exposure from credit granting liabilities consists of potential losses amounting to the unused portion of the authorised funds. The total expected loss is lower than the total of unused funds, however, because credit granting liabilities are subject to the clients in question continuing to meet specific standards of creditworthiness. Financial 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. The contingent liabilities include guarantees for providers of collective and individual pension savings plans, as required by government authorities. The likelihood of an outflow of resources embodying economic benefits is very low.

<i>In millions of euros</i>	2014	2013
Financial guarantees	11,826	11,429
Credit granting liabilities	35,432	32,126
Letters of credit	5,392	5,919
Other contingent liabilities	-	82
Total credit related and contingent liabilities	52,650	49,556

The contractual commitments relating to the acquisition, construction and development of work in progress and equipment and property investments amount to 587 (2013: 478).

Rabobank is involved in a number of legal and arbitration proceedings in the Netherlands and other countries, including the United States, in connection with claims brought by and against Rabobank Group arising from its operations. For additional information, please refer to paragraph 4.10 'Legal and arbitration proceedings'.

Liabilities relating to operating leases

Rabobank has concluded various operating lease contracts as lessee, mainly with respect to properties, information systems and cars. The future net minimum lease payments under non-cancellable operating leases can be broken down as follows:

<i>In millions of euros</i>	2014	2013
Not exceeding 1 year	34	66
Longer than 1 year but not longer than 5 years	123	162
Longer than 5 years	128	123
Total liabilities relating to operating leases	285	351

The expected future net minimum lease payments receivable from sub-leases are 3 (2013: 16). The operating lease expenses are 75 (2013: 90). These are included in 'Other administrative expenses' in the statement of income.

Payments receivable from operating leases

Rabobank has concluded various operating lease contracts as lessor. The future minimum lease payments receivable from non-cancellable operating leases can be broken down as follows:

<i>In millions of euros</i>	2014	2013
Not later than 1 year	1,393	1,137
Later than 1 year but not later than 5 years	2,456	2,210
Later than 5 years	71	172
Total payments receivable from operating leases	3,920	3,519

No contingent lease payments were recognised as assets during the year under review.

28 Equity of Rabobank Nederland and local Rabobanks

This item includes equity of Rabobank Nederland and local Rabobanks.

<i>In millions of euros</i>	2014	2013
Foreign currency translation reserves	(94)	(575)
Revaluation reserve for available-for-sale financial assets	643	282
Revaluation reserve for associates	2	29
Revaluation reserve - cash flow hedges	11	49
Revaluation reserve - pensions	(196)	(3,251)
Retained earnings	24,528	27,197
Total reserves and retained earnings at year-end	24,894	23,731

Changes in reserves were as follows:

<i>In millions of euros</i>	2014	2013
Translation differences emerging during the year		
Opening balance	(575)	(163)
Currency translation differences emerging during the year	481	(412)
Closing balance	(94)	(575)
Revaluation reserve for available-for-sale financial assets		
Opening balance	282	420
Foreign exchange differences	(34)	(43)
Changes in associates	86	(28)
Fair value changes	533	(34)
Amortisation of reclassified assets	13	37
Transferred to profit or loss	(237)	(70)
Closing balance	643	282
Revaluation reserve for associates		
Opening balance	29	50
Fair value changes	(27)	(21)
Closing balance	2	29
Revaluation reserve - cash flow hedges		
Opening balance	49	40
Fair value changes	548	(1,450)
Transferred to profit or loss	(586)	1,459
Closing balance	11	49
Revaluation reserve – pensions		
Opening balance	(3,251)	(2,493)
Changes in associations	(11)	(85)
Fair value changes	(14)	(673)
Reversal of revaluation reserve of Rabobank Pension Fund pensions	3,080	-
Closing balance	(196)	(3,251)
Retained earnings		
Opening balance	27,197	26,463
Net profit attributable to Rabobank Nederland and local Rabobanks	620	929
Rebooking of revaluation reserve for Rabobank Pension Fund pensions	(3,080)	-
Other	(209)	(195)
Closing balance	24,528	27,197
Total reserves and retained earnings	24,894	23,731

29 Rabobank Certificates

As part of its member loyalty programme, Rabobank issued certificates and member certificates between 2000 and 2005. There were a total of four issues (in 2000, 2001, 2002 and 2005) and these certificates were only available to members of local Rabobanks. In order to give members the opportunity to purchase or sell Rabobank (Member) Certificates, Rabobank organised an internal market once a month. Until around February 2013, when supply and demand in the internal market were virtually in balance, supply increased and demand – in particular subordinated bonds – fell as a result of the debt crisis and market conditions and as a result of Rabobank Nederland's duty-of-care programme. Rabobank Nederland purchased in the internal market Rabobank (Member) Certificates for which there was no demand. In early December 2013, Rabobank entered into an agreement with a third party in order to transfer Rabobank (Member) Certificates to institutional investors. At the same time, it was announced that the planned minimum distribution would be raised from 5.2% to 6.5% on an annual basis and that Rabobank intended to list the Rabobank (Member) Certificates on the stock exchange. The listing expanded our investor base as well as improved tradability.

On 14 January 2014, the certificate holder meeting approved the proposed change in order to facilitate a Euronext Amsterdam listing. The Rabobank Certificates have been listed on Euronext Amsterdam since 27 January 2014. These certificates represent equity investments issued by Rabobank Nederland through Stichting Administratie Kantoor Rabobank Certificaten. The launch price was 105.00% (EUR 26.25) and has increased to 107.45% since the launch (EUR 26.86) at 31 December 2014. An average of 7.3 million certificates a day were traded during this period on a total of 238 million. Since the stock exchange listing, Rabobank Certificates are also available to non-Rabobank members. This has increased the marketability of this instrument. The distribution paid per certificate in 2014 was EUR 1,625 (2013: EUR 1,275). The Executive Board is entitled not to pay the distribution. Unpaid distributions will not be paid at a later date. At year-end 2014, the total number of certificates was 237,961,365. The amounts listed in the table below are based on the nominal value of EUR 25 per Rabobank Certificate. Premiums and discounts on Rabobank Certificates issued and recouped and the costs of the issue after taxation are included in retained earnings (see the consolidated statement of assets). Cash flows arising from changes during the year in the Rabobank Certificates are included in the consolidated statement of cash flows.

Rabobank Certificates		
<i>In millions of euros</i>	2014	2013
<i>Changes during the year:</i>		
Opening balance	5,823	6,672
Rabobank (Member) Certificates redeemed during the year	-	(2,074)
Exchange of Rabobank Extra Member Notes	-	225
Rabobank (Member) Certificates issued during the year	108	1,000
Closing balance	5,931	5,823

30 Capital Securities and Trust Preferred Securities III to VI

Capital Securities and Trust Preferred Securities III to VI can be broken down as follows:

<i>In millions of euros</i>	2014	2013
Capital Securities	6,530	7,265
Trust Preferred Securities III to VI	1,043	1,269
Total Capital Securities and Trust Preferred Securities III to VI	7,573	8,534

Capital Securities

All Capital Securities are perpetual and have no expiry date. The distribution on the Capital Securities per issue is as follows.

Equity instruments issued directly

Issue of USD 2,000 million

The distribution is 8.40% per year and is made payable every six months in arrears as of the issue date (9 November 2011), for the first time on 29 December 2011. The Capital Securities are perpetual and first redeemable on 29 June 2017. If the Capital Securities are not redeemed early, the distribution is set for a further five-year period, without a step-up, based on the US Treasury Benchmark Rate plus a 7.49% mark-up.

Issue of USD 2,000 million

The distribution is 8.375% per year and is made payable every six months in arrears as of the issue date (26 January 2011), for the first time on 26 July 2011. With effect from 26 July 2016 and if the Capital Securities are not redeemed early, the distribution is set for a further five-year period, without a step-up, based on the US Treasury Benchmark Rate plus a 6.425% mark-up.

Issue of EUR 500 million

The distribution is 9.94% per year and is made payable annually in arrears as of the issue date (27 February 2009), for the first time on 27 February 2010. As from 27 February 2019, the distribution will be made payable every quarter based on the three-month Euribor plus an annual 7.50% mark-up.

Issue of USD 2,868 million

The distribution is 11.0% per year and is made payable every six months in arrears as of the issue date (4 June 2009), for the first time on 31 December 2009 (long first interest period). As from 30 June 2019 the distribution will be made payable every quarter based on the three-month USD Libor plus an annual 10.868% mark-up.

Issue of CHF 750 million

The distribution is 6.875% per year and is made payable annually in arrears as of the issue date (14 July 2009), for the first time on 12 November 2009 (short first interest period). As from 12 November 2014 the distribution will be made payable every six months based on the six-month CHF Libor plus an annual 4.965% mark-up. The issue was redeemed on the earliest first redemption date of 12 November 2014.

Issue of GBP 250 million

The distribution is 6.567% per year and is made payable every six months in arrears as of the issue date (10 June 2008), for the first time on 10 December 2008. As from 10 June 2038, the distribution will be made payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up.

Issue of CHF 350 million

The distribution is 5.50% per year and is made payable annually in arrears as of the issue date (27 June 2008), for the first time on 27 June 2009. As from 27 June 2018, the distribution will be made payable every six months on 27 June and 27 December based on the six-month CHF Libor plus an annual 2.80% mark-up.

Issue of ILS 323 million

The distribution is 4.15% per year and is made payable annually in arrears as of the issue date (14 July 2008), for the first time on 14 July 2009. As from 14 July 2018, the distribution will be made payable annually based on an index related to the interest rate paid on Israeli government bonds with terms between 4.5 and 5.5 years plus an annual 2.0% mark-up.

Issue of USD 225 million

The distribution is 7.375% per year and is made payable annually in arrears from the issue date (24 September 2008) every six months, for the first time on 24 March 2009. The issue was redeemed on the earliest first redemption date on 24 March 2014.

Issue of NZD 900 million

The distribution on the NZD Capital Securities equals the one-year swap interest rate plus an annual 0.76% mark-up and is made payable annually on 8 October, until 8 October 2017. As from 8 October 2017, the distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus the same mark-up.

The level of Rabobank Nederland's profit may influence the distribution on the Capital Securities. Should Rabobank Nederland become insolvent, the Capital Securities are subordinate to the rights of all other (current and future) creditors of Rabobank Nederland, unless the rights of those other creditors substantively determine otherwise.

Equity instruments issued by subsidiaries

Issue of NZD 280 million

Rabobank Capital Securities Limited has issued capital securities, the distribution of which equals the five-year swap interest rate plus an annual 3.75% mark-up and was set at 8.7864% per year on 25 May 2009. The distribution is made payable every quarter in arrears from the issue date (27 May 2009), for the first time on 18 June 2009 (short first interest period). As from 18 June 2014, the distribution will be made payable every quarter based on the five-year swap interest rate plus an annual 3.75% mark-up, as determined on 18 June 2014. As from 18 June 2019, the distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% mark-up.

Issue of EUR 125 million

Friesland Bank N.V. issued perpetual Capital Securities in November 2004. These are undated bonds, listed at the Euronext stock exchange. The bonds are subordinated to the bank's all other present and future liabilities. For supervisory purposes, the bond loan qualifies as part of the bank's core capital. The distribution on the bond loan is linked to the yield on Dutch 10-year government bonds. A 0.125% mark-up applies, subject to a maximum distribution of 8%. The interest rate is reset on a quarterly basis. Interest payments must be deferred if, 20 days prior to the date of payment, it is known that payment of interest will cause the solvency ratio to drop below the minimum capital required by the supervisory authority. In addition, the bank may decide to defer interest payments. The bond was redeemed on the first early redemption date on 31 December 2014.

Trust Preferred Securities III to VI

In 2004, four tranches of non-cumulative Trust Preferred Securities were issued.

- Rabobank Capital Funding Trust III, Delaware, a group company of Rabobank Nederland, issued 1.50 million non-cumulative Trust Preferred Securities. The expected distribution is 5.254% until 21 October 2016. For the period 21 October 2016 to 31 December 2016 inclusive, the expected distribution is equal to the USD Libor interpolated for the period, plus 1.5900%. The company has the right not to make a distribution. Thereafter, the expected distribution is equal to the three-month USD Libor plus 1.5900%. The total proceeds from this issue amounted to USD 1,500 million. As from 21 October 2016, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from the Dutch Central Bank.
- Rabobank Capital Funding Trust IV, Delaware, a group company of Rabobank Nederland, issued 350 thousand non-cumulative Trust Preferred Securities. The expected distribution is 5.556% until 31 December 2019, after which the expected distribution is equal to the six-month GBP Libor plus 1.4600%. The company has the right not to make a distribution. The total proceeds from this issue amounted to GBP 350 million. As from 31 December 2019, these Trust Preferred Securities can be repurchased on each distribution date (which is once every half-year) after prior written approval is received from the Dutch Central Bank.
- Rabobank Capital Funding Trust V, Delaware, a group company of Rabobank Nederland, issued 250 thousand non-cumulative Trust Preferred Securities. The expected distribution is three-month BBSW plus 0.6700% until 31 December 2014, after which the expected distribution is equal to the three-month BBSW plus 1.6700%. The company has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. The issue was redeemed on the earliest first redemption date, on 31 December 2014.
- Rabobank Capital Funding Trust VI, Delaware, a group company of Rabobank Nederland, issued 250 thousand non-cumulative Trust Preferred Securities. The expected distribution is 6.415% until 31 December 2014, after which the expected distribution is equal to the three-month BBSW plus 1.6700%. The company has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. As from 31 December 2014, these Trust Preferred Securities can be repurchased on each distribution date. The bond was redeemed on the first early redemption date, on 31 December 2014.

For the Trust Preferred Securities issued in 2004, a payment is required if a distribution is paid on items of a more subordinated nature (such as Rabobank Certificates) or on items of the same rank (pari passu); with the provision that no payment is required if DNB objects to such payment (e.g. if the Rabobank Group's solvency ratio is lower than 8%).

If Rabobank Group makes a profit, Rabobank can either pay or not pay compensation on these items at its discretion.

Trust Preferred Securities		
<i>In millions of euros</i>	2014	2013
Changes during the year:		
Opening balance	1,269	1,340
Redemption	(382)	-
Foreign exchange differences and other	156	(71)
Closing balance	1,043	1,269

31 Other non-controlling interests

This item relates to shares held by third parties in subsidiaries and other group companies.

<i>In millions of euros</i>	2014	2013
Opening balance	446	1,407
IFRS 10/11 policy change	-	(588)
Net profit	58	47
Currency translation differences	22	(16)
Entities included in consolidation/deconsolidated	(10)	-
Revaluation reserve - available-for-sale financial assets	-	-
Increase in stake in structured finance deal	-	(360)
Other	(43)	(44)
Closing balance	473	446

The Rabobank subsidiaries with the largest non-controlling interests are De Lage Landen Participacoes Limitada and AGCO Finance SNC. Both entities are accounted for in the Leasing segment.

De Lage Landen Participacoes Limitada is based in Porto Alegre, Brazil, and Rabobank has a capital and voting-right interest of 72.88%. This entity has a carrying amount of 77 (2013: 75). The financial data contained in the table below apply.

De Lage Landen Participacoes Limitada	2014	2013
Revenues	100	109
Net result	(11)	12
Non-realised results	-	-
Total realised and non-realised results	(11)	12
Profit allocable to third parties	1	3
Dividends paid	-	-
Financial assets	1,628	1,709
Other assets	98	81
Financial liabilities	1,394	1,458
Other liabilities	70	61

AGCO Finance SNC is located in Beauvais, France, and Rabobank has a capital and voting-right interest in this company of 51.0%. The carrying amount of this entity is 67 (2013: 55). The financial data contained in the table below apply.

AGCO Finance SNC	2014	2013
Revenues	39	36
Net result	19	17
Non-realised results	-	-
Total realised and non-realised results	19	17
Profit allocable to third parties	9	8
Dividends paid	6	6
Financial assets	1,240	1,185
Other assets	36	87
Financial liabilities	1,128	1,141
Other liabilities	12	17

32 Interest

<i>In millions of euros</i>	2014	2013
Interest income		
Cash and cash equivalents	112	102
Due from other banks	405	289
Financial assets held for trading	108	158
Other financial assets at fair value through profit or loss	71	86
Loans to customers	18,168	19,153
Available-for-sale financial assets	1,170	1,550
Derivative financial instruments held as economic hedges	(1,535)	(1,787)
Pensions	11	13
Other	128	143
Total interest income	18,638	19,707
Interest expense		
Due to other banks	458	506
Other trade liabilities	20	28
Due to customers	3,719	4,417
Debt securities in issue	4,152	4,619
Other liabilities	462	248
Other financial liabilities at fair value through profit or loss	681	711
Other	28	83
Total interest expense	9,520	10,612
Interest	9,118	9,095

Capitalised interest attributable to qualifying assets amounted to 21 (2013: 36). The average interest rate applied in determining interest charges to be capitalised ranges between 0.3% and 5.5% (2013: between 1.9% and 5.5%).

33 Commissions

<i>In millions of euros</i>	2014	2013
Commission income		
Asset management	69	65
Insurance commissions	326	341
Lending	455	503
Purchase and sale of other financial assets	275	179
Payment services	615	587
Custodial fees and securities services	10	28
Handling fees	127	157
Other transactions involving financial instruments	-	81
Other commission income	198	248
Total commission income	2,075	2,189
Commission expense		
Asset management	-	1
Purchase and sale of other financial assets	28	65
Payment services	22	21
Custodial fees and securities services	17	10
Handling fees	40	42
Other commission expense	89	49
Total commission expense	196	188
Commission	1,879	2,001

34 Income from associates

<i>In millions of euros</i>	2014	2013
Rabobank share of profit of associates	107	129
Discontinued/disposed interests of associates	(26)	(50)
Income from associates	81	79

35 Net income from financial assets and liabilities at fair value through profit or loss

<i>In millions of euros</i>	2014	2013
Income from financial assets and derivatives held for trade	1,451	(798)
Income from other financial assets and liabilities at fair value through profit or loss	(1,419)	816
Other	187	214
Total income from financial assets and liabilities at fair value through profit or loss	219	232

The financial assets and liabilities listed in the above table are combined into portfolios. Profits from these instruments must be considered in conjunction with each other.

<i>In millions of euros</i>	2014	2013
Profit from interest-rate instruments	173	(144)
Income from equity instruments	82	178
Income from foreign currencies	(37)	89
Other	1	109
Total income from financial assets at fair value through profit or loss	219	232

36 Other income

<i>In millions of euros</i>	2014	2013
Real estate activities	184	(408)
Rental income	432	184
Termination of defined-benefit pension scheme	-	1,522
Other	526	269
Total other income	1,142	1,567

Income from real estate activities includes project income of 1,344 (2013: 1,467), project charges of 1,122 (2013: 1,289) and impairments of 38 (2013: 586).

Rental income includes operating lease income and rental income from investment properties.

Operating lease income includes income of 1,972 (2013: 1,821), depreciation charges of 914 (2013: 807) and other costs of 703 (2013: 701). Rental income from investment properties includes income of 94 (2013: 55), depreciation charges of 10 (2013: 11) and other costs of 7 (2013: 173).

37 Staff costs

<i>In millions of euros</i>	2014	2013
Wages and salaries	3,331	3,455
Social security contributions and insurance costs	424	420
Pension costs for defined contribution plans	532	463
Pension costs for defined benefit plans	32	224
Other post-employment benefits	54	9
Other staff costs	713	751
Total staff costs	5,086	5,322

Expressed in FTEs, the average number of employees was 52,562 (2013: 58,249) over the year.

In 2011, following implementation of CRD III and the regulations governing a restrained remuneration policy, Rabobank Group adopted an amended remuneration policy. A Group-wide Remuneration Policy has been in place since 1 January 2014; this policy was further adapted to the provisions from CRD IV. To the extent that identified staff (i.e. employees who can potentially exercise material control over Rabobank Group's risk profile) are eligible for variable remuneration, such remuneration must never exceed 100% of the employee's fixed income. In addition, variable remuneration is also awarded to identified staff for such period that the risks associated with the underlying business activities are adequately taken into account.

Hence, payment of a significant portion of variable remuneration is deferred. The immediate portion of variable remuneration is unconditional, whereas the deferred portion is conditional. The deferred portion vests after three years if the conditions are met. Among other things, it is assessed whether there has been a significant reduction in financial performance or a significant change in risk management at Rabobank Group and/or business unit that puts the circumstances assessed when the relevant variable remuneration was awarded in a different perspective. As a rule, the right to any outstanding deferred remuneration lapses if the staff member's employment ends before the deferred portion of the variable remuneration vests.

Fifty percent of both the direct and the deferred portion of the variable remuneration is allocated in cash. The cash component of the direct portion is immediately awarded following allocation. The cash component of the deferred portion is awarded to employees only after vesting (after a period of three years), including a market-level interest rate.

Of both the direct and the deferred portion of the variable remuneration, 50% is allocated in the form of an instrument (instrument component), i.e. the Deferred Remuneration Note (DRN). The amount of a DRN is linked directly to the price of a Rabobank Certificate as listed on NYSE Euronext.

The instrument component is converted into DRNs at the time of allocation on completion of the performance year. The number of DRNs is based on the average closing prices for Rabobank Certificates as established on the NYSE Euronext exchange on the first five trading days in February of each year, with the exception of 2014, during which the average closing price for Rabobank Certificates will be the average of the closing prices of Rabobank Certificates as established on NYSE Euronext on the five trading days from 17-21 February 2014 (inclusive). Accordingly, this represents both the instrument component of the direct and the deferred portion of the variable remuneration. The final number of DRNs relating to the deferred portion is established on vesting (i.e. after a 3-year period).

The payment of the instrument component is subject to a 1-year retention period. On expiry of this period, employees receive a cash amount for each DRN held (or a portion thereof) corresponding to the amount of (I) the DRN at that time and (II) an amount equal to the payments made for RCs during the period of allocation until the expiry of the retention period.

Payment of the cash component of the variable remuneration is measured in accordance with IAS 19 Employee benefits, whereas payment of the DRNs is measured in accordance with IFRS 2 Share-based Payment.

The immediate portion of the variable remuneration is recognised in the performance year, whereas the deferred portion is recognised in the years before vesting. By and large, the same system is used for non-identified staff. Both the immediate and the deferred portion are paid fully in cash, which means that no DRNs are awarded.

At 31 December 2014, the costs of equity instrument-based payments were 10 (2013: 8). At 31 December 2014, a liability of 23 was recognised (2013: 18). The costs of variable remuneration paid in cash were 97 (2013: 109). The number of DRNs outstanding is presented below.

<i>in thousands</i>	2014	2013
Opening date	952	986
Awarded during the year	348	308
Paid during the year	(166)	(223)
Changes from previous year	(120)	(119)
Closing date	1,014	952

The amount of a DRN is linked directly to the price of an RC. The estimated payments to be made for the variable remuneration are shown in the table below.

At 31 December 2014		Year of payment				
<i>In millions of euros</i>	2015	2016	2017	2018	2019	Total
Variable remuneration, not including DRNs	101.5	6.8	6.2	7.5	-	122.1
DRNs	3.6	12.0	4.4	4.2	5.3	29.5
Total	105.1	18.8	10.6	11.7	5.3	151.6

At 31 December 2013		Year of payment				
<i>In millions of euros</i>	2014	2015	2016	2017	2018	Total
Variable remuneration, not including DRNs	102.0	13.9	7.5	7.3	-	130.7
DRNs	4.2	3.6	8.5	4.9	4.3	25.4
Total	106.2	17.5	16.0	12.2	4.3	156.1

38 Other administrative expenses

The other administrative expenses total 2,532 (2013: 3,910). The reorganisation costs fell by 280 in 2014 and a portion of the provision created for DSB Bank in the past could be released. In 2013, the settlement amount of EUR 774 was recognised under Other Administrative Expenses following the Libor investigations. This item also includes travel expenses, automation costs, IT-related costs, postage costs, publicity costs, office supplies, rents and building maintenance expenses.

39 Depreciation and amortisation

<i>In millions of euros</i>	2014	2013
Depreciation of property and equipment	240	291
Amortisation of intangible assets	197	237
Total depreciation and amortisation	437	528

40 Value adjustments

<i>In millions of euros</i>	2014	2013
Due from other banks	(14)	(7)
Loans to customers	2,762	2,746
Receipts following write-offs	(117)	(103)
Credit related liabilities	2	6
Other assets	-	1
Total value adjustments	2,633	2,643

41 Bank tax and resolution levy

Banks operating in the Netherlands on 1 October of the year under review are required to pay bank tax. There are two rates of bank tax: a rate of 0.044% for current liabilities and a rate of 0.022% for long-term liabilities, based on the balance recorded in December 2013. Rabobank Group was charged a total of 167 in bank tax in 2014 (2013: 197). The resolution levy, a one-time levy imposed by the Dutch government on the Dutch banking industry in connection with the nationalisation of SNS Reaal, totalled 321.

42 Taxation

<i>In millions of euros</i>	2014	2013
Current income tax		
Reporting period	79	371
Prior years	(96)	10
Deferred tax	(144)	(293)
Income tax expense	(161)	88

The taxation on operating profit before taxation of Rabobank differs from the nominal amount based on Dutch standard tax rates as follows:

<i>In millions of euros</i>	2014	2013
Operating profit before taxation	1,681	430
Tax exempt income	(247)	(374)
Non-deductible expenses	599	1,051
Tax losses not recognised in prior years	(2)	(7)
Other	(753)	(664)
	1,278	436
Income tax expense based on a rate of 25.0% (2012: 25.0%)	320	109
Effect of different tax rates and other non-recurring tax gains or losses	(481)	(21)
Income tax expense	(161)	88

The deduction of payments, where applicable, for several capital equity instruments are included under 'Other'. An amount of 360 has been accounted for in the incidental tax income as a result of the application of Section 13d of the Corporation Tax Act (liquidation loss of participating interest).

43 Non-current assets and liabilities held for sale

Sale of Bank BGZ

An agreement was reached in December 2013 regarding the sale of the 98.5% share interest in the Polish-based Bank BGZ to BNP Paribas Group for an amount of 4 billion Polish Zloty (approx. EUR 1 billion). The agreement regarding the sale of Bank BGZ includes the operations of Rabobank Polska. The latter merged with Bank BGZ in the first half of 2014. The sale of Bank BGZ to BNP Paribas was completed on 23 September 2014. In addition to the goodwill of 26, the foreign-exchange hedge reserves were released and this gain was recognised under income from financial assets and derivatives held for trade at an amount of 47 before taxation. The other reserves recognised under equity in relation to Bank BGZ were released. This gain of 73 before taxation was included in the other results.

<i>Cash flows on disposal</i>	
Selling price	957
Cash and cash equivalents - Bank BGZ	366
Net cash flows	591

The following assets and liabilities are included in non-current assets and liabilities held for sale at 31 December 2013:

<i>In millions of euros</i>	2013
Assets	
Cash and cash equivalents	390
Due from other banks	121
Loans to customers	6,346
Available-for-sale financial assets	1,163
Other assets	807
Total assets	8,827
Liabilities	
Due to other banks	828
Due to customers	6,408
Other liabilities	589
Total liabilities	7,825

The consolidated profit or loss account includes the following amounts:

<i>In millions of euros</i>	2013
Interest	243
Fees and commissions	65
Other income	31
Total income	339
Staff costs	110
Other costs	197
Operating profit before taxation	32
Taxation	7
Net profit	25

Other non-current assets held for sale

The non-current assets held for sale in the amount of 327 (2013: 246) mainly comprise various types of real estate (including residential and commercial) in a variety of countries. The book value is expected to be realised through sale rather than through continued operation. The real estate properties which have been classified as 'held for sale' are mostly unique properties, with no active market for similar real estate in the same location and the same condition. A large number of parameters are used for the valuations of the various types of property investments, based on existing contracts and market data if possible. A certain level of assessment and estimation is generally unavoidable, which is why all non-current assets classified as 'held for sale' are classified in category 3. The parameters used to determine the fair value of the property

investments, depending on the type of real estate, include: the current and expected market rent per square metre, current and expected future vacancy rates, the location of the property, the marketability of the property, the average discount rate, development budget and any credit risk.

44 Acquisitions and disposals

For details on the sale of Bank BGZ, see note 43 non-current assets and liabilities held for sale.

45 Transactions with related parties

Two parties are considered related if one party exercises control or has significant influence over the other party (regarding finance or operating decisions). In the normal course of business, Rabobank conducts a wide variety of transactions with related entities, involving different types of loans, deposits and transactions in foreign currencies. Transactions between related parties also include transactions with associates, pension funds, joint ventures, the Executive Board and the Supervisory Board. These transactions are conducted at arm's length conditions and against market prices. In accordance with IAS 24.4, transactions within Rabobank Group are not disclosed in the consolidated financial statements. In the normal course of Rabobank's business operations, banking transactions are carried out with related parties. These involve loans, deposits and transactions in foreign currencies. All these transactions were conducted at arm's length and against market prices. The volumes of related party transactions, year-end outstanding balances and the corresponding income and expenses during the year are presented in the following table. Transactions and balances outstanding with members of the Executive Board and members of the Supervisory Board are disclosed in note 47. Transactions with pension funds are disclosed in note 25. Rabobank sold mortgage loans with a par value of approximately EUR 1 billion to an Achmea B.V. on market terms.

<i>In millions of euros</i>	<i>Investments in associates</i>		<i>Other related parties</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Loans				
Outstanding at beginning of year	490	465	68	13
Granted during the year	14	117	-	55
Repaid during the year	(144)	(5)	(57)	-
Other	-	(87)	-	-
Loans at end of the year	360	490	11	68
Due to other banks and due to customers				
Outstanding at beginning of the year	6,544	6,228	-	-
Received during the year	573	738	-	-
Repaid during the year	(295)	(80)	-	-
Other	-	(342)	-	-
Deposits at end of the year	6,822	6,544	-	-
Other liabilities				
Other liabilities	23	25	-	19
Credit liabilities and other guarantees issued by Rabobank	37	116	-	-
Income				
Interest income	84	26	-	-
Commission income	234	253	-	-
Trading income	-	44	-	-
Other	2	6	-	-
Total income from transactions with related parties	320	329	-	-
Expense				
Interest expense	358	360	-	-
Commission expense	-	-	-	-
Impairments	20	(1)	-	-
Total expenses from transactions with related parties	378	359	-	-

46 Costs of external auditor

<i>In millions of euros</i>	2014	2013
Financial statements audit	6	7
Other audit engagements	1	2
Other non-audit services	-	1
Total	7	10

In the year under review, the audit firm Ernst & Young Accountants LLP in the Netherlands invoiced the above amounts to Rabobank Nederland, its subsidiaries and other companies it consolidates, within the meaning of Section 382a of Book 2 of the Dutch Civil Code. These amounts do not include fees for financial statements audits, other audit engagements, tax consultancy services and other non-audit services charged by other auditors and other Ernst & Young business units.

47 Remuneration of members of the Supervisory Board and Executive Board

The members of the Supervisory Board and the Executive Board are listed in note 54 of these consolidated financial statements. Rabobank exclusively regards the members of the Executive Board as key management personnel. The members of the Executive Board are among the identified staff as disclosed in note 37. In 2014, the remuneration of members and former members of the Executive Board amounted to 6.3 (2013: 5.8).

<i>In thousands of euros</i>	<i>Total salaries</i>	<i>Pension contributions</i>	<i>Total performance-related bonus</i>	<i>Redemption of remuneration component</i>	<i>Total</i>
W. Draijer (took office on 1 July 2014)	490	137	-	1	628
M. Minderhoud (in office until 1 October 2014)	739	-	-	-	739
A. Bruggink	885	277	-	-	1,162
B.J. Marttin	885	277	-	3	1,165
R.J. Dekker	723	226	-	-	949
H. Nagel	723	226	-	-	949
J.L. van Nieuwenhuizen (took office on 24 March 2014)	548	159	-	-	707
Total 2014	4,993	1,302	-	4	6,299
Total 2013	4,514	1,285	33	-	5,832

Mr Minderhoud retired from the Executive Board on 1 October 2014 and his remuneration is accounted for until that date. He received no severance pay. Mr Draijer joined the Executive Board on 1 October; a total of six months of remuneration is accounted for him.

Since the variable remuneration for members of the Executive Board was discontinued in 2013, the number of DRNs granted for the performance year 2013 to members and former members of the Executive Board is 0 (2013:0). There were a total of 12,133 DRNs outstanding with members and former members of the Executive Board at year-end 2014 (year-end 2013: 7,409). The pension scheme of the members of the Executive Board classifies as a group defined contribution scheme.

Expenses related to members and former members of the Supervisory Board totalled 1.6 (2013: 1.6). This includes the VAT and employer's contributions payable. In addition to the role of Supervisory Board member of Rabobank Nederland, the remuneration also depends on the roles in the various committees. The composition of these committees is detailed in the Annual Report. The remuneration structure for 2014 (exclusive of VAT and other charges) is shown in the table on the next page.

<i>In euros</i>	<i>Chairperson</i>	<i>Deputy Chairperson</i>	<i>Member</i>
Supervisory Board	288,750	71,500	55,000
Audit committee	32,500	15,000	15,000
Risk committee	32,500	15,000	15,000
Appeals Committee	7,500	-	7,500
Cooperative Issues Committee	15,000	-	15,000
Appointments Committee	3,750	-	3,750
Remuneration Committee	3,750	-	3,750

The table below shows the remuneration (excluding VAT and other charges) for individual Supervisory Board members.

<i>In thousands of euros</i>	<i>Remuneration</i>
W. Dekker	341
I.P. Asscher-Vonk	85
C.H. van Dalen	78
L.N. Degle	85
L.O. Fresco (<i>in office until 19 June 2014</i>)	39
S.L.J. Graafsma	110
A.A.J.M. Kamp (<i>in office since 1 December 2014</i>)	7
E.A.J. van de Merwe	103
R. Teerlink	89
C.P. Veerman	89
A.J.A.M. Vermeer (<i>in office until 19 June 2014</i>)	58
Total for 2014	1,084
Total for 2013	1,256

At Rabobank, the Chairman of the Supervisory Board holds a number of roles which are related to the cooperative. These roles are specified in the Annual Report.

<i>In millions of euros</i>	<i>Executive Board</i>		<i>Supervisory Board</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Loans, advances and guarantees				
Outstanding as at 1 January	3.4	4.8	1.5	1.1
Provided during the year	-	-	0.1	-
Redeemed during the year	(1.1)	(0.3)	(0.1)	(0.2)
Reduction on account of leaving office	(0.2)	(3.6)	-	(0.2)
increase on account of taking office	2.8	2.5	1.1	0.8
Outstanding as at 31 December	4.9	3.4	2.6	1.5

The loans, advances and guarantees of the members of the Supervisory Board in office at 31 December 2014 and the average interest rates are shown in the table below.

<i>In millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
At 31 December 2014		
R.J. Dekker	1.3	2.7
B.J. Marttin	0.6	4.1
H. Nagel	1.0	1.9
J.L. van Nieuwenhuizen	2.0	3.8

The loans, advances and guarantees of the members of the Supervisory Board in office at 31 December 2014 and the average interest rates are shown in the table below.

<i>In millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
At 31 December 2014		
C.H. van Dalen	0.6	4.2
J.M. Kamp	1.1	2.8
C.P. Veerman	0.9	3.1

The Supervisory Board members not listed in the table did not receive any loans, advances or guarantees at the end of 2014. These transactions with Executive Board members and Supervisory Board members in person were completed based on employee terms and/or market-level rates for the Supervisory Board. The amount of the rates depends in part on the currency, the agreed fixed-interest period and the time the transaction was completed or the time a new fixed-interest term becomes effective.

Several members of the Executive Board and Supervisory Board have invested in Rabobank Certificates in person and/or through their own pension B.V.s. This involved a total number of 27,110 certificates at the end of 2014.

	<i>Number of Rabobank Certificates</i>
At 31 December 2014	
A. Bruggink	12,166
Ms I.P. Asscher-Vonk	6,894
L.N. Dagle	4,000 (in pension B.V.)
S.L.J. Graafsma	4,050 (in pension B.V.)

48 Principal subsidiaries and associates

Rabobank Group consists of 113 independent local Rabobanks in the Netherlands, members of the central organisation Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) and a number of specialised subsidiaries.

At 31 December 2014	<i>Share</i>	<i>Voting rights</i>
Main subsidiaries		
The Netherlands		
DLL International B.V.	100%	100%
Rabo Vastgoedgroep N.V.	100%	100%
FGH Bank N.V.	100%	100%
OWM Rabobanken B.A.	100%	100%
Obvion N.V.	100%	100%
Rabohypotheekbank N.V.	100%	100%
Rabo Merchant Bank N.V.	100%	100%
Raiffeisenhypotheekbank N.V.	100%	100%
Schretlen & Co N.V.	100%	100%
Other eurozone/EU countries		
ACC Loan Management Limited	100%	100%
North America		
Rabobank Capital Funding LCC III to VI	100%	100%
Rabobank Capital Funding Trust III to VI	100%	100%
Utrecht America Holdings Inc.	100%	100%
Australia and New Zealand		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%

All subsidiaries listed in the table are consolidated. In 2014, none of the subsidiaries experienced any significant restrictions in the payment of dividends or the redemption of loans and repayment of advances. The option of subsidiaries to pay dividend to Rabobank Nederland depends on various factors, including local regulatory requirements, statutory reserves and financial performance.

Rabobank will not consolidate several structured entities in the Wholesale banking and international retail banking business, even if it does retain more than half of the voting rights. These structured entities are not consolidated, because the relevant activities are managed by a third party subject to a contract.

Rabobank does have control over several entities in the Leasing segment as part of its vendor leasing operations, even though it will retain less than half of its voting rights because control is not determined based on such rights, but rather on management participation.

49 Joint ventures

Virtually all joint ventures are entities of Rabo Real Estate Group, have a total carrying amount of 23 (2013: 26) and are stated in accordance with the equity method.

Partnerships are common both in the development of integrated residential areas and in the development of commercial real estate, whereby the property developer is joined by other – often local – parties, including municipal governments, housing associations and construction companies. In the majority of cases, each participating member of the partnership has a decisive vote, and decisions can only be passed by consensus. The majority of these partnerships therefore qualify as joint arrangements.

Bouwfonds Investment Management ('IM') serves investors in a variety of sectors with real estate investment products. Bouwfonds IM manages the portfolio and is responsible, sometimes alone and sometimes with partners, for the fund management and asset management of the various funds.

If it works in a partnership, the individual partners generally have a decisive vote and decisions can only be passed by consensus. As before, the majority of these partnerships qualify as joint arrangements.

Each partnership has its own legal structure, depending on the needs and requirements of the parties concerned. The legal form (business structure) typically used is the Dutch 'CV-BV' structure (a limited partnership-private limited liability company) or the 'VOF' structure (general partnership) or a derivative thereof or related structure.

In the case of CV-BVs, the risk of a participating party is generally limited to the issued capital and the partners are only entitled to the net asset from the entity. Under the VOF, all individual participating parties have, in principle, unlimited liability and are, in principle, entitled to the assets on a proportional basis, as well as having obligations in terms of the entity's liabilities. Strictly on the basis of the legal form, a CV-BV structure qualifies as a joint venture, while a VOF structure qualifies as a joint operation. However, the contractual terms and other relevant facts and circumstances may result in a different conclusion.

Since a separate legal structure is established for each partnership in which the participating partners change and separate products are not of a substantial size, Rabo Real Estate Group did not maintain any material joint arrangements in 2013 and 2014.

Result from joint ventures	2014	2013
Result from continuing operations	(39)	(71)
Result from discontinued operations after taxation	-	-
Net profit	(39)	(71)
Off-balance-sheet profit or loss	-	-
Total of realised and unrealised result	(39)	(71)

Off-balance-sheet assets and liabilities

Rabo Real Estate Group entered into the following off-balance-sheet commitments:

- Commitments with third parties (including subcontractors and architects) in the amount of 7 (2013: 7) for non-commercial real estate projects at 31 December 2014,
- Commitments with subcontractors and architects for commercial real estate projects in the amount of 29 (2013: 5).

The principle joint ventures in terms of size of the capital interest held by Rabobank include:

At 31 December 2014	Share	Voting rights
Nederland		
Real estate development company De Westlandse Zoom CV, Monster	25%	25%
Real estate development company Waalfront CV, Nijmegen	50%	50%
FIRST Rotterdam CV, Rotterdam	50%	50%

50 Transfer of financial assets and financial assets provided as collateral

Reverse repurchase transactions and securities borrowing agreements

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under 'Due from other banks' or 'Loans to customers'. At 31 December, they amounted to:

In millions of euros	2014	2013
Due from other banks	27,592	22,418
Loans to customers	18,295	10,697
Total reverse repurchase transactions and securities borrowing agreements	45,887	33,115

Under the terms of the reverse repurchase transactions and securities borrowing agreements, Rabobank receives collateral under conditions that enable it to repledge or resell the collateral to third parties. The total fair value of the securities received under the terms of the agreements was 47,540 at 31 December 2014 (2013: 34,542). In accordance with the agreement terms, a portion of the securities was repledged or sold as collateral. These transactions were effected subject to the normal conditions for standard reverse repurchase transactions and securities borrowing agreements. The securities are not recognised in the statement of financial position, given that substantially all associated risks and benefits accrue to the counterparty. A receivable is recognised equalling the amount paid as collateral.

Repurchase transactions and securities lending agreements

Repurchase transactions and securities lending agreements concluded by Rabobank are included under 'Due to other banks' and 'Due to customers'. At 31 December, they amounted to:

In millions of euros	2014	2013
Due to other banks	708	808
Due to customers	2,025	1,474
Total repurchase and securities lending	2,733	2,282

At 31 December 2014 and 2013, interest-bearing securities with a carrying amount of 2,757 and 2,540 respectively had been provided as collateral for repurchase and similar agreements. In general, the counterparty has the right to sell or repledge the securities. These transactions were performed subject to the normal conditions for standard repurchase transactions and securities lending agreements. The bank may provide or receive securities or cash as collateral if the value of the securities changes. The securities are not derecognised, given that substantially all associated risks and benefits accrue to Rabobank, including credit and market risk. A liability is recognised equalling the amount received as collateral.

Securitisations

As part of Rabobank Group's financing activities and liquidity management, as well as to reduce credit risk, cash flows from certain financial assets are transferred to third parties. Most financial assets subject to these transactions are mortgage and other loan portfolios that are transferred to a special purpose vehicle that is subsequently consolidated. After securitisation, the assets continue to be recognised in Rabobank Group's statement of financial position, chiefly under 'Loans to customers'. The securitised assets are measured in accordance with the accounting policies referred to in note 2.15. The carrying amount of these financial assets is 79,940 (2013: 75,937) and the corresponding liability amounts to 80,341 (2013: 75,959). Approximately 71% (2013: 75%) of transferred assets are securitised internally for liquidity purposes.

Carrying amount of financial assets provided as security for (contingent) liabilities

<i>In millions of euros</i>	2014	2013
Due from other banks	7,289	9,823
Loans to customers	10,905	8,151
Available-for-sale financial assets	22,571	15,067
Total	40,765	33,041

The assets referred to above (except repurchase transactions and securities lending) were provided to counterparties as security for (contingent) liabilities. If Rabobank remains in default the counterparties may use the security to settle the debt.

51 Structured entities

Consolidated structured entities

A structured entity is an entity which is structured such that voting rights or comparable rights do not constitute the dominant factor in determining who exercises control over the entity. Rabobank uses structured entities in order to securitise mortgage and other loan portfolios as part of its financing activities, liquidity management and in order to reduce credit risk. The loans are actually transferred to the structured entities. Own-asset securitisation is handled by RaboAgri Finance (Harvest), Obvion (STORM en STRONG), DLL (LEAP) and Athlon (Highway). As well as having provided cash facilities, Rabobank also acts as a swap counterparty in all own-asset securitisations.

Rabobank acts as a sponsor in Nieuw Amsterdam Receivables Corporation. Nieuw Amsterdam issues ABCP in various currencies and provides Rabobank customers access to liquidity through the commercial paper market. Rabobank provides advice and manages the programme, markets ABCP, provides cash facilities and/or credit risk enhancements and other facilities for the underlying transactions and the programme itself.

Rabobank consolidates the own-asset securitisation vehicles and Nieuw Amsterdam because it is exposed to or entitled to fluctuating income in respect of its involvement in these entities. In addition, Rabobank also has the option to influence the amount of the investor's income by virtue of having control over the entities.

Non-consolidated structure entities

Non-consolidated structured entities refers to all structured entities over which Rabobank has no control. These interests are comprised mainly of debt securities in a securitisation vehicle, including RMBS, ABS and CDO and private equity interests. The amount of these debt securities is almost always limited compared with the vehicle's total assets.

The table below shows the nature and risks of Rabobank's interests in non-consolidated structured entities. The maximum exposure to loss in respect of the interests of non-consolidated structured entities also includes off-balance-sheet liabilities.

Nature and risks of interests in non-consolidated structured entities*

<i>In millions of euros</i>	<i>Securitisations</i>	<i>Other</i>	<i>Total</i>
At 31 December 2014			
Assets recognised by Rabobank			
Financial assets held for trading	30	107	137
Financial assets at fair value through profit and loss	377	45	422
Derivatives	622	-	622
Loans to customers	1,363	-	1,363
Financial assets available for sale	772	75	797
Investments in associates	-	600	600
Total financial assets recognised by Rabobank	3,114	827	3,941
Liabilities recognised by Rabobank			
Derivatives	86	-	86
Due to customers	610	-	610
Total liabilities recognised by Rabobank	696	-	696

* The maximum exposure to loss in respect of the interests in non-consolidated structured entities is 4,153.

Sponsored, non-consolidated structured entities in which Rabobank holds no interest

<i>In millions of euros</i>	<i>Commission income</i>	<i>Other income</i>	<i>Total income</i>	<i>Carrying amount of transferred assets</i>
At 31 December 2014				
Securitisations	3	38	41	-
Asset management	-	35	35	-
Other	137	-	137	-
Total	140	73	213	-

52 Events after the reporting date

No events occurred following the reporting date that provide additional information on the actual situation on the reporting date.

53 Consolidated balance sheet as at 1 January 2013

Following the adjustment of the payments on equity instruments as specified in paragraph 2.1.1, a third balance sheet is shown below in which the amounts specified have been adjusted in relation to the consolidated balance sheet at 31 December 2012, as included in the Rabobank Group consolidated balance sheet for 2013.

	At 1 January 2013
Equity before adjustment of payments for equity instruments	25,311
Decrease in other assets	(328)
Increase in other liabilities	(666)
Equity after adjustment of payments for equity instruments	24,317

<i>In millions of euros</i>	<i>At 1 January 2013</i>
Assets	
Cash and cash equivalents	68,103
Due from other banks	35,386
Financial assets held for trading	6,387
Other financial assets at fair value through profit or loss	5,911
Derivative financial instruments	65,423
Loans to customers	485,299
Available-for-sale financial assets	50,425
Investments in associates	3,649
Intangible assets	2,343
Property and equipment	6,500
Investment properties	1,489
Current tax assets	597
Deferred tax assets	960
Other assets	9,435
Non-current assets held for sale and discontinued operations	8,475
Total assets	750,382
Liabilities	
Due to other banks	27,059
Due to customers	334,271
Debt securities in issue	223,336
Derivative financial instruments and other trade liabilities	74,800
Other debts	11,832
Other financial liabilities at fair value through profit or loss	24,091
Provisions	752
Current tax liabilities	205
Deferred tax liabilities	186
Subordinated debt	5,407
Liabilities held for sale and discontinued operations	7,357
Total liabilities	709,296
Equity	
Equity of Rabobank Nederland and local Rabobanks	24,317
Equity instruments issued directly	
Rabobank (Member) Certificates	6,672
Capital Securities	7,114
	13,786
Equity instruments issued by subsidiaries	
Capital Securities	236
Trust Preferred Securities III to VI	1,340
	1,576
Other non-controlling interests	1,407
Total equity	41,086
Total equity and liabilities	750,382

54 Management's report on internal control over financial reporting

The management of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) is responsible for establishing and maintaining adequate internal control over financial reporting. Management is also responsible for the preparation and fair presentation of the consolidated financial statements.

Rabobank Nederland's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the European Union.

All internal control systems, no matter how well designed, have inherent limitations. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Also, projections of any evaluation of effectiveness to future periods are subject to the risk that control measures may become inadequate, because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Rabobank Nederland's internal control over financial reporting as of 31 December 2013 based on the framework set forth by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) established in Internal Control - Integrated Framework. Based on that assessment, management concluded that, as of 31 December 2014, Rabobank Nederland's internal control over financial reporting is effective based on the criteria established by COSO.

Ernst & Young Accountants LLP, which has audited the consolidated financial statements of Rabobank Nederland for the financial year ended 31 December 2014, also examined management's assessment of the effectiveness of Rabobank Nederland's internal control over financial reporting and the effectiveness of Rabobank Nederland's internal control over financial reporting; its report is included on page 105.

W. Draijer

A. Bruggink

55 Approval of Supervisory Board

The publication of these financial statements was approved by the Supervisory Board on 31 March 2015. They will be submitted to the General Meeting for adoption in June 2014. Rabobank Nederland's Articles of Association provide as follows with regard to adoption of the financial statements: 'The Annual General Meeting's resolution to adopt the financial statements shall be passed by an absolute majority of the votes validly cast'.

Executive Board

W. Draijer, *Chairman*

A. Bruggink, *CFRO*

R.J. Dekker

B.J. Marttin

H. Nagel

J.L. van Nieuwenhuizen

Supervisory Board

W. Dekker, *Chairman*

R. Teerlink, *Deputy Chairman*

C.P. Veerman, *Deputy Chairman*

Ms I.P. Asscher-Vonk, *Secretary*

C.H. van Dalen

L.N. Degle

S.L.J. Graafsma

A.A.J.M. Kamp

E.A.J. van de Merwe

Independent auditor's report

To: The General Meeting of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Report on the audit of the consolidated financial statements 2014

Our opinion

We have audited the consolidated financial statements 2014 which are part of the financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (hereafter: 'Rabobank'), based in Amsterdam.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Rabobank as at December 31, 2014 and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at December 31, 2014;
- 2 the following statements for 2014: consolidated statements of income and comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the consolidated financial statements' section of our report.

We are independent of Rabobank in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 85 million. The materiality is based on 5% of operating profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in earnings in excess of EUR 5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Rabobank is for financial reporting purposes head of a group of entities. The financial information of this group is included in the consolidated financial statements of Rabobank.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and / or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities and associates in retail banking and wholesale banking globally as well as on leasing, real estate and insurance activities. We have:

- performed audit procedures ourselves at the group entities in scope;
- used the work of other EY auditors when auditing entities outside the Netherlands, as well as the audit of the real estate activities;
- used the work of other non-EY auditors when auditing the entities in Ireland, as well as the audit of the leasing and insurance activities;
- performed review procedures or specific audit procedures at the other group entities in scope.

All these entities represented 96% of the consolidated pre-tax income and 96% of total assets. This provided us with the evidence we needed for our opinion on the financial statements as a whole. The remaining entities were considered to be immaterial.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of financial assets at amortized costs

Despite signs of economic recovery, the impact of the economic conditions of the last few years on the default risk and the cost of credit losses are still high, especially in the Netherlands. In addition, the economic conditions and the technological developments influence the need for office and retail space (commercial real estate), resulting in increased vacancy and/or lower rental rates. Reference is made to note 4.4 in the financial statements. The assessment processes of credit risks and the valuation of commercial real estate are complex, include subjective elements and are based on assumptions that may come out differently than expected.

During our audit, extra attention was paid to the assessment of credit risks and the valuation of commercial real estate. Additionally, the results and insights of the Asset Quality Review conducted by the ECB were incorporated in our audit procedures. During our audit of the loan loss provisions and the valuation of commercial real estate, we primarily assessed the judgments made related to the ability of the debtor to fulfil the contractual obligations arising out of the financing agreement. If this is questionable or if shortages are expected, judgment is made whether the value of the collateral, such as commercial real estate, can cover any shortfalls. For commercial real estate positions, including development and land positions, we primarily assessed the judgments made related to the value of the commercial real estate itself. The loan strategy of the

bank is an important aspect in making the assessments of credit risks or the valuation of commercial real estate. Our audit work included investigating the expectations and assumptions about future cash flows, which also makes use of external data, such as accounts of debtors and valuation reports of properties.

Valuation of financial assets and liabilities at fair value

Fair value measurement and associated valuation adjustments can be a subjective area and more so for so called areas of 'level 3' model based valuation or markets with weak liquidity and low frequently price discovery. Market conditions can also be volatile due to current uncertainty and market practice continues to evolve both in terms of quantitative adjustments and the operational suite of controls necessary to support the valuation process. Valuation techniques can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated risk management disclosure is complex and dependent on quality data.

We assessed the design and operating effectiveness of the internal controls over valuation and performed independently price verification and model approval. We performed additional procedures for areas of higher risk and estimation with the assistance of our valuation specialists. This included, where relevant, comparison of judgments made to current and emerging market practice and reperformance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal. Finally, we assessed the design and operating effectiveness of the controls over related disclosures including the disclosure of valuation sensitivity and fair value hierarchy. Reference is made to note 4.9 in the financial statements.

Organisational changes

During 2014, several organizational changes were made concerning the sale or downsizing of activities and assets on the one hand and the changes in the internal structures with the integration of Rabobank International and Rabobank Netherlands, the restructuring of the local Rabobanks on the other hand and the recent announcement of the changes regarding FGH Bank. These changes impact the internal control organization of the bank, presentation of discontinued activities in the financial statements and impact the result due to restructuring provisions and transaction results. Reference is made to note 5 and 23 in the financial statements.

Our audit work included the assessment and testing of the impact of these changes on the internal organizational structure and effectiveness of the internal controls to conclude to which extent we can make use of these internal controls. We have also assessed the impact of these changes on the external reporting including the necessary restructuring provisions in accordance with IFRS.

Reliability and continuity of electronic data processing

Rabobank Group is strongly dependent on the IT-infrastructure for the continuity of their business processes. In the last few years, Rabobank Group invested in the improvement of IT-hardware, systems and processes, focused on the increased effectiveness of the IT-infrastructure and the reliability and continuity of electronic data processing.

We assessed the reliability and continuity of electronic data processing only to the extent necessary within the scope of the audit of the financial statements. Our work consisted of assessing the developments in the IT infrastructure and analyzing the impact on the internal control organization. Additionally, we tested the design and operating effectiveness of relevant internal controls related to IT systems and processes.

Consolidated financial statements as part of the (complete) financial statements

The (complete) financial statements of Rabobank 2014 include the 'Consolidated financial statement 2014 Rabobank Group' and the 'Financial statements 2014 Rabobank Nederland'. For a proper understanding of the financial position and result the consolidated financial statements must be considered in connection with the company financial statements. On 31 March 2015 we issued a separate auditor's report on the company financial statements.

Responsibilities of management and the Supervisory Board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated financial statements, management is responsible for assessing Rabobank's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the consolidated financial statements using the going concern basis of accounting unless there is the intend either to liquidate Rabobank or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on Rabobank's ability to continue as a going concern in the consolidated financial statements.

The Supervisory Board is responsible for overseeing Rabobank's financial reporting process.

Our responsibilities for the audit of the consolidated financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rabobank's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Rabobank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Rabobank ceasing to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, when not communicating the matter is in the public interest.

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged as auditor of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. as of the audit for the year 1972 and have operated as statutory auditor ever since that date.

Amsterdam, 31 March 2015

Ernst & Young Accountants LLP

/s/ C.B. Boogaart

Independent auditor's Assurance report

To the executive board and supervisory board of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Scope

We have performed an assurance engagement on the effectiveness of internal control over the consolidated financial reporting of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (hereafter: 'Rabobank') as at 31 December 2014.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting policies. A company's internal control over financial reporting includes those policies and procedures that:

- 1 pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- 2 provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union and by Part 9 of Book 2 of the Dutch Civil Code, and that receipts and expenditures of the company are being made only in accordance with authorisations of management of the company; and
- 3 provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Executive Board's responsibility

The Executive Board of Rabobank is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

The statement of the Executive Board regarding its assessment of the effectiveness of internal control over financial reporting is included on page 108.

Auditor's responsibility

Our responsibility is to conclude on the effectiveness of Rabobank's internal control over the consolidated financial reporting as at 31 December 2014, based on the procedures performed during our assurance engagement. We conducted our assurance engagement in accordance with Dutch law, including ISAE 3000 'Assurance engagements other than audits or reviews of historical financial information' based on criteria established in 'Internal Control – Integrated Framework', issued by the Committee of Sponsoring Organisations of the Treadway Commission ('2013 framework'), ('the COSO criteria'). This requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our assurance engagement included obtaining an understanding of internal control over financial reporting, evaluating the assessment of Rabobank's Executive Board, testing and evaluate the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements or omissions. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

Our opinion is formed based on the matters as explained in this assurance report.

In our opinion the internal control over the consolidated financial reporting as at 31 December 2014 by Rabobank is in all material respects effective in accordance with the COSO criteria.

Amsterdam, 31 March 2015

Ernst & Young Accountants LLP

/s/ C.B. Boogaart

Key figures

Net profit

1,842 million euros



-8%
compared to 2013

Return on tier 1 capital

5.2%



+0.0%-
point
compared to 2013

Capital ratio (BIS ratio)

21.3%



+1.5%-
points
compared to
year-end 2013

Loan portfolio

430,391 million euros

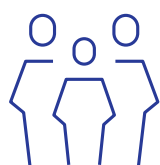


-1%
compared to
year-end 2013

Key figures					
	31-12-2014	31-12-2013	31-12-2012	31-12-2011	31-12-2010
Amounts in millions of euros	2014	2013	2012	2011	2010
Rock-solid bank					
Financial position and solvency					
Equity	38,871	38,534	42,080	45,001	40,757
Common equity tier 1 capital	28,714	28,551	29,253	28,324	27,735
Tier 1 capital	33,874	35,092	38,358	37,964	34,461
Qualifying capital	45,139	41,650	42,321	39,088	35,734
Risk-weighted assets	211,870	210,829	222,847	223,613	219,568
Profit and loss account					
Income	12,857	13,030	13,616	12,706	12,716
Operating expenses	8,055	9,760	9,003	8,252	8,196
Bad debt costs	2,633	2,643	2,350	1,606	1,234
Bank tax expense and resolution levy	488	197	196	-	-
Taxation	(161)	88	158	355	514
Net profit	1,842	2,007	2,058	2,627	2,772
Ratios					
Common equity tier 1 ratio	13.6%	13.5%	13.1%	12.7%	12.6%
Tier 1 ratio	16.0%	16.6%	17.2%	17.0%	15.7%
Capital ratio (BIS ratio)	21.3%	19.8%	19.0%	17.5%	16.3%
Equity capital ratio	14.4%	16.1%	15.3%	14.7%	14.2%
Leverage ratio	4.9%	4.8%	4.7%	-	-
Loan-to-deposit ratio	1.33	1.35	1.39	1.38	1.49
Return on tier 1 capital	5.2%	5.2%	5.4%	7.6%	8.6%
Efficiency ratio	62.7%	74.9%	66.1%	64.9%	64.5%
Net profit growth	-8.2%	-2.5%	-21.7%	-5.2%	25.5%
Return on assets	0.28%	0.27%	0.28%	0.40%	0.46%
Ratings					
Standard & Poor's	A+	AA-	AA-	AA	AAA
Moody's Investors Service	Aa2	Aa2	Aa2	Aaa	Aaa
Fitch Ratings	AA-	AA-	AA	AA	AA+
DBRS	AA (high)	AAA	AAA	AAA	AAA
Volume of services					
Total assets	681,086	669,095	750,710	731,665	652,536
Private sector loan portfolio	430,391	434,691	458,091	448,337	436,292
Amounts due to customers	326,471	326,222	334,271	329,892	298,761
Meaningful cooperative					
Supporting local communities					
Rabobank Foundation (in the Netherlands and abroad)	19.5	16.4	19.8	15.7	21.7
Cooperative dividends (local Rabobanks)	36.4	44.1	42.8	37.0	28.3
Donations Rabobank Group	8.0	8.0	4.6	5.2	4.2
Climate footprint					
CO ₂ emissions attributable to business (x 1,000 tonnes CO ₂)	112	135	143	142	156
CO ₂ emissions per FTE (tonnes CO ₂)	2.0	2.1	2.2	2.2	2.4

Number of employees

48,254 FTEs



-15%

compared to
year-end 2013

Share in mortgage market

22%



-4%-
points

compared to 2013

Total sustainable financing

21,903 million euros



+2%

compared to
year-end 2013

1 NPS: this shows how customers responded to the question: 'Would you recommend us?'

2 CES: we use this to measure how customers experience their contact with the bank.

3 CAS: this relates to an indicator that shows the extent to which we operate in the customer's interest.

4 Users who log on at least once every three months.

5 Average availability measured over 12 months.

Key figures					
	31-12-2014	31-12-2013	31-12-2012	31-12-2011	31-12-2010
Amounts in millions of euros	2014	2013	2012	2011	2010
Customer focus					
Retail customers					
Net Promoter Score (NPS Recommendation Q4) ¹	17	12	-	-	-
Customer Effort Score (CES Day-to-day banking Q4) ²	67	66	-	-	-
Customer Advocacy Score (CAS Recommendation Q4) ³	61%	59%	-	-	-
Satisfaction with day-to-day banking	7.9	7.7			
Private banking customers					
Net Promoter Score (NPS Recommendation Q4) ¹	29	20	-	-	-
Customer Effort Score (CES Day-to-day banking Q4) ²	68	66	-	-	-
Customer Advocacy Score (CAS Recommendation Q4) ³	69%	64%	-	-	-
Satisfaction with day-to-day banking	7.9	7.7	-	-	-
Businesses					
Net Promoter Score (NPS Recommendation Q4) ¹	10	1	-	-	-
Customer Effort Score (CES Day-to-day banking Q4) ²	52	43	-	-	-
Customer Advocacy Score (CAS Recommendation Q4) ³	53%	48%	-	-	-
Satisfaction with day-to-day banking	7.1	6.9	-	-	-
Nearby					
Local Rabobanks	113	129	136	139	141
Branches	547	656	826	872	911
ATMs	2,305	2,524	2,886	2,949	2,963
Members (x 1,000)	1,959	1,947	1,918	1,862	1,801
Number of users of mobile banking services (x 1,000) ⁴	2,271	1,784	1,086	410	136
Availability of internet payments & savings ⁵	98.9%	-	-	-	-
Availability of mobile banking ⁵	99.0%	-	-	-	-
Foreign places of business	440	769	759	761	682
Market shares (in the Netherlands)					
Mortgages	22%	26%	31%	32%	29%
Savings	36%	38%	39%	39%	40%
Trade, Industry and Services (TIS)	39%	44%	43%	42%	42%
Food and agri	85%	85%	85%	83%	84%
Total sustainable assets under management and held in custody for clients	2,101	1,739	964	791	682
Sustainable funding	2,905	2,870	2,788	3,184	3,668
Sustainable financing					
Total sustainable financing	21,903	21,391	8,997	7,388	5,664
Sustainable	17,271	17,417	7,071	5,458	4,299
Access to finance	1,659	1,820	1,926	1,930	1,365
Social	2,973	2,155	-	-	-
Sustainable funding					
Rabo Green Savings	2,093	2,140	1,222	948	425
Rabo Socially Responsible Deposits	216	100	-	-	-
Personnel					
Personnel data					
Number of employees (in FTEs)	48,254	56,870	59,628	59,670	58,714
Staff costs	5,086	5,322	5,325	4,862	4,919
Staff vitality score	63%	67%	65%	65%	-
Absenteeism	3.7%	3.5%	3.6%	3.9%	3.8%
Females employed	53.3%	53.5%	53.6%	53.9%	54.3%
Females in senior positions (≥ scale 8)	28.5%	27.6%	27.4%	25.8%	24.6%
Training expenses	77.4	91.2	89.1	93.0	87.9
Training expenses in EUR per FTE	1,605	1,603	1,530	1,587	1,497

Annual figures

Consolidated statement of financial position

In millions of euros	At 31 December 2013	At 31 December 2012
Assets		
Cash and cash equivalents	43,039	68,103
Due from other banks	40,844	35,386
Trading financial assets	5,289	6,387
Other financial assets at fair value through profit or loss	4,971	5,911
Derivative financial instruments	39,703	65,423
Loans to customers	460,202	485,299
Available-for-sale financial assets	46,411	50,425
Investments in associates	3,629	3,649
Intangible assets	1,991	2,343
Property and equipment	6,901	6,500
Investment properties	1,073	1,489
Current tax assets	190	597
Deferred tax assets	1,911	960
Other assets	8,805	9,763
Non-current assets held for sale and discontinued operations	9,180	8,475
Total assets	674,139	750,710

In millions of euros	At 31 December 2013	At 31 December 2012
Liabilities		
Due to other banks	15,496	27,059
Due to customers	329,400	334,271
Debt securities in issue	195,361	223,336
Derivative financial instruments and other trade liabilities	50,171	74,800
Other debts	7,436	11,166
Other financial liabilities at fair value through profit or loss	19,069	24,091
Provisions	972	752
Current tax liabilities	267	205
Deferred tax liabilities	290	186
Subordinated debt	7,815	5,407
Liabilities held for sale and discontinued operations	7,825	7,357
Total liabilities	634,102	708,630
Equity		
Equity of Rabobank Nederland and local Rabobanks	24,641	25,311
Equity instruments issued directly		
Rabobank Member Certificates	5,823	6,672
Capital Securities	7,029	7,114
	12,852	13,786
Equity instruments issued by subsidiaries		
Capital Securities	236	236
Trust Preferred Securities III to VI	1,269	1,340
	1,505	1,576
Other non-controlling interests	1,039	1,407
Total equity	40,037	42,080
Total equity and liabilities	674,139	750,710

Consolidated statement of income

	For the year ended 31 December	
In millions of euros	2013	2012
Interest income	19,756	21,965
Interest expense	10,663	12,794
Interest	9,093	9,171
Commission income	2,194	2,577
Commission expense	194	349
Commission	2,000	2,228
Income from associates	157	255
Net income from financial assets and liabilities at fair value through profit or loss	232	872
Gains (losses) on available-for-sale financial assets	56	132
Other results	1,482	958
Income	13,020	13,616
Staff costs	5,325	5,494
Other administrative expenses	3,912	2,982
Depreciation	528	527
Operating expenses	9,765	9,003
Value adjustments	2,643	2,350
Bank tax	197	196
Operating profit before taxation	415	2,067
Taxation	68	158
Net profit from continuing operations	347	1,909
Net profit from discontinued operations	1,665	149
Net profit	2,012	2,058
Of which attributable to Rabobank Nederland and local Rabobanks	929	843
Of which attributable to holders of Rabobank Member Certificates	309	328
Of which attributable to Capital Securities	655	717
Of which attributable to Trust Preferred Securities III to VI	67	75
Of which attributable to other non-controlling interests	52	95
Net profit for the year	2,012	2,058

Consolidated statement of comprehensive income

	For the year ended 31 December	
In millions of euros	2013	2012
Net profit	2,012	2,058
Arising in the period (after taxation):		
<i>Foreign currency translation reserves</i>		
Currency translation differences	(412)	(249)
<i>Revaluation reserve - Available-for-sale financial assets</i>		
Currency translation differences	(43)	21
Changes in associates	(28)	59
Fair value changes	(34)	393
Amortisation of reclassified assets	37	55
Transferred to profit or loss	(70)	(201)
<i>Revaluation reserve - Associates</i>		
Fair value changes	(21)	(16)
<i>Revaluation reserve - Cash flow hedges</i>		
Fair value changes	(1,450)	145
Transferred to profit or loss	1,459	7
<i>Revaluation reserve - Pensions</i>		
Fair value changes	(758)	(1,611)
<i>Non-controlling interests</i>		
Currency translation differences	(16)	(5)
Revaluation reserve - Available-for-sale financial assets	-	22
Total other comprehensive income	(1,336)	(1,380)
Total comprehensive income	676	678
Of which attributable to Rabobank Nederland and local Rabobanks	(391)	(554)
Of which attributable to holders of Rabobank Member Certificates	309	328
Of which attributable to Capital Securities	655	717
Of which attributable to Trust Preferred Securities III to VI	67	75
Of which attributable to other non-controlling interests	36	112
Total comprehensive income	676	678

Consolidated statement of changes in equity

In millions of euros	Equity of Rabobank Nederland and local Rabobanks	Equity instruments issued directly	Equity instruments issued by subsidiaries	Other non- controlling interests	Total
At 1 January 2013	25,311	13,786	1,576	1,407	42,080
Net profit	929	946	85	52	2,012
Total other comprehensive income:					
Foreign currency translation reserves	(412)	-	-	(16)	(428)
Revaluation reserve - Available-for-sale financial assets	(138)	-	-	-	(138)
Revaluation reserve - Associates	(21)	-	-	-	(21)
Revaluation reserve - Cash flow hedges	9	-	-	-	9
Revaluation reserve - Pensions	(758)	-	-	-	(758)
Total comprehensive income	(391)	946	85	36	676
Payment on Rabobank Member Certificates and Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities	-	(946)	(85)	-	(1,031)
Redemption of Capital Securities	(14)	(83)	-	-	(97)
Exchange of Rabobank Extra Member Bonds	-	225	-	-	225
Rabobank Member Certificates and Rabobank Certificates redeemed during the year	-	(2,074)	-	-	(2,074)
Rabobank Member Certificates and Rabobank Certificates issued during the year	-	1,000	-	-	1,000
Costs of issuance of Rabobank Member Certificates and Rabobank Certificates	(79)	-	-	-	(79)
Premium (Discount) in relation to Rabobank Member Certificates and Rabobank Certificates	(133)	-	-	-	(133)
Increase of share in structured finance deal	-	-	-	(360)	(360)
Other	(53)	(2)	(71)	(44)	(170)
At 31 December 2013	24,641	12,852	1,505	1,039	40,037
At 1 January 2012	26,500	14,259	1,566	2,676	45,001
Change in accounting policy IAS 19R	(882)	-	-	-	(882)
Net profit	843	1,027	93	95	2,058
Total other comprehensive income					
Foreign currency translation reserves	(249)	-	-	(5)	(254)
Revaluation reserve - Available-for-sale financial assets	327	-	-	22	349
Revaluation reserve - Associates	(16)	-	-	-	(16)
Revaluation reserve - Cash flow hedges	152	-	-	-	152
Revaluation reserve - Pensions	(1,611)	-	-	-	(1,611)
Total comprehensive income	(554)	1,027	93	112	678
Payment on Rabobank Member Certificates and Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities	-	(1,027)	(93)	-	(1,120)
Repurchase of Capital Securities	(26)	(522)	-	-	(548)
Increase of equity interests in Obvion and Bank BGZ	124	-	-	(591)	(467)
Disposal of Sarasin	-	-	-	(661)	(661)
Exchange of Rabobank Extra Member Bonds	-	225	-	-	225
Rabobank Member Certificates and Rabobank Certificates redeemed during the year	-	(167)	-	-	(167)
Other	149	(9)	10	(129)	21
At 31 December 2012	25,311	13,786	1,576	1,407	42,080

Consolidated statement of cash flows

	For the year ended 31 December	
In millions of euros	2013	2012
Cash flows from operating activities		
Operating profit before taxation from continuing operations	415	2,067
Operating profit before taxation from discontinued operations	1,719	233
Adjusted for:		
<i>Non-cash items recognised in operating profit before taxation</i>		
Depreciation	528	527
Depreciation of operating lease assets and investment properties	818	818
Value adjustments	2,643	2,350
Impairment on property activities	637	-
Result on sale of property and equipment	20	1
Income from associates	(157)	(255)
Fair value results on financial assets and liabilities at fair value through profit or loss	(232)	(872)
Gains (losses) on available-for-sale financial assets	(56)	(132)
Result from termination of DB scheme	(2,022)	-
Allowances	220	-
Non-cash items relating to discontinued operations	204	107
<i>Net change in operating assets</i>		
Due from and to other banks	(16,320)	(9,290)
Trading financial assets	64	3,662
Derivative financial instruments	25,591	(6,450)
Net change in other financial assets and liabilities at fair value through profit or loss	(3,053)	(2,827)
Loans to customers	16,005	(12,970)
Dividends received from associates and financial assets	95	84
<i>Net change in liabilities relating to operating activities</i>		
Derivative financial instruments and other trade liabilities	(24,520)	9,869
Due to customers	1,536	3,369
Debt securities in issue	(27,689)	7,144
Other debts	(2,464)	1,645
Income tax paid	(318)	(416)
Other changes	1,643	470
Net cash flow from operating activities	(24,693)	(866)
Cash flows from investing activities		
Acquisition of associates net of cash and cash equivalents acquired	(58)	(41)
Disposal of associates net of cash and cash equivalents	1	12
Acquisition of subsidiaries net of cash and cash equivalents acquired	-	3
Disposal of subsidiaries net of cash and cash equivalents	1,788	(297)
Acquisition of property and equipment and investment properties	(1,791)	(2,025)
Proceeds from sale of property and equipment	669	863
Acquisition of available-for-sale financial assets and held-to-maturity financial assets	(44,524)	(37,339)
Proceeds from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets	44,167	36,974
Net cash flow from investing activities	252	(1,850)
Cash flows from financing activities		
Acceptance of Rabobank Certificates / Member Certificates	(2,788)	(594)
Sale of Rabobank Certificates / Member Certificates	1,465	430
Payments on Rabobank Member Certificates and Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities	(1,030)	(1,120)
Payments on Senior Contingent Notes and Rabo Extra Member Bonds	(86)	(102)
Redemption of Capital Securities	(83)	(522)
Increase of equity interests in Obvion and Bank BGZ	-	(467)
Proceeds from issue of subordinated debt	3,224	2,751
Repayment of subordinated debt	(733)	-
Net cash flow from financing activities	(31)	376
Net change in cash and cash equivalents	(24,472)	(2,340)
Cash and cash equivalents at beginning of year	68,103	70,430
Foreign exchange differences on cash and cash equivalents	(592)	13
Cash and cash equivalents at end of year	43,039	68,103
The cash flows from interest are included in the net cash flow from operating activities		
Interest income	19,961	22,154
Interest expense	11,009	12,866

Annual figures

Statement of financial position of Rabobank Nederland (before profit appropriation)

<i>In millions of euros</i>	<i>Note</i>	<i>At 31 December 2014</i>	<i>At 31 December 2013</i>
Assets			
Cash and cash equivalents	1	42,097	41,718
Short-term government securities	2	940	1,636
Professional securities transactions		26,784	21,631
Other due from other banks		109,388	114,052
Due from other banks	3	136,172	135,683
Public sector lending		1,543	1,570
Private sector lending		116,493	121,461
Professional securities transactions		19,176	10,823
Loans to customers	4	137,212	133,854
Interest-bearing securities	5	89,406	94,753
Shares	6	955	1,134
Interests in group companies	7	13,275	13,141
Other equity interests	8	2,640	2,653
Intangible assets	9	443	410
Property and equipment	10	838	861
Other assets	11	5,581	3,084
Derivative financial instruments	12	67,313	47,360
Prepayments and accrued income	13	1,597	2,948
Total assets		498,469	479,235

<i>In millions of euros</i>	<i>Note</i>	<i>At 31 December 2014</i>	<i>At 31 December 2013</i>
<i>Liabilities</i>			
Professional securities transactions		115	275
Other due to other banks		38,391	32,084
Due to other banks	14	38,506	32,359
Savings		18,244	21,097
Professional securities transactions		362	6,825
Other due to customers		90,349	83,837
Due to customers	15	108,955	111,759
Debt securities in issue	16	182,128	189,670
Other debts	17	57,927	57,246
Derivative financial instruments	12	76,186	55,810
Accruals and deferred income		2,629	4,019
Provisions	18	545	694
		466,876	451,557
Subordinated debt	19	13,586	9,617
Capital		600	6,002
Premium		5,402	-
Rabobank Certificates		5,931	5,823
Capital Securities		6,530	7,204
Revaluation reserve		964	708
Statutory reserves		112	(438)
Other reserves		(2,884)	(2,417)
Profit for the year		1,352	1,179
Equity	20	18,007	18,061
Capital resources		31,593	27,678
Total equity and liabilities		498,469	479,235
Contingent liabilities	23	17,487	17,347
Irrevocable facilities	24	34,155	34,050

Statement of income of Rabobank Nederland

	Year ending on 31 December	
<i>In millions of euros</i>	2014	2013
Income from interests in group companies and other equity interests after tax	764	577
Other income after tax	588	602
Net profit after tax	1,352	1,179

Prepared in accordance with Section 402 of Book 2 of the Dutch Civil Code.

Annual figures

Statement of financial position of Rabobank Nederland (before profit appropriation)

in millions of euros	Note	At 31 December 2013	At 31 December 2012
Assets			
Cash and cash equivalents	1	41,718	65,892
Short-term government securities	2	1,636	1,401
Professional securities transactions		21,631	15,605
Other due from other banks		114,052	117,900
Due from other banks	3	135,683	133,505
Public sector lending		1,570	2,502
Private sector lending		121,461	129,743
Professional securities transactions		10,823	11,633
Loans to customers	4	133,854	143,878
Interest-bearing securities	5	94,753	99,470
Shares	6	1,134	1,485
Interests in group companies	7	13,149	15,116
Other equity interests	8	2,653	2,776
Intangible assets	9	410	448
Property and equipment	10	861	913
Other assets	11	3,307	2,030
Derivative financial instruments	12	47,438	80,559
Prepayments and accrued income	13	2,948	3,248
Total assets		479,544	550,721

in millions of euros	Note	At 31 December 2013	At 31 December 2012
Liabilities			
Professional securities transactions		275	329
Other due to other banks		32,084	44,943
Due to other banks	14	32,359	45,272
Savings		21,097	13,730
Professional securities transactions		6,825	7,487
Other due to customers		83,837	101,536
Due to customers	15	111,759	122,753
Debt securities in issue	16	189,670	213,737
Other debts	17	57,246	56,382
Derivative financial instruments	12	55,810	78,019
Accruals and deferred income		3,419	3,577
Provisions	18	694	1,716
		450,957	521,456
Subordinated debt	19	9,617	7,910
Capital		6,002	6,002
Rabobank (Member) Certificates		5,823	6,672
Capital Securities		7,204	7,289
Revaluation reserve and translation differences		(3,118)	(2,147)
Statutory reserves		137	107
Other reserves		1,743	2,438
Profit for the year		1,179	994
Equity	20	18,970	21,355
Capital base		28,587	29,265
Total equity and liabilities		479,544	550,721
Contingent liabilities	23	17,347	21,832
Irrevocable facilities	24	34,050	37,211

Statement of income of Rabobank Nederland

	For the year ended 31 December	
in millions of euros	2013	2012
Income from interests in group companies and other equity interests after tax	519	1,232
Other income after tax	660	(238)
Net profit after tax	1,179	994

Prepared in accordance with Section 402 of Book 2 of the Dutch Civil Code.