

TERMS SUPPLEMENT NO. 1 DATED JANUARY 3, 2018
(to Product Supplement No. 1 dated May 12, 2017 and the Offering Circular dated May 12, 2017 including the related Information Statement dated May 12, 2017, as supplemented by the First Supplemental Information Statement dated January 3, 2018)



Rabobank

Coöperatieve Rabobank U.A., New York Branch
(a cooperative (coöperatie) formed under the laws of the Netherlands with its statutory seat in Amsterdam, the Netherlands)

U.S.\$1,100,000,000 2.750% Notes due January 10, 2023

The notes will be senior unsecured obligations of Coöperatieve Rabobank U.A., 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 “Supplemental Risk Considerations” in this Terms Supplement, “Risk Factors” in the accompanying Product Supplement No. 1 dated May 12, 2017 and “Certain Investment Considerations” in the accompanying Offering Circular dated May 12, 2017.**

Issuer:	Coöperatieve Rabobank U.A., New York Branch
Maturity Date:	January 10, 2023
Aggregate Principal Amount:	U.S.\$1,100,000,000
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 supplements, qualifies, forms part of, and is subject to Product Supplement No. 1 dated May 12, 2017 and the Medium Term Note Program Offering Circular dated May 12, 2017, as supplemented by the First Supplemental Information Statement dated January 3, 2018 (including information incorporated by reference herein and therein).
Pricing Date:	January 3, 2018
Original Issue Date:	January 10, 2018
Interest Rate:	2.750% per annum payable semi-annually in arrears
Original Issue Price:	99.930% of the Aggregate Principal Amount
Benchmark Treasury:	UST 2.125% due December 2022
Benchmark Treasury Price and Yield:	99-14; 2.245%
Spread to Benchmark Treasury:	+0.520%
Yield to Maturity:	2.765%
Interest Payment Dates:	Semi-annually in arrears on January 10 and July 10, commencing on July 10, 2018, subject to the Business Day Convention
Regular Record Dates:	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
Additional Issuances:	We may, at any time and from time to time, without your consent, “re-open” this 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 this 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.
Business Day Convention:	Following Business Day

Day Count Convention:	30/360, Unadjusted
Business Day:	Any day which is a day (other than a Saturday or Sunday or other day on which banks in New York 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 and London
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 and Resolution Stay:	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 Resolution Authority (as defined below).
No Listing:	The notes will not be listed on any securities exchange or interdealer quotation system.
CUSIP:	21688A AL6
ISIN:	US21688AAL61
Fiscal Agent:	Deutsche Bank Trust Company Americas
Agents:	Barclays Capital Inc., Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and Rabo Securities USA, Inc.

* 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.

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.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET:

SOLELY FOR THE PURPOSES OF EACH MANUFACTURER'S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE NOTES IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A "DISTRIBUTOR") SHOULD TAKE INTO CONSIDERATION THE MANUFACTURERS' TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING THE MANUFACTURERS' TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

PRIIPS REGULATION / PROSPECTUS DIRECTIVE / PROHIBITION OF SALES TO EEA RETAIL INVESTORS:

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("EEA"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF MIFID II; OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC (AS AMENDED, THE INSURANCE MEDIATION DIRECTIVE), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC (AS AMENDED, THE "PROSPECTUS

DIRECTIVE”). CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE "PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

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 and information in the Incorporated Documents (as defined below) include forward-looking statements. All statements other than statements of historical facts included in this Terms Supplement and in the Incorporated Documents, 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 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; failure to achieve the improvement program set forth in the new strategic direction of Rabobank Group; 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. Words such as "achieve", "aim," "anticipate," "aspire," "believe," "continue," "could," "envision," "estimate," "expect," "expectation," "intend," "improve," "may," "plan," "potential," "project," "pursue," "see," "seek," "should," "will," and similar words identify these forward-looking statements, which 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 12, 2017 (the “Product Supplement”) and the Offering Circular dated May 12, 2017, including the related Information Statement dated May 12, 2017, as supplemented by the First Supplemental Information Statement dated January 3, 2018 (together, the “Offering Circular”) 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.

DOCUMENTS INCORPORATED BY REFERENCE

We incorporate by reference into this Terms Supplement any documents published by Rabobank Group that specifically state they are being incorporated by reference into this Terms Supplement or the related Offering Circular, in each case until we complete our offering of the notes to be issued under this Terms Supplement (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 Terms Supplement 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).

In making your investment decision, you should rely only on the information contained or incorporated by reference in this Terms Supplement, the Product Supplement and the Offering Circular, copies of which you have previously received or are delivered herewith. Additional copies of this Terms Supplement, the Product Supplement and the Offering Circular are available from the Issuer, at no cost to you, and you should read each of these documents carefully prior to investing in the notes. In the event of any inconsistency or conflict between the terms set forth in this Terms Supplement and the accompanying Product Supplement and Offering Circular, the terms contained in this Terms Supplement prevail. The Issuer has not authorized anyone to give you any additional or different information.

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 January 10 and July 10, subject to the Business Day Convention, commencing on July 10, 2018 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

January 10, 2023, subject to adjustments, as described in the accompanying Product Supplement.

Agreement with Respect to the Exercise of Bail-in Power and Resolution Stay

By its acquisition of the notes, each holder irrevocably and unconditionally acknowledges, consents, accepts and agrees that any Resolution Authority may exercise any Bail-in Power in relation to the notes. Accordingly, by its acquisition of the notes, each holder irrevocably and unconditionally acknowledges, consents, accepts and agrees, without limitation, that:

- a) any liability of the Issuer with respect to the notes may be subject to the exercise of any Bail-in Power by any Resolution Authority;
- b) it is bound by the effect of an application of any Bail-in Power including, without limitation:

- i. any reduction, including, without limitation, to zero, in the principal amount of the notes or outstanding amount due, including any accrued but unpaid interest, under the notes;
 - ii. the conversion of the notes into Instruments of Ownership of the Issuer or another party;
 - iii. the cancellation of the notes;
- c) the terms of the notes may be varied as necessary to give effect to the exercise by any Resolution Authority of its Bail-in Power and such variations will be binding on any holder; and
- d) Instruments of Ownership may be issued to or conferred on any holder as a result of the exercise of any Bail-in Power.

Each holder of the notes further irrevocably and unconditionally acknowledges, consents, accepts and agrees that the occurrence, existence or continuation of a Resolution Event does not constitute an Event of Default (as defined in the Fiscal and Paying Agency Agreement) and does not:

- a) entitle a holder, directly or indirectly, whether pursuant to a default clause, a cross-default clause, a guarantee or otherwise, to:
 - i. exercise any termination, suspension, modification, netting or set-off rights or similar rights; or
 - ii. obtain possession, exercise control or enforce any security over any property of the Issuer, under or in relation to the notes; or
- b) adversely affect the rights and remedies of the Issuer under the notes,

unless the Resolution Legislation explicitly provides otherwise.

Notwithstanding any other term, condition or clause in the notes or any other agreement, arrangement or understanding between the Issuer and a holder, each holder irrevocably and unconditionally acknowledges, consents, accepts and agrees that the foregoing prevails and may be enforced by any Resolution Authority.

Upon the exercise of Bail-in Power, the 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. The Issuer shall also deliver a copy of such notice to the Fiscal and Paying Agent for information purposes. Notwithstanding that the Issuer may be delayed in giving or failing to give the notice referred to above, such delay or failure shall not affect the validity and enforceability of the Bail-in Power.

By its acquisition of the notes, each holder acknowledges and agrees that, upon the exercise of Bail-in Power, (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 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 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 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 Issuer 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 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.

“Bail-in Power” means any write-down (a reduction, including, without limitation, to zero, in the principal amount or outstanding amount due, including any accrued but unpaid interest), conversion, cancellation, amendment or suspension powers existing from time to time under the Resolution Legislation, including but not limited to the power to amend or alter the maturity or amend the amount of interest payable, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

“**Instruments of Ownership**” means instruments of ownership within the meaning of the Resolution Legislation.

“**Resolution Authority**” means any administrative authority or any other person with the ability to exercise a Bail-in Power.

“**Resolution Event**” means:

- a) the exercise by a Resolution Authority of any or more Resolution Powers in relation to the Issuer;
- b) any other action taken by a Resolution Authority based on or taken in connection with Resolution Legislation in relation to the Issuer, including, without limitation, any request by the Resolution Authority to the Issuer to take any action;
- c) any action taken by the Issuer in connection with the events referred to under (a) or (b), including, without limitation, any action taken to comply with any request by the Resolution Authority referred to in paragraph (b) above; and
- d) any event directly linked to any event as referred to in paragraphs (a), (b) or (c) above.

“**Resolution Legislation**” means any laws, regulations, rules, directives or requirements relating to the resolution or recovery of banks, banking group companies, credit institutions or investment firms applicable to the Issuer from time to time, including, without limitation, EU Directive 2014/59/EU (“**BRRD**”) and EU Regulation No 806/2014 (“**SRM**”), both as amended from time to time, and any EU directive or regulation issued in replacement of or supplement to the same, and any laws, regulations, rules, directives or requirements implementing any of the foregoing.

“**Resolution Power**” means any power existing from time to time under any Resolution Legislation, including, without limitation, Bail-in Power.

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. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and Rabo Securities USA, Inc. (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.\$ 261,250,000
Goldman Sachs & Co. LLC	U.S.\$ 261,250,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S.\$ 261,250,000
Morgan Stanley & Co. LLC	U.S.\$ 261,250,000
Rabo Securities USA, Inc.	U.S.\$ 55,000,000
Total	U.S.\$1,100,000,000

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.

Conflicts of Interest

Rabo Securities USA, Inc., an affiliate of the Issuer, is participating as an agent in this offering. Because of this relationship, a “conflict of interest” exists within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc., or FINRA. Accordingly, the offering will be conducted in accordance with the applicable provisions of FINRA Rule 5121. In accordance with FINRA Rule 5121, 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.

Canada

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

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

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), any underwriters through whom the notes may be offered will not be required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

PRODUCT SUPPLEMENT NO. 1 dated May 12, 2017
(To Offering Circular dated May 12, 2017)



Rabobank

Coöperatieve Rabobank U.A.

(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 Rabobank U.A., a cooperative entity (coöperatie) 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 RABOBANK U.A., A COOPERATIVE ENTITY (COÖPERATIE) 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:

- 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 Rabobank U.A., a cooperative entity (coöperatie) established under the laws of The Netherlands with its statutory seat in Amsterdam, The Netherlands and the New York Branch of Coöperatieve Rabobank U.A.. 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 Rabobank U.A., 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 Rabobank U.A. 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.

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.

See "Certain Investment Considerations – Credit Risk" in the accompanying Offering Circular.

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 Rabobank U.A., 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 Rabobank U.A. 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 Rabobank U.A. 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 Rabobank U.A. 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 Rabobank U.A. 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, European 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 2016, 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 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 Rabobank U.A. 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.
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>
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.
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:

Reset Period	Interest Payment Dates
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 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.

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 2007 to March 2017. 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 2007 to March 2017, as reported by the BLS.

Month	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
January	242.8	236.9	233.7	233.9	230.3	226.7	220.2	216.7	211.1	211.1	202.4
February	243.6	237.1	234.7	234.8	232.2	227.7	221.3	216.7	212.2	211.7	203.5
March	243.8	238.1	236.1	236.3	232.8	229.4	223.5	217.6	212.7	213.5	205.4
April		239.3	236.6	237.1	232.5	230.1	224.9	218.0	213.2	214.8	206.7
May		240.2	237.8	237.9	232.9	229.8	225.0	218.2	213.9	216.6	207.9
June		241.0	238.6	238.3	233.5	229.5	225.7	218.0	215.7	218.8	208.4
July		240.6	238.7	238.3	233.6	229.1	225.9	218.0	215.4	220.0	208.3
August		240.9	238.3	237.9	233.9	230.4	226.5	218.3	215.8	219.1	207.9
September		241.4	237.9	237.9	234.1	231.4	226.9	218.4	216.0	218.8	208.5
October		241.7	237.8	237.4	233.5	231.3	226.4	218.7	216.2	216.6	208.9
November		241.4	237.3	236.2	233.1	230.2	226.2	218.8	216.3	212.4	210.2
December		241.1	236.5	234.8	233.0	229.6	225.7	219.2	215.9	210.2	210.0

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 Rabobank U.A., 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 Rabobank U.A. 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 Internal Revenue Code of 1986, as amended (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 supplement to the Offering Circular, 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 supplement to the Offering Circular, 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 Rabobank U.A.

(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 Medium Term Note Program

Under the Medium Term Note Program (the “**Program**”) of Coöperatieve Rabobank U.A. (“**Rabobank**” or the “**Bank**”), a cooperative entity (*coöperatie*) 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 Rabobank U.A., 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 Rabobank U.A. 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
BofA Merrill Lynch
Citigroup
Credit Suisse

Deutsche Bank Securities
Goldman Sachs & Co. LLC
HSBC
J.P. Morgan

Morgan Stanley
Rabo Securities
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.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

The Issuers are the Utrecht Branch of Coöperatieve Rabobank U.A., a cooperative entity (*coöperatie*) formed under the laws of The Netherlands with its statutory seat in Amsterdam, The Netherlands and the New York Branch of Coöperatieve Rabobank U.A. 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 Rabobank U.A. 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 Rabobank U.A., 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 Rabobank U.A. 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 Rabobank U.A. (“**Rabobank**”), a cooperative entity (*coöperatie*) in The Netherlands and its consolidated subsidiaries in the Netherlands and abroad. Rabobank Group’s cooperative core business comprises the local Rabobanks. 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.

On January 1, 2016, the 106 local Rabobanks in The Netherlands merged with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), with Rabobank as surviving entity, thus forming a single cooperative with one banking license and one set of financial statements. Rabobank was subsequently renamed Coöperatieve Rabobank U.A.

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. 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.

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, 2014, 2015 and 2016 (in each case together with the independent auditor’s reports thereon and explanatory notes thereto);
- b) the unconsolidated financial statements of Coöperatieve Rabobank U.A. for the year ended December 31, 2015 and 2016 (together with the independent auditor’s report thereon and explanatory notes thereto);
- c) the unconsolidated financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. for the year ended December 31, 2014 (together with the independent auditor’s report thereon and explanatory notes thereto); and
- d) the Information Statement of Rabobank Group dated May 12, 2017 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 Rabobank U.A., Utrecht Branch and Coöperatieve Rabobank U.A., 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)	Each Issuer may appoint Dealer(s) either for the duration of the Program or for an offering of a particular series of Notes. 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.
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 securities) payable or deliverable on, or exchangeable for, the Notes of any series issued by

	<p>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 and Resolution Stay.....	<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 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 and Resolution Stay” 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 pursuant to any exemption available thereunder, or</p>

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."

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 December 1, 2016, Moody's, a credit rating agency, affirmed Rabobank's long-term debt and deposit ratings of Aa2. The outlook was changed to "negative" from "stable".

On January 18, 2017, S&P, a credit rating agency affirmed its long-term credit rating of Rabobank of A+ and its short-term credit rating of Rabobank of A-1."

On February 24, 2017, 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 a+.

A rating reflects only the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Notes. There is no assurance that assigned ratings shall be retained for any given period of time or that it shall not be revised-downward or withdrawn entirely by the relevant rating agency, if, in their judgments, circumstances so warrant. 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.

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 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 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 give regulators resolution powers, inter alia, to write down the debt of a failing bank (or to convert such debt into equity) to strengthen its financial position and allow it to continue as a going concern, subject to appropriate restructuring measures being taken. The BRRD was implemented into Dutch law November 26, 2015.

Pursuant to the BRRD or other resolution or recovery rules (including the EC Capital Proposals, as defined below) which may in the future be applicable to the Issuer which could be used in such a way as to result in the Notes absorbing losses ("**Statutory Loss Absorption**"), the Notes could become subject to a determination by the Dutch Central Bank or another relevant authority/ies (each a "**Relevant Authority**") that all or part of the principal amount of the Notes, including accrued but unpaid interest in respect thereof, must be written off or otherwise converted into 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.

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

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 were granted to the Dutch Central Bank and the Dutch Minister of Finance enabling them to deal with, inter alia, ailing Dutch banks prior to insolvency. The SMFI aimed to empower the Dutch Central Bank or the Minister of Finance, as applicable, to commence proceedings leading to: (i) transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) transfer of all or part of the business of the relevant bank to a “bridge bank”; and (iii) public ownership (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 proceedings had been initiated by the Dutch Central Bank or the Minister of Finance, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank.

Within the context of the resolution tools provided in the SMFI, holders of debt securities of a bank (including the 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 and came into force in part on August 19, 2014. The SRM Regulation establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in a framework of a single resolution mechanism and a single bank resolution fund (the “**Single Resolution Mechanism**” or “**SRM**”). The SRM Regulation establishes a single resolution board (consisting of representatives from the 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 became effective January 1, 2016 and the applicable legislation in The Netherlands was implemented on November 26, 2015. In a Dutch context, the Dutch Central Bank is the national resolution authority.

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

On May 26, 2015, the European Banking Authority (the “**EBA**”) published its final guidelines on the interpretation of the different circumstances when an institution shall be considered as failing or likely to fail under the Bank Recovery and Resolution Directive. The guidelines became effective on January 1, 2016 and set out the objective elements and criteria which should apply when supervisors and resolution authorities make such a determination and further provide guidance on the approach to consultation and exchange of information between supervisors and resolution authorities in such scenarios.

More recently, on November 23, 2016, the European Commission published the legislative proposals (the “**EC Capital Proposals**”) for amendments to the Capital Requirements Regulation (EU) No. 575/2013 (or “**CRR**”), the Capital Requirements Directive 2013/36/EU (or “**CRD IV Directive**”), the BRRD and the SRM Regulation and a proposed new directive to facilitate the creation of a new asset class of “non-preferred” senior debt. The EC Capital Proposals cover multiple areas, including the Basel II’s Pillar 2 framework, the leverage ratio, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of “non-preferred” senior debt, the minimum requirement for own funds and eligible liabilities (or “**MREL**”) framework and the integration of the minimum total loss-absorbing capacity (or “**TLAC**”) standard into EU legislation. The

EC Capital Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change; they are expected to enter into force no earlier than 2019 (or 2017 in the case of the proposal for a new asset class of “non-preferred” senior debt). The final package of new legislation may not include all elements of the EC Capital Proposals and new or amended elements may be introduced throughout the course of the legislative process. Until the EC Capital Proposals are in final form, it is uncertain how the EC Capital Proposals will affect Rabobank or holders of the Notes.

It is possible that under the SMFI, the Bank Recovery and Resolution Directive, the Single Resolution Mechanism, the EBA guidelines mentioned above or any other future similar proposals (including the EC Capital Proposals), any new resolution powers given to the Dutch Central Bank, the Single Resolution Board or another Relevant Authority could be used in such a way as to result in debt instruments of the 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 Resolution Authority

By its acquisition of the Notes, each Holder irrevocably and unconditionally acknowledges, consents, accepts and agrees that any Resolution Authority (as defined below under “Terms and Conditions of the Notes – Agreement with Respect to the Exercise of Bail-in Power and Resolution Stay”) may exercise any Bail-in Power (as defined below under “Terms and Conditions of the Notes – Agreement with Respect to the Exercise of Bail-in Power and Resolution Stay”) in relation to the Issuer, including its successors in title and assigns and transferees, this Program and the Notes. Accordingly, by its acquisition of the Notes, each Holder irrevocably and unconditionally acknowledges, consents, accepts and agrees, without limitation, that: (a) any liability of the Issuer with respect to this Program or the Notes (including the Guarantee) may be subject to the exercise of any Bail-in Power by any Resolution Authority; (b) it is bound by the effect of an application of any Bail-in Power including, without limitation: (i) any reduction, including, without limitation, to zero, in the principal amount of the Notes or outstanding amount due, including any accrued but unpaid interest, under the Notes; (ii) the conversion of the Notes into Instruments of Ownership of the Issuer or another person (as defined below under “Terms and Conditions of the Notes – Agreement with Respect to the Exercise of Bail-in Power and Resolution Stay”); (iii) the cancellation of the Notes under this Program; (c) the terms of this Program and the Notes may be varied as necessary to give effect to the exercise by any Resolution Authority of its Bail-in Power and such variations will be binding on any Holder; and (d) Instruments of Ownership may be issued to or conferred on any Holder as a result of the exercise of any Bail-in Power. In addition, by acquiring any Notes, each Holder of the Notes further irrevocably and unconditionally acknowledges, consents, accepts and agrees that the occurrence, existence or continuation of a Resolution Event does not constitute an Event of Default or give rise to any claim under the Guarantee and does not (a) entitle a Holder, directly or indirectly, whether pursuant to a default clause, a cross-default clause, a guarantee or otherwise, to (i) exercise any termination, suspension, modification, netting or set-off rights or similar rights; or (ii) obtain possession, exercise control or enforce any security over any property of the Issuer, under or in relation to this Program, the Notes or any other agreement between the Issuer and that Holder; or (b) adversely affect the rights and remedies of the Issuer under this Program, the Notes or any other agreement between the Issuer and that Holder, unless the Resolution Legislation explicitly provides otherwise.

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 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 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 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 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 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 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 Resolution Authority to exercise its Bail-in Power or to have that decision reviewed by a judicial or administrative process or otherwise.

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

On June 23, 2016, the United Kingdom voted in a national referendum to withdraw from the EU. Regardless of any eventual timing or terms of the United Kingdom's exit from the EU, the June 2016 referendum has led to volatility in global financial markets, and in particular in the markets of the United Kingdom and across Europe, and may also lead to weakening in consumer, corporate and financial confidence in the United Kingdom and Europe. Rabobank performs a number of operations in the UK for its customers, including products and services for international clients in the field of corporate banking, commercial financing and operations relating to global financial markets. The extent and process by which the United Kingdom (or any other country) will exit the European Union ("**Brexit**"), and the longer term economic, legal, political and social framework to be put in place by the United Kingdom and the European Union are unclear at this stage and are likely to lead to ongoing political and economic uncertainty and periods of exacerbated volatility in the United Kingdom, wider European markets or other markets in which Rabobank Group operates. Any of these factors or the terms of the outcome and the result of Brexit could have a material adverse effect on Rabobank Group's results of operations and the value of the Notes.

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 are 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, 2019 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 (as defined below under “Certain U.S. Federal Income Tax Consequences – U.S. Holders – Non-Principal Protected Notes”), FATCA Withholding would apply (i) to payments of interest and (ii) beginning January 1, 2019, to 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 (i) to such U.S. source payments and (ii) beginning January 1, 2019, to 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”). “Dividend equivalent” payments (discussed below under “Certain U.S. Federal Income Tax Consequences—Non-U.S. Holders—Non-Principal Protected Notes”) paid on or after January 1, 2017 on Non-Principal Protected Notes issued or materially modified on or after January 1, 2017 generally will be considered U.S. source payments subject to withholding under FATCA. However, 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 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 final and temporary regulations under Section 871(m) of the Code which beginning January 1, 2017 could require us to treat all or a portion of any payment in respect of certain 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 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. 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.

If any U.S. federal withholding tax were imposed on dividend equivalent 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 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 Rabobank U.A. 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 Rabobank U.A., 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 Rabobank U.A. 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 Rabobank U.A.;
- (xi) the entity that will act as Depository 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 and Business Day Convention”;
- (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 and Business Day Convention

A “**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.

If the applicable Offering Circular Supplement specifies that one of the following Business Day Conventions is applicable to the Notes, the Interest Payment Dates, interest reset dates and interest reset periods for the Notes will be affected (and, consequently, may be adjusted) as described below, except that any payment due at maturity (including any interest payment) will not be affected as described below:

- “**Following Business Day**” means, for any relevant date other than the maturity, if such date would otherwise fall on a day that is not a Business Day, then such date will be postponed to the next day that is a Business Day;
- “**Modified Following Business Day**” means, for any relevant date other than the maturity, if such date would otherwise fall on a day that is not a business day, then such date will be postponed to the next day that is a Business Day, except that, if the next Business Day falls in the next calendar month, then such date will be advanced to the immediately preceding day that is a Business Day.

In all cases, if the maturity or any redemption date or repayment date with respect to any Notes falls on a day that is not a Business Day, any payment of principal and interest, if any, otherwise due on such day will be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after such maturity, redemption date or repayment date, as the case may be.

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 and Business Day Convention” 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 or dates of determination 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 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;
- to any tax imposed under Section 871(m) of the Code, or any successor version, or any current or future regulations issued thereunder or official interpretations thereof;
- 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 Rabobank U.A. 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 Rabobank U.A. 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 and Resolution Stay

By its acquisition of the Notes, each Holder irrevocably and unconditionally acknowledges, consents, accepts and agrees that any Resolution Authority may exercise any Bail-in Power in relation to the Issuer, including its successors in title and assigns and transferees, this Program and the Notes. Accordingly, by its acquisition of the Notes, each Holder irrevocably and unconditionally acknowledges, consents, accepts and agrees, without limitation, that:

- a) any liability of the Issuer with respect to this Program or the Notes (including the Guarantee) may be subject to the exercise of any Bail-in Power by any Resolution Authority;
- b) it is bound by the effect of an application of any Bail-in Power including, without limitation:
 - i. any reduction, including, without limitation, to zero, in the principal amount of the Notes or outstanding amount due, including any accrued but unpaid interest, under the Notes;
 - ii. the conversion of the Notes into Instruments of Ownership of the Issuer or another person;
 - iii. the cancellation of the Notes under this Program;
- c) the terms of this Program and the Notes may be varied as necessary to give effect to the exercise by any Resolution Authority of its Bail-in Power and such variations will be binding on any Holder; and
- d) Instruments of Ownership may be issued to or conferred on any Holder as a result of the exercise of any Bail-in Power.

Each Holder of the Notes further irrevocably and unconditionally acknowledges, consents, accepts and agrees that the occurrence, existence or continuation of a Resolution Event does not constitute an Event of Default (as defined in the Fiscal and Paying Agency Agreement) or give rise to any claim under the Guarantee and does not:

- a) entitle a Holder, directly or indirectly, whether pursuant to a default clause, a cross-default clause, a guarantee or otherwise, to:
 - i. exercise any termination, suspension, modification, netting or set-off rights or similar rights; or
 - ii. obtain possession, exercise control or enforce any security over any property of the Issuer, under or in relation to this Program, the Notes or any other agreement between the Issuer and that Holder; or
- b) adversely affect the rights and remedies of the Issuer under this Program, the Notes or any other agreement between the Issuer and that Holder,

unless the Resolution Legislation explicitly provides otherwise.

Notwithstanding any other term, condition or clause in this Program, the Notes or the Guarantee or any other agreement, arrangement or understanding between the Issuer and a Holder, each Holder irrevocably and unconditionally acknowledges, consents, accepts and agrees that the foregoing prevails and may be enforced by any Resolution Authority.

Upon the exercise of Bail-in Power, the 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. The Issuer shall also deliver a copy of such notice to the Fiscal and Paying Agent for information purposes. Notwithstanding that the Issuer may be delayed in giving or failing to give the notice referred to above, such delay or failure shall not affect the validity and enforceability of the Bail-in Power.

By its acquisition of the Notes, each Holder acknowledges and agrees that, upon the exercise of Bail-in Power, (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 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 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 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 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.

"Bail-in Power" means any write-down (a reduction, including, without limitation, to zero, in the principal amount or outstanding amount due, including any accrued but unpaid interest), conversion, cancellation, amendment or suspension powers existing from time to time under the Resolution Legislation, including but not limited to the power to amend or alter the maturity or amend the amount of interest payable, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

"Instruments of Ownership" means instruments of ownership within the meaning of the Resolution Legislation.

"Resolution Authority" means any administrative authority or any other person with the ability to exercise a Bail-in Power.

"Resolution Event" means:

- a) the exercise by a Resolution Authority of any or more Resolution Powers in relation to the Issuer;
- b) any other action taken by a Resolution Authority based on or taken in connection with Resolution Legislation in relation to the Issuer, including its successors in title and assigns and transferees, including, without limitation, any request by the Resolution Authority to the Issuer to take any action;
- c) any action taken by the Issuer in connection with the events referred to under (a) or (b), including, without limitation, any action taken to comply with any request by the Resolution Authority referred to in paragraph (b) above; and
- d) any event directly linked to any event as referred to in paragraphs (a), (b) or (c) above.

"Resolution Legislation" means any laws, regulations, rules, directives or requirements relating to the resolution or recovery of banks, banking group companies, credit institutions or investment firms applicable to the Issuer from time to time, including, without limitation, EU Directive 2014/59/EU ("**BRRD**") and EU Regulation No 806/2014 ("**SRM**"), both as amended from time to time, and any EU directive or regulation issued in replacement of or supplement to the same, and any laws, regulations, rules, directives or requirements implementing any of the foregoing.

"Resolution Power" means any power existing from time to time under any Resolution Legislation, including, without limitation, Bail-in Power.

Subsequent Holders' Agreement

Holder 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, without limitation, 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 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 (including consequences under the alternative minimum tax or the Medicare tax on net investment income) 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 trader in securities who elects to apply a mark-to-market method of tax accounting;
- an entity or arrangement 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 with respect to the ownership or disposition of Non-Principal Protected Notes 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 following summary deals only with purchasers of Notes that are “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 characterized 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 characterized as notional principal contracts, collateralized put options, prepaid forward contracts, or some other type of financial instrument. Alternatively, the Notes may be characterized as equity, or as representing an undivided proportionate ownership interest in the assets of, and share of the liabilities of the Issuer. Additional alternative characterizations 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 Program 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 characterizations, 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 characterization 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 characterization 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 taxable 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 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 following summary deals only with purchasers of Notes that are “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) unless such interest qualifies for the “portfolio interest exemption”. 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, the U.S. Treasury has issued final and temporary regulations under Section 871(m) of the Code which beginning January 1, 2017 could require us to treat all or a portion of any payment in respect of certain 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 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. 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.

If any U.S. federal withholding tax were imposed on dividend equivalent 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.

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 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 are 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, 2019 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 (i) to payments of interest and (ii) beginning January 1, 2019, to 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 (i) to such U.S. source payments and (ii) beginning January 1, 2019, to 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”). “Dividend equivalent” payments (see above “Certain U.S. Federal Income Tax Consequences—Non-U.S. Holders—Non-Principal Protected Notes”) paid on or after January 1, 2017 on Non-Principal Protected Notes issued or materially modified on or after January 1, 2017 generally will be considered U.S. source payments subject to withholding under FATCA. However, 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 Council Directive 2014/107/EU

The European Union Savings Directive 2003/48/EC, which since 2005 had allowed tax administrations better access to information on private savers, was repealed by the European Council on November 10, 2015. The repeal was adopted as a consequence of the adoption by the European Council in December 2014 of Directive 2014/107/EU amending provisions on the mandatory automatic exchange of information between tax administrations. Directive 2014/107/EU implements the July 2014 OECD Global Standard on automatic exchange of financial account information within the EU, with a scope covering not only interest income, but also dividends and other types of capital income, and the annual balance of the accounts producing such items of income. Directive 2014/107/EU entered into force on January 1, 2016.

The EU has negotiated similar agreements incorporating the OECD Global Standard on automatic exchange of financial account information with a number of third European Countries.

The repeal was enacted by a Directive adopted by the Council, which also provides for transitional measures. In particular Austria benefits of a derogation under Directive 2014/107/EU, which permits Austria to delay the application of Directive 2014/107/EU by one year until 1 January 2017. However, on the adoption of Directive 2014/107/EU, Austria announced that it would not make full use of the derogation. Instead, Austria is to exchange information by September 2017, albeit on a limited set of accounts, while retaining the derogation in other cases. Therefore, specific provisions were included in Directive 2014/107/EU to ensure that Austria, and the paying agents and economic operators established therein, continue to apply the provisions of Directive 2003/48/EC during the period of derogation, except for those accounts to which Directive 2014/107/EU applies.

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**”), from 1 January 2018, each Dealer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

- a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”); and
- b) the expression an “**offer**” includes 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.

In relation to each Member State, prior to 1 January 2018, each Dealer has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this 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.

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.

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.

Canada

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

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

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

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 year ended December 31, 2016 and the unconsolidated financial statements of Coöperatieve Rabobank U.A. for the year ended December 31, 2016 have been audited by PricewaterhouseCoopers Accountants N.V., independent auditors of Rabobank, as set forth in their independent auditor's report thereon incorporated by reference into this Offering Circular.

The consolidated financial statements of Rabobank Group for the years ended December 31, 2015 and 2014, the unconsolidated financial statements of Coöperatieve Rabobank U.A. for the year ended December 31, 2015, and the unconsolidated financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. for the years ended December 31, 2014 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 reports thereon incorporated by reference into this Offering Circular.

Additionally, the consolidated financial statements of Rabobank Group as at and for the year ended December 31, 2016 included in the Information Statement, which is incorporated by reference in this Offering Circular, have been audited by PricewaterhouseCoopers Accountants N.V., independent auditors of Rabobank, as set forth in their independent auditor's report thereon given on pages from F-78 to F-85 of the Information Statement is based on Dutch Standards on Auditing.

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

ISSUERS

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The Netherlands

Coöperatieve Rabobank U.A.,
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Coöperatieve Rabobank U.A.
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New York Branch
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U.S.A.

INDEPENDENT AUDITOR TO RABOBANK

*Through the financial year
ended December 31, 2015*

Effective January 1, 2016

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Cross Towers
Antonio Vivaldistraat 150
1083 HP Amsterdam
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PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
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**FISCAL AGENT, PAYING AGENT, REGISTRAR,
TRANSFER AGENT, CUSTODIAN AND AUTHENTICATION AGENT**

Deutsche Bank Trust Company Americas
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As to United States and New York law:
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LEGAL ADVISER TO THE DEALERS

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Goldman Sachs & Co. LLC
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Rabo Securities USA, Inc.
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RBC Capital Markets, LLC
Three World Financial Center
200 Vesey Street
New York, NY 10281
U.S.A.

**FIRST SUPPLEMENTAL INFORMATION STATEMENT DATED JANUARY 3, 2018
TO THE INFORMATION STATEMENT DATED MAY 12, 2017**



Rabobank

***COÖPERATIEVE RABOBANK U.A.,
(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”)

This first supplemental information statement (the “Supplemental Information Statement”) amends and supplements certain information in the Information Statement dated May 12, 2017 (the “Information Statement”). This Supplemental Information Statement must be read in conjunction with the Information Statement. Terms used but not otherwise defined herein shall have the meanings given to such terms in the Information Statement. **In the event of any conflict between the information contained in this Supplemental Information Statement, on the one hand, and the Information Statement, on the other hand, this Supplemental Information Statement shall prevail.**

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless the context otherwise requires, references in this Supplemental Information Statement to “Rabobank”, “Rabobank Nederland” or the “Bank” are to Coöperatieve Rabobank U.A. and references to “Rabobank Group” are to Rabobank and its subsidiaries and participations in the Netherlands and abroad.

In this Supplemental 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.

Rounding and negative amounts

Certain figures contained in this Supplemental Information Statement, including financial information, have been rounded. Accordingly, in certain instances the sum of the numbers in the text or a column or a row in tables contained in this Supplemental Information statement may not conform exactly to the total figure given for that column or row.

In tables, negative amounts are shown between brackets. Otherwise, negative amounts are shown by “-” or “negative” before the amount.

Presentation of financial information

The audited consolidated financial statements (the “**Audited Consolidated Financial Statements**”) for the year ended 31 December 2016 (see “Historical Financial Information” in the Information Statement) included in the 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 with Part 9 of Book 2 of the Dutch Civil Code. The unaudited condensed consolidated interim financial information of Rabobank Group for the six month period ended 30 June 2017 (the “**Unaudited Condensed Consolidated Interim Financial Information**”) included in this Supplemental Information Statement has been prepared in accordance with IAS 34 “Interim financial reporting”, as adopted by the EU.

The figures for the six month periods ended 30 June 2017 and 30 June 2016 have been derived from the Unaudited Condensed Consolidated Interim Financial Information. The figures for the year ended 31 December 2016 have been derived from the Audited Consolidated Financial Statements for the year ended 31 December 2016.

The financial data marked with an asterisk (*) have not been directly extracted from the Audited Consolidated Financial Statements but instead are unaudited and derived from the Unaudited Condensed Consolidated Interim Financial Information, the interim or annual reports or the accounting records of Rabobank.

Changes in accounting principles and presentation

As a result of changes in accounting principles and presentation, and as a result of an adjustment in the opening balance of equity, certain figures for Rabobank Group for the six month period ended 30 June 2016 in this Supplemental Information Statement have been adjusted. See the Audited Consolidated Financial Statements for the year ended 31 December 2016 of Rabobank Group, under note 2.1, “Other changes in accounting principles and presentation” and the Unaudited Condensed Consolidated Interim Financial Information, under section “Changes in accounting principles and presentation” for further information.

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

Key performance indicators and non-IFRS measures

This Supplemental Information Statement presents certain financial measures that are not measures defined under IFRS, including operating results. These non-IFRS financial measures are not measures of financial performance under IFRS and should not be considered as a replacement for any IFRS financial measure. In addition, such measures, as defined by Rabobank Group, may not be comparable to other similarly titled measures used by other companies, because the above-mentioned non-IFRS financial measures are not defined under IFRS, other companies may calculate them in a different manner than Rabobank Group which limits their usefulness as comparative measures. Rabobank Group believes that these non-IFRS measures are important to understand Rabobank Group's performance and capital position.

This Supplemental Information Statement also presents certain financial measures that are not measures defined under IFRS, including regulatory capital, risk weighted assets and underlying results. Capital metrics and risk exposures are reported under the Basel III framework.

SUMMARY FINANCIAL INFORMATION

The following unaudited table presents certain historical consolidated financial information for Rabobank Group. This information should be read in conjunction with the Audited Consolidated Financial Statements and with the Unaudited Condensed Consolidated Interim Financial Information and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” which appear elsewhere in this Supplemental Information Statement.

The financial information at and for the year ended 31 December 2016 has been derived from the Audited Consolidated Financial Statements for the year ended 31 December 2016. The leverage ratio, loan-to-deposit ratio, return on tier 1 capital, cost/income ratio excluding regulatory levies, cost/income ratio including regulatory levies, net profit growth and return on assets have been derived from the annual report 2016 of Rabobank Group (the “**Annual Report 2016**”) or accounting records of Rabobank Group. The financial information at and for the six month periods ended 30 June 2017 and 30 June 2016 have been derived from the Unaudited Condensed Consolidated Interim Financial Information. Pursuant to mandatory audit firm rotation rules in The Netherlands, PricewaterhouseCoopers Accountants N.V. has replaced Ernst & Young Accountants LLP as Rabobank’s independent auditor for financial periods beginning 1 January 2016. The Audited Consolidated Financial Statements for the year ended 31 December 2016 have been prepared in accordance with IFRS as adopted by the EU and comply with Part 9 of Book 2 of the Dutch Civil Code and have been audited by PricewaterhouseCoopers Accountants N.V., the independent auditor. The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with IAS 34 “Interim financial reporting”, as adopted by the EU and has not been audited by PricewaterhouseCoopers Accountants N.V.

	30 June 2017*	31 December 2016	30 June 2016* (adjusted) ⁽¹⁾
<i>(in millions of euro, except percentages)</i>			
Volume of services			
Total assets.....	623,197	662,593	686,593
Private sector loan portfolio ⁽²⁾	417,796	424,551	427,348
Deposits from customers	343,180	347,712	342,940
Financial position and solvency			
Equity	40,314	40,524	40,759
Tier 1 capital	37,481	37,079	35,070
Common equity tier 1 capital	31,080	29,618	27,932
Qualifying capital.....	52,926	52,873	49,192
Risk-weighted assets	207,589	211,226	209,136
Statement of income			
Income	5,938	12,805	5,900
Operating expenses.....	3,755	8,594	4,276
Loan impairment charges	(67)	310	148
Regulatory levies	258	483	246
Impairment losses on goodwill and investments in associates	0	700	0
Taxation	476	694	233
Net profit	1,516	2,024	997
Ratios			
Total capital ratio ⁽³⁾	25.5%	25.0%	23.5%
Tier 1 ratio ⁽⁴⁾	18.1%	17.6%	16.8%
Common equity tier 1 ratio ⁽⁵⁾	15.0%	14.0%	13.4%
Equity capital ratio ⁽⁶⁾	16.2%	15.0%	14.9%
Leverage ratio ⁽⁷⁾	5.8%	5.5%	5.1%
Loan-to-deposit ratio ⁽⁸⁾	1.22	1.22	1.24
Return on tier 1 capital ⁽⁹⁾	8.2%	5.8%	5.7%
Cost/income ratio excluding regulatory levies ⁽¹⁰⁾	63.2%	67.1%	72.5%
Cost/income ratio including regulatory levies ⁽¹¹⁾	67.6%	70.9%	76.6%
Net profit growth ⁽¹²⁾	52.1%	(8.6%)	(34.5%)

(1) As disclosed in the Consolidated Financial Statements 2016, Rabobank has elected to early adopt a part of IFRS 9 with regard to the own credit adjustment included in the valuation of financial liabilities designated at fair value through profit or loss as from 1 January 2016. See – “Changes in accounting principles and presentation” for further information.

- (2) Rabobank has changed its accounting policy for the netting of cash pooling arrangements due to an agenda decision of the IFRS Interpretations Committee in March 2016. This change in accounting policy is accounted for retrospectively in the Unaudited Condensed Consolidated Interim Financial Information by reversing the netting that took place in 2015. In 2016 the netting procedures have been adjusted resulting in the netting of cash pools as of June 2016.
- (3) Qualifying capital as a percentage of the risk-weighted assets.
- (4) Tier 1 capital as a percentage of the risk-weighted assets.
- (5) Common equity tier 1 capital as a percentage of the risk-weighted assets.
- (6) Retained earnings and Rabobank Certificates as a percentage of the risk-weighted assets.
- (7) Tier 1 capital divided by balance sheet positions and off-balance-sheet liabilities (calculation based on the definition in CRR/CRD IV).
- (8) Relationship between lending and deposits from customers.
- (9) Net profit divided by tier 1 capital in the previous year.
- (10) Total operating expenses divided by total income.
- (11) Total operating expenses, including regulatory levies, divided by total income.
- (12) Compared to the result for the comparative period in the previous year.

CAPITALIZATION AND INDEBTEDNESS OF RABOBANK GROUP

The following table sets forth in summary form Rabobank Group's consolidated own funds and consolidated long-term and short-term debt securities at 30 June 2017 and 31 December 2016. Except for the line items subordinated liabilities and debt securities in issue (unsecured and secured) at 30 June 2017, which were derived from the accounting records, this information has been derived from and should be read in conjunction with the Audited Consolidated Financial Statements included in the Information Statement and with the Unaudited Condensed Consolidated Interim Financial Information (and related notes) and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" which are included in this Supplemental Information Statement.

<i>(in millions of euros)</i>	At 30 June 2017*	At 31 December 2016
Capitalization of Rabobank Group		
Reserves and retained earnings	25,544	25,821
<i>Equity instruments issued directly</i>		
Rabobank Certificates.....	7,446	5,948
Capital Securities	6,224	7,636
	<u>13,670</u>	<u>13,584</u>
<i>Equity instruments issued by subsidiaries</i>		
Capital Securities	180	185
Trust Preferred Securities III to VI.....	399	409
	<u>579</u>	<u>594</u>
Other non-controlling interests.....	521	525
Total equity	40,314	40,524
Subordinated liabilities	16,535	16,857
Debt securities in issue – unsecured	63,001	73,491
Debt securities in issue – secured	18,496	13,137
Total non-current debt (excluding current portion of long-term debt)	98,032	103,484
Subordinated liabilities	0	4
Debt securities in issue – unsecured	55,088	64,981
Debt securities in issue – secured	7,002	7,733
Total current debt (maturity up to one year)	62,090	72,718
Total capitalization	160,123	176,203
Breakdown of reserves and retained earnings		
Revaluation reserve – available-for-sale financial assets	494	571
Revaluation reserve – pensions.....	(221)	(219)
Other reserves	(524)	(443)
Foreign currency translation reserves.....	(480)	203
Retained earnings.....	26,275	25,709
Total reserves and retained earnings	25,544	25,821

There has been no material change in the capitalization of Rabobank Group since 30 June 2017.

SELECTED FINANCIAL INFORMATION

The figures in the consolidated statement of financial position at 31 December 2016 and the figures in the consolidated statement of income for the year ended 31 December 2016 in the following selected financial data are derived from the Audited Consolidated Financial Statements for the year ended 31 December 2016, which have been audited by PricewaterhouseCoopers Accountants N.V., the independent auditor in the Netherlands. The figures in the consolidated statement of financial position and the figures in the consolidated statement of income for the six month periods ended 30 June 2017 and 30 June 2016 are derived from the Unaudited Condensed Consolidated Interim Financial Information, which has been reviewed by PricewaterhouseCoopers Accountants N.V. The financial ratios are derived from the interim report 2017 of Rabobank Group (the “**Interim Report 2017**”) with the exception of the ratios at 31 December 2016, which are derived from the Audited Consolidated Financial Statements for the year ended 31 December 2016. The data should be read in conjunction with the Audited Consolidated Financial Statements included in the Information Statement as well as the Unaudited Condensed Consolidated Interim Financial Information (and related notes) and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” which are included in this Supplemental Information Statement. The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with IAS 34 “Interim financial reporting”, as adopted by the EU and has been reviewed by PricewaterhouseCoopers Accountants N.V.

The financial data marked with an asterisk (*) have not been directly extracted from the Audited Consolidated Financial Statements but instead are unaudited and derived from the Unaudited Condensed Consolidated Interim Financial Information, the interim or annual reports or the accounting records of Rabobank.

Consolidated statement of financial position

<i>(in millions of euros)</i>	At 30 June 2017*	At 31 December 2016	At 30 June 2016* (adjusted) ¹
Assets			
Cash and balances at central banks	71,809	84,405	73,219
Loans and advanced to banks	26,184	25,444	24,378
Financial assets held for trading	2,281	2,585	3,867
Financial assets designated at fair value	1,242	1,321	1,567
Derivatives.....	29,856	42,372	57,339
Loans and advances to customers	440,971	452,807	463,686
Available-for-sale financial assets.....	30,455	34,580	35,838
Investments in associates and joint ventures.....	2,534	2,417	3,567
Goodwill and other intangible assets	1,081	1,089	1,127
Property and equipment.....	4,451	4,590	4,512
Investment properties.....	271	293	334
Current tax assets	224	171	184
Deferred tax assets	2,154	2,360	2,398
Other assets	9,461	7,878	10,223
Non-current assets held for sale and discontinued operations	223	281	4,354
Total assets.....	623,197	662,593	686,593
Liabilities			
Deposits from banks.....	20,793	22,006	21,903
Deposits from customers ⁽¹⁾	343,180	347,712	342,940
Debt securities in issue	143,588	159,342	171,418
Derivatives and other trade liabilities	33,672	48,763	64,910
Other liabilities.....	8,015	8,432	7,902
Financial liabilities designated at fair value.....	14,692	16,520	18,523
Provisions.....	1,588	1,546	1,433
Current tax liabilities.....	213	269	263

¹ As disclosed in the Consolidated Financial Statements 2016, Rabobank has elected to early adopt a part of IFRS 9 with regard to the own credit adjustment included in the valuation of financial liabilities designated at fair value through profit or loss as from 1 January 2016. See – “Changes in accounting principles and presentation” for further information.

Deferred tax liabilities	607	618	520
Subordinated liabilities	16,535	16,861	15,165
Liabilities held for sale and discontinued operations.....	0	0	857
Total liabilities	582,883	622,069	645,834
Equity			
Reserves and retained earnings	25,544	25,821	25,387
Equity instruments issued directly.....			
Rabobank Certificates.....	7,446	5,948	5,949
Capital Securities	6,224	7,636	7,655
	13,670	13,584	13,604
Equity instruments issued by subsidiaries			
Capital Securities	180	185	179
Trust Preferred Securities III to VI.....	399	409	1,062
	579	594	1,241
Other non-controlling interests.....	521	525	527
Total equity	40,314	40,524	40,759
Total equity and liabilities	623,197	662,593	686,593

Condensed consolidated statement of income

<i>(in millions of euros)</i>	Six month period ended 30 June	
	2017*	2016* (adjusted) ⁽¹⁾
Net interest income	4,454	4,375
Net fee and commission income	988	982
Other results	496	543
Income	5,938	5,900
Staff costs	2,136	2,264
Other administrative expenses	1,418	1,803
Depreciation	201	209
Operating expenses.....	3,755	4,276
Impairment losses on goodwill.....	0	0
Loan impairment charges	(67)	148
Regulatory levies	258	246
Operating profit before tax.....	1,992	1,230
Income tax	476	233
Net profit	1,516	997
Of which attributed to Rabobank.....	903	343
Of which attributed to holders of Rabobank Certificates.....	242	193
Of which attributed to Capital Securities	331	399
Of which attributed to Trust Preferred Securities III to VI.....	11	30
Of which attributed to non-controlling interests.....	29	32
Net profit for the period.....	1,516	997

⁽¹⁾ Prior-year figures adjusted, see "Changes in accounting principles and presentation".

Financial ratios

	At 30 June 2017*	At 31 December 2016	At 30 June 2016*
Total capital ratio.....	25.5%	25.0%	23.5%
Tier 1 ratio.....	18.1%	17.6%	16.8%
Common equity tier 1 ratio.....	15.0%	14.0%	13.4%
Equity capital ratio.....	16.2%	15.0%	14.9%
Loan impairment charges (in basis points of average lending).....	(3)	7	7

RECENT DEVELOPMENTS

The following information reflects developments since 12 May 2017 and supersedes the information contained in the Information Statement to the extent that such information is inconsistent therewith.

Ratings

On 15 September 2017, Standard & Poor's Ratings Services affirmed its long-term counterparty credit rating of Rabobank at "A+".

On 24 November 2017, Fitch Ratings affirmed the Long-Term Issuer Default Rating of Rabobank at "AA-".

On 29 November 2017, Moody's Investors Service affirmed the "Aa2" long-term deposit and senior unsecured debt ratings of Rabobank with a negative outlook.

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

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.

New management structure

Beginning in September 2017, the Supervisory Board of Rabobank introduced a new top management structure whereby the responsibility for the day-to-day management of Rabobank was transferred from the Executive Board to a Managing Board consisting of ten members led by the current chairman of the Executive Board, Wiebe Draijer.

Recent Issuances

On 22 May 2017 Rabobank issued €1,500,000,000 covered bonds due in 2024 and €1,000,000,000 covered bonds due in 2032.

Recent Dispositions

Van Lanschot Kempen: On 11 September 2017 Rabobank sold the outstanding share capital of Van Lanschot Kempen which it had acquired as part of the acquisition of Friesland Bank in 2012 for approximately €100 million (\$118.8 million).

Transaction with La Banque Postale: On 24 October 2017 Rabobank sold €600 million (\$712.6 million) of mortgages to La Banque Postale. Rabobank retained the full servicer responsibility towards its clients.

Transaction with Pensioenfonds Zorg en Welzijn: On 2 November 2017 Rabobank transferred part of the risk on its commercial credit portfolio involving approximately €3 billion (\$3.6 billion) loans to business customers in Europe and North America to pension fund Pensioenfonds Zorg en Welzijn. As of 30 June 2017, Rabobank's total private credit portfolio amounted to €418 billion (\$493.3 billion).

Rabobank mortgage loan unit: On 15 December 2017 Rabobank sold its Roparco mortgage loan business, Roparco Hypotheken, to RNHB which included the transfer of the underlying mortgage loan portfolio as well as its personnel. The transaction relates to the sale of the entire Roparco mortgage loan business unit which comprising approximately 4,900 loans with a total outstanding amount of approximately €0.5 billion (\$0.6 billion).

Regulatory capital

On 15 December 2017, Rabobank announced that it received the ECB's final decision regarding its funds requirements for 2018 which were determined pursuant to the Supervisory Review and Evaluation Process (SREP). The ECB decision requires that Rabobank maintain a total SREP capital requirement of 9.75% on a consolidated and unconsolidated basis. The requirement consists of an 8% minimum own funds requirement and a 1.75% Pillar 2 requirement.

The total CET1 minimum requirement is 6.25%, consisting of the minimum Pillar 1 requirement (4.5%) and the Pillar 2 requirement (1.75%). In addition, in 2018 Rabobank is required to comply with the phasing in combined buffer requirements consisting of a Capital Conservation Buffer (1.875%) and a Systemic Risk Buffer of 2.25% imposed by the Dutch Central Bank in 2018. This translates into an aggregate 10.375% CET1 requirement for 2018. In 2019 the CET1 requirement will increase, as both the Capital Conservation Buffer and the Systemic Risk Buffer requirements will become fully phased-in (2.50% and 3.00%, respectively). This will result in an expected aggregate CET1 requirement of 11.75% in 2019. Rabobank has a CET1 ratio target of at least 14%. Since 2017, the Pillar 2 surcharge has been split by the ECB into the aforementioned Pillar 2 requirement and a Pillar 2 guidance. The 10.375% CET1 requirement does not include the Pillar 2 guidance, which is not disclosed. The Pillar 2 guidance is not relevant for the maximum distributable amount. Rabobank's fully loaded CET1 ratio was 14.7% on 30 June 2017. With a Tier 1 ratio of 18.1% and a Total Capital Ratio of 25.5% on 30 June 2017, Rabobank also meets its total SREP capital requirements. Rabobank is also required to maintain a minimum CET1 ratio of 8.125% on an unconsolidated basis. This 8.125% capital requirement includes the minimum Pillar 1 requirement (4.5%), the Pillar 2 requirement (1.75%) and the Capital Conservation Buffer (1.875%). The unconsolidated CET1 ratio of Rabobank was 15.6% on 30 June 2017.

Rabobank, National Association fourth quarter 2017 provision

On 2 January 2018 Rabobank announced that Rabobank, National Association ("RNA"), its California-based subsidiary, has taken a provision of approximately €310 million (\$374 million) in its fourth quarter 2017 financial results in anticipation of a potential settlement related to previously disclosed investigations by the U.S. Department of Justice and other U.S. authorities for possible violations of the U.S. Bank Secrecy Act and other regulations and statutes in relation to its historical anti-money laundering (AML) compliance program, and the Office of the Comptroller of the Currency's (OCC) examination of that program in the past. The potential settlement will likely include a guilty plea by RNA to an offense related to former employees' withholding of information from RNA's prudential regulator, the OCC, nearly five years ago. Rabobank believes that these investigations will come to a final conclusion in first quarter of 2018.

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

The following discussion and analysis should be read in conjunction with the Audited Consolidated Financial Statements and the notes thereto, and in conjunction with the Unaudited Condensed Consolidated Interim Financial Information and the independent auditors' review report thereto, which are included in the Information Statement or this Supplemental Information Statement.

Certain figures for Rabobank Group at and for the six month period ended 30 June 2016 included in the following discussion and analysis have been adjusted as a result of changes in accounting principles and presentation.

The (adjusted) figures for the six month period ended 30 June 2016 have been derived from the Unaudited Condensed Consolidated Interim Financial Information for the six month period ended 30 June 2017. See "Changes in accounting principles and presentation" below for further information. The financial statements have been prepared in accordance with IFRS as adopted by the EU and comply with Part 9 of Book 2 of the Dutch Civil Code. The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with IAS 34 "Interim financial reporting", as adopted by the EU.

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 Unaudited Condensed Consolidated Interim Financial Information, the interim or annual reports or the accounting records of Rabobank.*

Business overview*

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. Rabobank Group comprises Rabobank and its subsidiaries. Rabobank is the holding company of a number of specialized subsidiaries in the Netherlands and abroad. At 30 June 2017, Rabobank Group operated in 40 countries. Its operations include domestic retail banking, wholesale banking and international rural and retail banking, leasing and real estate. It serves approximately 8.6 million clients around the world. In the Netherlands, its focus is on maintaining Rabobank Group's position in the Dutch market and, internationally, on food and agriculture.

Rabobank Group's cooperative core business comprises the local Rabobanks. Clients can become members of Rabobank. With 450 offices and 2,051 cash-dispensing machines at 30 June 2017, the local Rabobanks form a dense banking network in the Netherlands. In the Netherlands, the local Rabobanks serve approximately 6.4 million retail customers and approximately 760,000 corporate clients, offering a comprehensive package of financial services.

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 on-going program, Rabobank Group has increased both the number and type of products and services available to its customers in order to diversify from a traditional savings and mortgage-based business to become a provider of a full range of financial products and services, both in the Netherlands and internationally. Rabobank Group provides an integrated range of financial services comprising primarily domestic retail banking, wholesale banking and international rural and retail banking, leasing, real estate and distribution of insurance products to a wide range of both individual and corporate customers.

As at 30 June 2017, Rabobank Group had total assets of €623.2 billion, a private sector loan portfolio of €417.8 billion, deposits from customers of €343.2 billion (of which savings deposits total €145.4 billion) and equity of €40.3 billion. Of the private sector loan portfolio, €199.7 billion, virtually all of which were mortgages, consisted of loans to private individuals, €117.9 billion consisted of

loans to the trade, industry and services sector and €100.2 billion consisted of loans to the food and agri sector. As at 30 June 2017, its CET1 Ratio, which is the ratio between Common Equity Tier 1 Capital and total risk-weighted assets, was 15.0 per cent and its capital ratio, which is the ratio between qualifying capital and total risk-weighted assets, was 25.5 per cent. For the six month period ended 30 June 2017, Rabobank Group's cost/income ratio, which is the ratio between total operating expenses (regulatory levies excluded) and total income, was 63.2 per cent. The cost/income ratio is a financial measure of how efficiently Rabobank is being run. For the six month period ended 30 June 2017, Rabobank Group realized a net profit of €1.516 billion. As at 30 June 2017, Rabobank Group employed 44,698 employees (internal and external FTEs).

The return on invested capital ("ROIC") is a profitability measure and is calculated by dividing net profit realized after non-controlling interests by the core capital (actual Tier 1 capital plus the goodwill in the balance sheet at the end of the reporting period) minus deductions for non-controlling interests in Rabobank's equity. At 30 June 2017, Rabobank's ROIC was 7.8 per cent. As at 31 December 2016, it was 5.2 per cent and at 30 June 2016 it was 5.4 per cent.

At 30 June 2017, Rabobank's return on Tier 1 capital was 8.2 per cent. As at 31 December 2016, it was 5.8 per cent and at 30 June 2016 it was 5.7 per cent.

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 2018.

In 2016, 42 per cent. of Rabobank Group's operating profit before tax 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.

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 sustained 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. Rabobank expects that the relatively low interest rate environment that it has faced in the recent past is likely to continue in 2018, with a corresponding impact on Rabobank Group's results.

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

Critical accounting policies

The accounting policies that are most critical to Rabobank Group’s business operations and the understanding of its results are identified below. In each case, the application of these policies requires Rabobank to make complex judgements based on information and financial data that may change in future periods, the results of which can have a significant effect on Rabobank Group’s results of operations. As a result, determinations regarding these items necessarily involve the use of assumptions and judgements as to future events and are subject to change. Different assumptions or judgements could lead to materially different results. See the notes to the Audited Consolidated Financial Statements included in the Information Statement for additional discussion of the application of Rabobank Group’s accounting policies.

Loan impairment charges

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

The loan impairment allowance consists of three components:

- *Specific allowance*: For individual impaired loans a specific allowance is determined. The size of the specific allowance is the difference between the carrying amount and the recoverable amount, which is the present value of the expected cash flows, including amounts recoverable under guarantees, collateral and unencumbered assets, discounted at the original effective interest rate of the loans. If a loan is not collectible it is written-off from the allowance. Specific provisioning for every change that impacts the statement of income by €7.5 million or more is dealt with by the Provisioning Committee.
- *Collective allowance*: In addition to the assessment of individual loans, a collective assessment is made with respect to retail expenses that are not subject to a specific allowance. In these cases the collective assessment is made based on homogenous groups of loans with a similar risk profile with the purpose of identifying the need to recognize an allowance for loan losses.
- *IBNR (Incurred But Not Reported)*: For exposures in the portfolio that are impaired, but not yet recognized as such (i.e. incurred but not reported) a general allowance is taken. This allowance is taken because there is always a mismatch period between an event causing a default of a client and the moment the bank becomes aware of the default. The allowance will be determined based on Expected Loss data generated by the Economic Capital models.

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

Trading activities

Rabobank’s trading portfolio is carried at fair value based on market prices or model prices if the market prices are not available. The market value of financial instruments in Rabobank Group’s

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

Changes in accounting principles and presentation

As a result of changes in accounting principles and presentation, certain figures for Rabobank Group for the six month period ended 30 June 2016 in this Supplemental Information Statement have been adjusted. See the Audited Consolidated Financial Statements for the year ended 31 December 2016, under note 2.1, "Other changes in accounting principles and presentation", and the Unaudited Condensed Consolidated Interim Financial Information 2017, under the section "Changes in accounting principles and presentation". Where the six month period ended 30 June 2017 is compared with the six month period ended 30 June 2016 the adjusted figures for 2016 are discussed.

Below is a comparison of the "Gains / (losses) on financial assets and liabilities at fair value through profit or loss", "Income tax", "Fair value changes due to own credit risk on financial liabilities designated at fair value" and "Retained earnings" line items on 30 June 2016 as stated in the unaudited consolidated financial statements for the six month period ended 30 June 2017 and for the six month period ended 30 June 2016:

<i>(in millions of euro)</i>	Adjusted 30 June 2016 figures included in consolidated statement of financial position as of 30 June 2017	30 June 2016 figures included in consolidated statement of financial position as of 30 June 2016	Adjustments or reclassification	In %
Gains / (losses) on financial assets and liabilities at fair value through profit or loss .	(78)	(175)	97 ⁽¹⁾	(55.4%)
Income tax.....	233	209	24 ⁽¹⁾	11.5%
Fair value changes due to own credit risk on financial liabilities designated at fair value ...	(70)	0	(70) ⁽¹⁾	n/a
Retained earnings.....	25,384	25,387	(3) ⁽¹⁾	(0.0%)

- (1) As disclosed in the Consolidated Financial Statements 2016, Rabobank has elected to early adopt a part of IFRS 9 with regard to the own credit adjustment included in the valuation of financial liabilities designated at fair value through profit or loss as from 1 January 2016. As a result of this early adoption, the figures of June 2016 have been changed as follows. In the Consolidated statement of income, gains/ (losses) on financial assets and liabilities at fair value through profit or loss resulted in a €97 million decrease in loss and the income tax increased by €24 million. In the Consolidated statement of comprehensive income, -€70 million was recognized as fair value changes due to own credit risk on financial liabilities designated at fair value. And minus €3 million was recognized in retained earnings.

Changes in business segments*

As part of the ongoing change of the bank following the update of our strategic objectives Rabobank changed the set-up and internal reporting of the business segments on 1 April 2017. Treasury, which was formerly part of the WRR and Treasury segment, is now reported within other

group functions under “Other”. Furthermore, in the first half of 2017 the portfolio of DLL’s Financial Solutions was transferred to the business segment domestic retail banking, and a large part of the loan portfolio of FGH Bank which was previously in the real estate segment was integrated in the domestic retail banking and Wholesale, Rural & Retail segment. The segment information for the first half of 2016 is also represented in the new structure and the figures have been adjusted accordingly. This reflects Rabobank Group’s organizational structure and forms the basis for internal management reporting. In the table below the movements between segments due to changes in segment reporting for the first half of 2016 are presented.

	Domestic Retail Banking	Wholesale, rural and retail	Leasing	Real Estate	Other segments
<i>(in millions of euro)</i>	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016
Net interest income	103	110	(79)	(49)	-85
Net fee and commission income	4	23	(5)	0	-23
Other income	0	-116	0	0	116
Total income	109	17	(84)	(49)	8
Staff costs	11	-15	(5)	(8)	17
Other administrative expenses	26	-68	(25)	(4)	70
Depreciation	0	-1	0	0	1
Total operating expenses	37	-84	(30)	(12)	88
Gross result	70	0	(54)	(37)	21
Loan impairment charges	4	0	(3)	0	0
Regulatory levies	2	1	0	(3)	1
Operating profit before tax	64	100	(51)	(34)	-81
Income tax	16	28	(13)	(9)	-23
Net profit	48	72	(38)	(25)	-58

Results of operations

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

	Six month period ended 30 June*	
<i>(in millions of euros)</i>	2017	2016 (adjusted) ⁽⁶⁾
Net interest income	4,454	4,375
Net fee and commission income	988	982
Other results	496	543 ⁽¹⁾
Total income	5,938	5,900⁽²⁾
Staff costs	2,136	2,264
Other administrative expenses	1,418	1,803
Depreciation	201	209
Total operating expenses	3,755	4,276
Gross result	2,183	1,624⁽³⁾
Impairment losses on goodwill	0	0
Loan impairment charges	(67)	148
Regulatory levies	258	246
Operating profit before tax	1,992	1,230
Income tax	476	233 ⁽⁴⁾
Net profit	1,516	997⁽⁵⁾

(1) Comparative figure “Other results” for the six month period ended 30 June 2016 was adjusted from €446 million to €543 million.

- (2) Comparative figure "Total income" for the six month period ended 30 June 2016 was adjusted from €5,803 million to €5,900 million.
- (3) Comparative figure "Gross Result" for the six month period ended 30 June 2016 was adjusted from €1,527 million to €1,624 million.
- (4) Comparative figure "Income tax" for the six month period ended 30 June 2016 was adjusted from €209 million to €233 million.
- (5) Comparative figure "Net profit" for the six months ended 30 June 2016 was adjusted from €924 million to €997 million.
- (6) Adjustments for comparative figures for the six month period ended 30 June 2016 were made due to the early adoption of IFRS 9.

Comparison results of operations for the six month periods ended 30 June 2017* and 30 June 2016*

Total income. Rabobank Group's total income increased by €38 million in the first half of 2017 to €5,938 million compared to €5,900 million in the first half of 2016. The increase was mainly due to an increase in net interest income offset in part by the deconsolidation of Athlon.

Net interest income. Net interest income increased by €79 million to €4,454 million in the first half of 2017 compared to €4,375 million in the first half of 2016. As in 2016, repricing of the loan book contributed positively to the net interest margin. At the same time, lending at the local Rabobanks decreased due to extra mortgage repayments. Extra mortgage repayments led to a moderate decrease in the outstanding lending volumes. An increased volume of early interest rate revisions in our mortgage books will have a downward effect on net interest income. At Wholesale, Rural & Retail (WRR), net interest income increased in the first half of 2017 as well as for DLL International B.V. (DLL) on the back of higher lending volumes. The low interest rate environment still negatively impacted the income from treasury activities related to maintaining the liquidity buffers.

Net fee and commission income. Net fee and commission income increased by €6 million to €988 million in the first half of 2017 compared to €982 million in the first half of 2016. At the local Rabobanks, net fee and commission on payment accounts increased. At WRR, net fee and commission income decreased. In the first half of 2016, net fee and commission income of WRR reflected high activity levels with more transactions than in the first half of 2017. Net fee and commission income at DLL remained stable. Driven by higher performance fees at Bouwfonds Investment Management, net fee and commission income also went up in the real estate segment.

Other results. Other results decreased by €47 million in the first half of 2017 to €496 million compared to €543 million in the first half of 2016. This decrease can be attributed to the deconsolidation of Athlon. Income from operational lease contracts from Athlon contributed to other results during the first six months of 2016. The negative impact of hedge accounting in the first half of 2017 was lower than it was in the first half of 2016, but this decline was more or less offset by lower results on structured notes.

Total operating expenses. Rabobank Group's total operating expenses decreased by €521 million in the first half of 2017 to €3,755 million compared to €4,276 million in the first half of 2016, in particular due to a decrease in other administrative expenses.

Staff costs. Staff costs decreased €128 million to €2,136 million in the first half of 2017 compared to €2,264 million in the first half of 2016. In the first half of 2017, total number of employees (including external hires) at Rabobank decreased by 869 FTEs to 44,698 FTEs from 45,567 FTEs mainly as a result of the large restructuring program Performance Now in the Netherlands. Most of the planned FTE reduction in 2017 will be realized in the second half of the year. The largest reduction in staff in the first half of 2017 was at the local Rabobanks. The decrease in staff costs was moderated by the release of a provision connected to the reduction of fringe benefits in the first half of 2016.

Other administrative expenses. Other administrative expenses decreased by €385 million to €1,418 million in the first half of 2017 compared to €1,803 million in the first half of 2016. In the first half of 2016, other administrative expenses were relatively high as a result of the provision for adopting the SME interest rate derivative framework (€514 million). Also higher restructuring costs in the first half of 2016 (€190 million versus €98 million in the first half of 2017) contributed to the decrease in other administrative expenses. This decrease was somewhat tempered by the release of a provision for legal claims in the first half of 2016.

Depreciation. Depreciation was down by €8 million to €201 million in the first half of 2017 compared to €209 million in the first half of 2016 as a result of lower depreciation on intangible assets.

Loan impairment charges. Loan impairment charges were down €215 million to minus €67 million in the first half of 2017, compared to €148 million in the first half of 2016. This is mainly due to the ongoing favorable economic conditions in our domestic market, leading to limited additions and high releases of existing allowances, particularly in the domestic retail banking business and in real estate. Loan impairment charges amounted to minus 3 basis points in the first half of 2017, as compared to 7 basis points in the first half of 2016; this is exceptionally low and substantially below the long-term average (period 2007-2016) of 36 basis points.

Regulatory levies. Regulatory levies led to an expense item for Rabobank Group of €258 million in the first half of 2017, compared to €246 million in the first half of 2016.

Income tax. The recognized tax expense was €476 million in the first six months of 2016 compared to €233 million in the first half of 2016, which corresponds to an effective tax burden of 24 per cent in the first half of 2017 compared to 19 per cent in the first half of 2016. This increase is related to lower tax deductible payments on hybrid capital.

Net profit. Net profit increased by 52 per cent to €1,516 million in the first half of 2017 compared to €997 million in the first half of 2016. Despite the current low interest environment, total income was resilient and landed just above last year's level. The decrease in the number of employees and lower restructuring costs had a positive impact on the gross result, whereas in the first half of 2016 the gross result was negatively impacted by the provision for the interest rate derivatives recovery framework. The loan impairment charges decreased to minus €67 million in the first half of 2017 compared to €148 million in the first half of 2016, positively influencing net profit.

Segment discussion

Domestic retail banking

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

	Six month period ended 30 June*	
<i>(in millions of euros)</i>	2017	2016 (adjusted)⁽¹⁾
Net interest income	2,759	2,910
Net fee and commission income	700	669 ⁽²⁾
Other results	44	47
Total income	3,503	3,626
Staff costs	734	991
Other administrative expenses	1,349	1,687 ⁽³⁾
Depreciation	47	55
Total operating expenses	2,130	2,733
Gross result	1,373	893
Loan impairment charges	(156)	12
Regulatory levies	135	139
Operating profit before tax	1,394	742
Income tax	347	192

Net profit	1,047	550
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- (1) Prior-year figures adjusted; see paragraph "Changes in business segments".
- (2) Comparative figure "Net fee and commission income" for the six month period ended 30 June 2016 was adjusted downwards by €23 million.
- (3) Comparative figure "Other administrative expenses" for the six month period ended 30 June 2016 was adjusted downwards by €23 million.

Comparison results of domestic retail banking for the six month periods ended 30 June 2017* and 30 June 2016*

Total income. Domestic retail banking total income decreased by 3 per cent, to €3,503 million in the first half of 2017, compared to €3,626 million in the first half of 2016 mainly due to a decrease in net interest income.

Net interest income. Net interest income decreased 5 per cent to €2,759 million in the first half of 2017, compared to €2,910 million in the first half of 2016. As in 2016, we observed a positive impact from loan repricing. At the same time, the volume of downward early interest rate revisions in our mortgage book remained high. These early revisions include interest rate averaging, which we began offering to our clients as from the second half of 2016. Combined with the decrease in lending volumes due to early repayments, net interest income was pressured.

Net fee and commission income. Net fee and commission income increased by 5 per cent to €700 million in the first half of 2017, compared to €669 million in the first half of 2016, due to higher commissions on payment accounts.

Other results. Other results decreased by €3 million to €44 million in the first half of 2017, compared to €47 million in the first half of 2016. In the first half of 2016, the sale of mortgages to institutional investors had an upward effect on other results, which explains the decrease in other results in the first half of 2017.

Total operating expenses. Total operating expenses for domestic retail banking decreased by €603 million to €2,130 million in the first half of 2017, compared to €2,733 million in the first half of 2016, mainly as a result of a decrease in other administrative expenses.

Staff costs. Staff costs were down €257 million to €734 million in the first half of 2017, compared to €991 million in the first half of 2016. The virtualisation and centralisation of services impacted the size of the workforce. The number of internal and external employees in the segment decreased to 15,461 FTEs in the first half of 2017 compared to 17,877 FTEs in the first half of 2016. Part of this decrease is the result of the movement of employees from local Rabobanks to the central organisation in order to realise economies of scale.

Other administrative expenses. Other administrative expenses decreased by €338 million to €1,349 million in the first half of 2017, compared to €1,687 million in the first half of 2016 mainly because other administrative expenses in the first half of 2016 were inflated by the provision for adopting the SME interest rate derivatives recovery framework. Lower restructuring costs also contributed to a decrease in other administrative expenses.

Depreciation. Depreciation decreased by €8 million to €47 million in the first half of 2017, compared to €55 million in the first half of 2016, as a result of lower depreciation on intangible fixed assets.

Loan impairment charges. Loan impairment charges decreased by €168 million to minus €156 million in the first half of 2017, compared to €12 million in the first half of 2016. Expressed in basis points of the average loan portfolio, the loan impairment charges amounted to minus 11 basis points

in the first half of 2017, compared to 1 basis point in the first half of 2016. Loan impairment charges are well below the long-term (2007-2016) average of 23 basis points. The limited number of newly defaulted loans and high releases on the loan impairment allowances are mainly the result of the favourable conditions of the Dutch economy.

Regulatory levies. Regulatory levies led to an additional expense item of €135 million in the first half of 2017 compared to €139 million in the first half of 2016.

Income tax. Income tax increased in the first half of 2017 by €155 million to €347 million compared to €192 million in the first half of 2016.

Net profit. Net profit increased by €497 million to €1,047 million in the first half of 2017 compared to €550 million in the first half of 2016. The net result was positively affected by lower other administrative expenses.

Wholesale, rural and retail

As part of the ongoing change of the bank following the update of our strategic objectives Rabobank changed the set-up and internal reporting of the business segments on 1 April 2017. Treasury, which was formerly part of the WRR and Treasury segment, is now reported within other group functions under "Other".

The following table sets forth certain summarized financial information for Rabobank Group's wholesale, rural and retail business for the six month periods ended 30 June 2017 and 30 June 2016:

(in millions of euros)	Six month period ended 30 June*	
	2017	2016 (adjusted) ⁽¹⁾
Net interest income	1,173	1,106
Net fee and commission income	240	318
Other results	445	345
Total income	1,858	1,769
Staff costs	517	554
Other administrative expenses	429	334
Depreciation	32	45
Total operating expenses	978	933
Gross result	879	836
Impairment losses on goodwill	0	0
Loan impairment charges	105	117
Regulatory levies	90	81
Operating profit before tax	685	638
Income tax	191	179
Net profit	494	459

(1) Prior-year figures adjusted; see paragraph "Changes in business segments".

Comparison results of wholesale, rural and retail for the six month periods ended 30 June 2017* and 30 June 2016*

Total income. Wholesale rural and retail total income increased by 5 per cent to €1,858 million in the first half of 2017 compared to €1,769 million in the first half of 2016. This increase was attributable to an increase in net interest income and other results.

Net interest income. Net interest income increased by 6 per cent to €1,173 million in the first half of 2017, compared to €1,106 million in the first half of 2016 as underlying commercial interest margins stabilised.

Net fee and commission income. Net fee and commission income decreased by 25 per cent to €240 million in the first half of 2017, compared to €318 million in the first half of 2016. In the first half of 2016, net fee and commission income of financial markets reflected the high levels of activity in that period with more transactions than in the first half of 2017. The reclassification of parts of net fee and commission income to net interest income in 2017 also contributed to the decrease.

Other results. Other results increased by 29 per cent to €445 million in the first half of 2017, compared to €345 million in the first half of 2016. The financial markets activities showed a sharp increase in trading results following improved market conditions compared to the first half of 2016 and consequently other results increased.

Total operating expenses. Total operating expenses increased by 5 per cent to €978 million in the first half of 2017, compared to €933 million in the first half of 2016, mainly as a result of an increase in other administrative expenses.

Staff costs. Staff costs decreased by 7 per cent to €517 million in the first half of 2017, compared to €554 million in the first half of 2016. Due to the centralisation of IT services in the second half of 2016, staff was moved from WRR to the central organisation. This resulted in lower staff costs.

Other administrative expenses. Other administrative expenses were up 28 per cent to €429 million in the first half of 2017, compared to €334 million in the first half of 2016. The release of a provision for legal issues lowered other administrative expenses in the first half of 2016 and is the main reason for this increase. IT costs were also somewhat higher.

Depreciation. Lower depreciation on internally developed software contributed to a decrease in depreciation by €13 million to €32 million in the first half of 2017, compared to €45 million in the first half of 2016.

Loan impairment charges. Loan impairment charges at Wholesale, rural and retail decreased by 10 per cent to €105 million in the first half of 2017, compared to €117 million in the first half of 2016. Expressed in basis points of the average loan portfolio, the loan impairment charges amounted to 20 basis points in the first half of 2017, compared to 23 basis points in the first half of 2016. Loan impairment charges are well below the long-term (2007-2016) average of 57 basis points. Compared to the same period last year, and despite the overall decrease, loan impairment charges increased in the United States and the Netherlands. However, Dutch loan impairment charges remained below the long-term average on the back of positive economic developments. The United States portfolio exhibited an increase in loan impairment charges in several sectors, but remains well diversified.

Regulatory levies. The regulatory levies led to an expense item of €90 million in the first half of 2017, compared to €81 million in the first half of 2016.

Income tax. Income tax increased in the first half of 2017 by €12 million to €191 million, compared to €179 million in the first half of 2016.

Net profit. Net profit increased by €35 million to €494 million in the first half of 2017 compared to €459 million in the first half of 2016, mainly due to an increase in total income.

Leasing

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

<i>(in millions of euros)</i>	Six month period ended 30 June*	
	2017	2016 (adjusted)⁽¹⁾
Net interest income	514	457
Net fee and commission income	32	36
Other results	120	314
Total income	666	807
Staff costs	244	294
Other administrative expenses	107	104
Depreciation	14	15
Total operating expenses	365	413
Gross result	301	394
Impairment losses on goodwill	0	0
Loan impairment charges	41	41
Regulatory levies	11	11
Operating profit before tax	249	342
Income tax	73	96
Net profit	176	246

(1) Prior-year figures adjusted; see paragraph "Changes in business segments".

Comparison results of leasing for the six month periods ended 30 June 2017* and 30 June 2016*

Total income. DLL's total income decreased by 17 per cent to €666 million in the first six months of 2017, compared to €807 million in the first six months of 2016. This decrease can be attributed to the sale of Athlon in December 2016. Athlon was still contributing to the income of the leasing segment in the first six months of 2016. On a like-for-like basis, total income increased by €25 million to €666 million from €641 million.

Net interest income. Mainly due to higher interest income on loans and advances to customers net interest income increased by 12 per cent to €514 million in the first half of 2017, compared to €457 million in the first half of 2016.

Net fee and commission income. Net fee and commission income decreased by €4 million to €32 million in the first half of 2017, compared to €36 million in 2016.

Other results. Other results mainly consisted of sales results on end-of-lease assets. In the first half of 2016, the income from operational lease contracts from Athlon was accounted for in other results. Consequently other results decreased by €194 million to €120 million in the first half of 2017, compared to €314 million in the first half of 2016.

Total operating expenses. Total operating expenses at DLL were down 12 per cent to €365 million in the first half of 2017, compared to €413 million in the first half of 2016 mainly due to the decrease in staff costs.

Staff costs. Staff costs were down by €50 million, reaching €244 million in the first half of 2017, compared to €294 million in the first half of 2016. Excluding the 2016 figures for the results of Athlon staff costs increased in line with the higher number of employees.

Other administrative expenses. Other administrative expenses rose 3 per cent to €107 million in the first half of 2017, compared to €104 million in the first half of 2016. Other administrative expenses increased in line with the administrative finalisation of the Athlon sale and the transfer of Financial Solutions to Rabobank

Depreciation. Depreciation decreased by €1 million to €14 million in the first half of 2017, compared to €15 million in the first half of 2016.

Loan impairment charges. DLL's loan impairment charges remained stable at €41 million in the first half of 2017, compared to €41 million in the first half of 2016. Expressed in basis points of the average loan portfolio, the loan impairment charges amounted to 26 basis points in the first half of 2017, compared to 27 basis points in the first half of 2016. Loan impairment charges are well below the long-term (2007-2016) average of 60 basis points. In the first half of 2017 there were no new significant individual default cases.

Regulatory levies. Regulatory levies led to an expense item of €11 million in the first half of 2017, compared to €11 million in the first half of 2016.

Income tax. Income tax decreased in the first half of 2017 by €23 million to €73 million compared to €96 million in the first half of 2016.

Net profit. Net profit decreased by 28 per cent to €176 million in the first half of 2017 compared to €246 million in the first half of 2016. This decrease can be attributed to the sale of Athlon in December 2016. Athlon was still contributing to the income of the leasing segment in the first six months of 2016.

Real estate

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

<i>(in millions of euros)</i>	Six month period ended 30 June*	
	2017	2016 (adjusted)⁽¹⁾
Net interest income	72	106
Net fee and commission income	35	6
Other results	125	178
Total income	232	290
Staff costs	93	98
Other administrative expenses	59	70
Depreciation	3	3
Total operating expenses	155	171
Gross result	77	119
Impairment losses on goodwill	0	0
Loan impairment charges	(43)	(11)
Regulatory levies	4	4
Operating profit before tax	116	126
Income tax	28	30
Net profit	88	96

(1) Prior-year figures adjusted; see paragraph "Changes in business segments".

Comparison results of real estate for the six month periods ended 30 June 2017* and 30 June 2016*

Total income. Total income in Rabobank Group's real estate business decreased by €58 million to €232 million in the first half of 2017 compared to €290 million in the first half of 2016 as a result of a decrease in net interest income and other results.

Net interest income. Net interest income decreased 32 per cent to €72 million in the first half of 2017 compared to €106 million in the first half of 2016. Corrected for integration of parts of the loan portfolio of FGH Bank within Rabobank, the average loan portfolio of FGH Bank decreased compared to the first half of 2016. Consequently, net interest income fell.

Net fee and commission income. Net fee and commission income increased by €29 million to €35 million in the first half of 2017, compared to €6 million in the first half of 2016 due to higher performance fees at Bouwfonds Investment Management.

Other results. In 2016, other results were positively influenced by the sale of 'De Rotterdam' building and consequently other results decreased by 30 per cent to €125 million in the first six months of 2017, compared to €178 million in the first half of 2016.

Total operating expenses. Total operating expenses decreased by 9 per cent to €155 million in the first half of 2017, compared to €171 million in the first half of 2016, mainly due to a decrease in other administrative expenses.

Staff costs. Staff costs decreased by 5 per cent to €93 million in the first half of 2017 compared to €98 million in the first half of 2016. The increased commercial activity led to a small increase in the number of employees at Rabo Real Estate Group and the number of employees at FGH Bank decreased in line with the integration into Rabobank.

Other administrative expenses. In the first half of 2016, the relatively high restructuring provision for redundant employees at FGH Bank had an upward effect on other administrative expenses. As a result, the other administrative expenses decreased by €11 million to €59 million in the first half of 2017, compared to €70 million in the first half of 2016.

Depreciation. Depreciation remained stable at €3 million in the first half of 2017, compared to €3 million in the first half of 2016.

Loan impairment charges. Loan impairment charges were minus €43 million in the first half of 2017, compared to minus €11 million in the first half of 2016. Expressed in basis points of the average loan portfolio, the loan impairment charges amounted to minus 97 basis points in the first half of 2017, compared to minus 25 basis points in the first half of 2016. Loan impairment charges are well below the long-term average of 89 basis points. Favourable economic developments in the Netherlands had a positive impact on the loan impairment charges in the real estate segment

Regulatory levies. Regulatory levies led to an expense item of €4 million in the first half of 2017, compared to €4 million in the first half of 2016.

Income tax. Income tax decreased by €2 million to €28 million in the first half of 2017 compared to €30 million in the first half 2016.

Net profit. Net profit decreased by €8 million to €88 million in the first half of 2017 compared to €96 million in the first half of 2016, primarily due to lower net interest income.

Loan portfolio

The weakening of the US dollar was the main driver for currency effects to have a downward impact on the lending book expressed in euros. The remainder of the decrease in the loan portfolio is caused by early repayments on residential mortgage loans in the local Rabobanks' private sector loan portfolio. At the same time, the non-strategic commercial real estate portfolio was further reduced. Excluding currency effects the loan portfolio of WRR was more or less stable and the portfolio of Rabobank's leasing subsidiary DLL increased modestly. In aggregate, the loans and advances to customers item decreased by €11.8 billion, to €441.0 billion at 30 June 2017 from €452.8 billion at 31 December 2016. The private sector loan portfolio decreased by €6.8 billion to €417.8 billion at 30 June 2017 from €424.6 billion at 31 December 2016. Loans to private individuals, primarily for mortgage finance, were down €1.5 billion, or 1 per cent, to €199.7 billion at 30 June 2017. 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 €3.4 billion to €117.9 billion at 30 June 2017. Lending to the food and agri sector decreased by €1.8 billion to €100.2 billion at 30 June 2017.

The following table shows a breakdown of Rabobank Group's total lending outstanding to the private sector at 30 June 2017 and 31 December 2016, by category of borrower:

	At 30 June		At 31 December	
	2017*		2016	
<i>(in billions of euros and as percentage of total private sector lending)</i>				
Private individuals.....	199.7	48%	201.2	47%
Trade, industry and services.....	117.9	28%	121.3	29%
Food and agri.....	100.2	24%	102.0	24%
Total private sector lending	417.8	100%	424.6	100%

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

Funding*

At 30 June 2017, deposits from customers of Rabobank Group were €343.2 billion, a decrease of €4.5 billion compared to 31 December 2016. The balance held in savings deposits increased by €3.2 billion to €145.4 billion, an increase of 2 per cent. Other deposits from customers (including current accounts, repurchase agreements and time deposits) decreased by €7.7 billion to €197.8 billion at 30 June 2017. At 30 June 2017, debt securities in issue (including certificates of deposit, commercial paper and bonds) totaled €143.6 billion compared to €159.3 billion at 31 December 2016. Savings deposits (except fixed-time deposits, from 1 month to 20 years) generally bear interest at rates that Rabobank can unilaterally change.

The following table shows Rabobank Group's sources of funding by source at 30 June 2017 and 31 December 2016:

<i>(in millions of euros)</i>	At 30 June	At 31 December
	2017*	2016
Current accounts.....	77,185	76,757
Deposits with agreed maturity.....	73,578	82,909
Deposits redeemable at notice	182,086	175,943
Repurchase agreements.....	183	212
Other deposits from customers.....	488	34
Debt securities in issue.....	143,588	159,342
Other financial liabilities at fair value.....	14,692	16,520
Total	491,801	511,717

Rabobank Group also receives funds from the inter-bank and institutional market. Rabobank Group's total deposits from other banks was €20.8 billion at 30 June 2017, a 5 per cent decrease from €22.0 billion at 31 December 2016.

Other financial assets

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

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

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.

<i>(in millions of euros)</i>	<u>At 30 June</u>	<u>At 31 December</u>
	<u>2017*</u>	<u>2016</u>
Total credit related commitments	<u>95,531</u>	<u>113,506</u>

Capital adequacy

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

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

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

The common equity Tier 1 ratio, the Tier 1 ratio and the total capital ratio are the most common ratios used to measure solvency. The common equity Tier 1 ratio expresses the relationship between common equity Tier 1 capital and total risk-weighted assets. At 30 June 2017, Rabobank Group's common equity Tier 1 ratio stood at 15.0 per cent (year-end 2016; 14.0 per cent).

Risk-weighted assets were down €3.6 billion to €207.6 billion at 30 June 2017 compared to €211.2 billion at 31 December 2016. Common equity Tier 1 capital increased by €0.5 billion to €31.1 billion at 30 June 2017 compared to €29.6 billion at 31 December 2016. See "Regulation of Rabobank Group" in the Information Statement.

The Tier 1 ratio expresses the relationship between Tier 1 capital and total risk-weighted assets. As at 30 June 2017, Rabobank Group's Tier 1 ratio stood at 18.1 per cent (year-end 2016: 17.6 per cent). The minimum requirement set by external supervisors under the CRD IV is 6.5 per cent.

The total capital ratio is calculated by dividing the total of Tier 1 and Tier 2 capital by the total of risk-weighted assets. At 30 June 2017, the total capital ratio stood at 25.5 per cent (year-end 2016: 25.0 per cent). This exceeds the current minimum requirement set by the external supervisors of 8.0 per cent.

The following table sets forth the development in capital and solvency ratios of Rabobank Group at 30 June 2017 and 31 December 2016:

Development in capital and solvency ratios

<i>(in millions of euros, except percentages)</i>	At 30 June	At 31 December
	2017*	2016
Common equity Tier 1 capital	31,080	29,618
Common equity Tier 1 ratio.....	15.0%	14.0%
Fully Loaded Common Equity Tier 1 ratio*	14.7%	13.5%
Tier 1 capital	37,481	37,079
Tier 1 ratio.....	18.1%	17.6%
Qualifying capital.....	52,926	52,873
Total capital ratio	25.5%	25.0%

Cash flow

The following table sets forth Rabobank Group's cash flow for the six month periods ended 30 June 2017 and 30 June 2016.

<i>(in millions of euro)</i>	Six month period ended 30 June*	
	2017	2016 (adjusted)
Net cash flow from operating activities	(11,384)	8,859 ⁽¹⁾
Net cash flow from investing activities	14	135 ⁽¹⁾
Net cash flow from financing activities	(364)	584
Net change in cash and cash equivalents	(11,734)	9,578
Cash and cash equivalents at 1 January	84,405	64,943
Net change in cash and cash equivalents	(11,734)	9,578
Foreign exchange differences on cash and cash equivalents	(862)	(1,302)
Cash and cash equivalents	71,809	73,219

- (1) As per the 2017 interim financial statements, Rabobank is presenting the cash flows relating to operating leases as part of the cash flows arising from operating activities as this better represents the operating activities of Rabobank group. In the past, these cash flows were disclosed within cash from investment activities. This resulted in an increase of €974 million of the net cash flows from operating activities and a corresponding decrease in the net cash flows from investing activities in the comparative figures. We also adjusted the presentation of the cashflows relating to sales and purchases of available-for-sale-assets and present those cashflows as cashflows from operating activities and not from investing activities anymore. This resulted in a decrease of net cashflows from investing activities and in increase of the net cashflows from operating activities of €1,922 million.

As a result the comparative figure "Net cash flow operating activities" for the six month period ended 30 June 2016 was adjusted from €7,911 million to €8,859 million and the Comparative figure "Net cash flow from investing activities" for the six month period ended 30 June 2016 was adjusted from €1,083 million to €135 million.

Net cash flow from operating activities was minus €11,384 million in the six month period ended 30 June 2017.

Net cash flow from investing activities was €14 million in the six month period ended 30 June 2017, mainly due to sales in the available-for-sale financial assets.

Net cash flow from financing activities was minus €364 million in the six month period ended 30 June 2017.

Working capital

In the opinion of Rabobank Group, its working capital is sufficient for its present requirements, that is for at least 12 months following the date of this Supplemental Information Statement. Rabobank Group currently complies with the applicable own funds and liquidity requirements as set out in the CRD IV Directive as implemented in the FMSA and CRR.

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 the six month periods ended 30 June 2017 and 30 June 2016:

	Six month period ended 30 June 2017*	Six month period ended 30 June 2016*
Return on assets (in percentages) ⁽¹⁾	0.46	0.29
Net profit (in millions of euros).....	1,516	997
Total average assets (month-end balances in billions of euros).....	663.4	679.6
Return on equity (in percentages) ⁽²⁾	4.94	4.93
Net profit (in millions of euros).....	1,516	997
Total average equity (quarter –end balance in billions of euros).....	41.0	41.3
Equity to assets ratio (in percentages) ⁽³⁾	6.19	6.01
Total average equity (quarter –end balance in billions of euros).....	41.0	41.3
Total average assets (quarter-end balances in billions of euros).....	662.3	682.7

Notes:

- (1) The return on assets is a profitability ratio which states net profit as a percentage of total average assets, based on month-end balances.
- (2) The return on equity is a profitability ratio which states net profit as a percentage of average equity, based on quarter-end balances.
- (3) The equity to assets ratio is a leverage ratio and is calculated by dividing average equity by average total assets, based on quarter-end balances.

The following table presents information relating to payments on Rabobank (Member) Certificates for the six month period ended 30 June 2017 and the year ended 31 December 2016:

	Six month period ended 30 June 2017*	Year ended 31 December 2016
<i>(in millions of euros, except percentages)</i>		
Outstanding Rabobank (Member) Certificates ⁽¹⁾	7,446	5,948
Payments.....	242	387
Average yield ⁽²⁾	6.50%	6.50%

Note:

- (1) Average Outstanding Rabobank (Member) Certificates based on month-end balances.
- (2) Average yield is calculated by dividing payments by the number of outstanding Rabobank Certificates and multiplying the result by two. The result is multiplied by two because the payments represent half-year payments.

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 30 June 2017 and the year ended 31 December 2016:

	At 30 June	At 31 December
	2017*	2016
<i>(in billions of euros)</i>		
Private sector lending	417.8	424.6
Change in accounting policy	0	0
Loans to government clients	2.5	3.3
Receivables relating to securities transactions	13.8	16.3
Hedge accounting	6.9	8.6
Total loans and advances to customers.....	441.0	452.8
Loan impairment allowance loans and advances to customers	(6.9)	(7.5)
Reclassified assets	0.2	0.4
Gross loans and advances to customers.....	447.7	459.9

The following table sets forth a geographic breakdown of Rabobank Group's private sector loan portfolio at 30 June 2017 and the year ended 31 December 2016:

	At 30 June	At 31 December
	2017*	2016
<i>(in millions of euros)</i>		
The Netherlands	302,050	304,723
Other European countries in the EU zone	28,349	28,895
North America	43,637	45,985
Latin America	12,599	13,680
Asia	9,039	9,624
Australia	21,888	21,315
Other countries	234	329
Total private sector lending	417,796	424,551

Risk elements*

Based on the liquidity criteria of the Dutch Central Bank, Rabobank had a substantial liquidity surplus at 30 June 2017. The average liquidity surplus was 30 per cent of the total liquidity requirement.

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

Interest rate sensitivity

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

The BPV is the absolute loss of economic value of equity after a parallel shift of the yield curve with 1 basis point. In 2016, the BPV was €7.7 million

Long-term interest rate risk is measured and managed using the Equity at Risk concept. Equity at Risk is the sensitivity of Rabobank Group's economic value of equity to interest rate fluctuations. A 100 basis point overnight upward parallel shock of the curve will result in a 1.4 per cent drop in economic value of equity (figure at 31 December 2016).

Short-term interest rate risk is monitored using the Income at Risk concept. This is the amount of net interest income that is put at risk on an annual basis, based on certain interest rate scenarios. If interest rates were to gradually decrease 10 basis points over a one-year period, net interest income would decrease by €82 million (figure at 31 December 2016).

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 30 June 2017, there were no cross-border outstandings exceeding 1 per cent of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following table analyses cross-border outstandings at 31 December 2016 and at 30 June 2017, stating the name of the country and the aggregate amount of cross-border outstandings in each foreign country where such outstandings exceeded 1 per cent of total assets, by type of borrower:

<i>(in millions of euros)</i>	Banks	Public authorities	Private sector	Total
At 30 June 2017				
France	2,815	3,116	1,518	7,449
United Kingdom	10,647	1	10,325	20,973
At 31 December 2016				
France	5,940	3,142	1,261	10,343
United Kingdom	7,923	1	9,531	17,455

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 30 June 2017:

<i>(in millions of euros)</i>	At 30 June 2017		
	On balance	Off balance	Total
Grain and oilseeds	19,715	317	20,032
Animal protein	15,806	175	15,981
Dairy	22,225	89	22,314
Fruit and vegetables	10,144	71	10,215
Farm inputs	10,040	426	10,466
Food retail and food service	4,766	119	4,885
Beverages	3,086	18	3,103
Flowers	1,625	3	1,629
Sugar	2,724	27	2,751
Miscellaneous crop farming	1,228	23	1,251
Other food and agri	8,846	492	9,338
Total private sector lending to food and agri	100,204	1,761	101,965
Lessors of real estate	17,645	37	17,682
Finance and insurance (except banks)	11,844	4,061	15,905
Wholesale	10,936	4,623	15,559
Activities related to real estate	7,325	38	7,363
Manufacturing	9,486	913	10,399
Transportation and warehousing	6,291	254	6,545
Construction	4,805	1,111	5,916
Healthcare & social assistance	5,946	35	5,981
Professional, scientific and technical services	9,229	266	9,496
Retail (except food and beverages)	4,390	331	4,722
Utilities	2,424	902	3,326
Information and communication	1,169	5	1,174

Arts, entertainment and recreation	1,288	15	1,303
Other services	25,146	945	26,091
Total private sector lending to trade, industry and services	117,925	13,538	131,463
Private individuals	199,667	150	199,817
Total private sector lending	417,796	15,449	433,245

Apart from loans and advances to banks (€26.2 billion at 30 June 2017 which is 4.2 per cent of total assets), Rabobank's only significant risk concentration is in the portfolio of loans to private individuals which accounted for 48 per cent of the private sector loan portfolio at 30 June 2017. 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 24 per cent at 30 June 2017. The proportion of the total loan portfolio attributable to trade, industry and services was 28 per cent at 30 June 2017. Loans to trade, industry and services and loans to the food and agri sector are both spread over a wide range of industries in many different countries. None of these shares represents more than 10 per cent of the total loan portfolio.

Non-performing loans*

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

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

At 30 June 2017, these loans amounted to €18,247 million (2016: €18,530 million). The loan impairment allowance covered 37.8 per cent (2016: 40.7 per cent) of the non-performing loans. Over and above the loan impairment allowance, additional coverage is raised through collateral and other securities. Rabobank applies the one-obligor principle for the corporate portfolio, which means that the exposure to all counterparties belonging to the same group is taken into account. In addition, the full exposure to a client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of security or collateral. At 30 June 2017, non-performing loans corresponded to 4.4 per cent (2016: 4.4 per cent) of the private sector loan portfolio.

The following table provides an analysis of Rabobank Group's non-performing loans by business at 30 June 2017 and 31 December 2016:

<i>(in millions of euros)</i>	<u>At 30 June</u> <u>2017*</u>	<u>At 31 December</u> <u>2016 (adjusted)⁽¹⁾</u>
Domestic retail banking ⁽¹⁾	8,862	8,254 ⁽²⁾
Wholesale banking and international rural and retail banking	6,875	6,774 ⁽³⁾
Leasing	413	506 ⁽⁴⁾
Real estate	2,098	2,997 ⁽⁵⁾
Rabobank Group	18,247	18,531

(1) Prior-year figures adjusted; see paragraph "Changes in business segments".

(2) Comparative figure "Domestic retail banking" for the year ended 31 December 2016 was adjusted from €8,185 million to €8,254 million.

(3) Comparative figure "Wholesale banking and international rural and retail banking" for the year ended 31 December 2016 was adjusted from €6,421 million to €6,774 million.

(4) Comparative figure "Leasing" for the year ended 31 December 2016 was adjusted from €575 million to €506 million.

(5) Comparative figure "Real Estate" for the year ended 31 December 2016 was adjusted from €3,350 million to €2,997 million.

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 30 June 2017 and 31 December 2016:

<i>(in millions of euros)</i>	At 30 June 2017*	At 31 December 2016 (adjusted)
Domestic retail banking.....	3,246	3,963
Wholesale banking and international rural and retail banking	3,035	2,898 ⁽¹⁾
Leasing	317	322
Real estate.....	874	1,175
Other	15	33 ⁽¹⁾
Opening Balance.....	7,487	8,391
Domestic retail banking.....	(156)	91
Wholesale banking and international rural and retail banking	105	307
Leasing	41	145
Real estate.....	(43)	(73)
Other	(15)	4
Loan impairment charges from loans and advances to customers	(67)	474
Domestic retail banking.....	(355)	(932)
Wholesale banking and international rural and retail banking	(66)	(203)
Leasing	(69)	(165)
Real estate.....	(124)	(240)
Other	0	(7)
Write-down of defaulted loans during the period	(614)	(1,547)
Domestic retail banking.....	84	125
Wholesale banking and international rural and retail banking	(18)	33
Leasing	(61)	15
Real estate.....	(22)	12
Other	0	(15)
Interest and other adjustments	(16)	170
Domestic retail banking.....	2,843	3,246
Wholesale banking and international rural and retail banking	3,120	3,035
Leasing	252	317
Real estate.....	686	874
Other	0	15
Closing balance	6,790	7,487

(1) As result of a correction the figure on 1 January 2016 does not match with 31 December 2015.

Deposits from customers*

The following table presents a breakdown of deposits from customers at 30 June 2017 and 31 December 2016. Interest rates paid on time deposits and savings deposits reflect market conditions and not all current accounts earn interest.

<i>(in millions of euros)</i>	At 30 June 2017*	At 31 December 2016
Current accounts.....	77,185	76,757
Deposits with agreed maturity.....	73,578	82,909
Deposits redeemable at notice	182,086	175,943
Repurchase agreements.....	183	212
Other deposits from customers.....	10,148	11,891
Total	343,180	347,712

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 within the line item "Debt securities in issue". The following table includes an analysis of the balance of short-term borrowings at 30 June 2017 and 31 December 2016.

	<u>At 30 June</u>	<u>At 31 December</u>
<i>(in millions of euros)</i>	<u>2017*</u>	<u>2016</u>
End of period balance	38,403	45,796
Average balance	48,509	54,306
Maximum month-end balance.....	54,489	59,422

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 within the line items "Debt securities in issue" and "Other financial liabilities at fair value through profit or loss". The following table includes an analysis of the balance of long-term borrowings at 30 June 2017 and 31 December 2016.

	<u>At 30 June</u>	<u>At 31 December</u>
<i>(in millions of euros)</i>	<u>2017</u>	<u>2016</u>
End of period balance	119,877	130,066
Average balance	127,901	136,811
Maximum month-end balance.....	136,540	142,230

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Interim financial information

Consolidated statement of financial position

Consolidated statement of financial position			
Amounts in millions of euros	Note	30-06-2017	31-12-2016 ¹
Assets			
Cash and balances at central banks		71,809	84,405
Loans and advances to banks		26,184	25,444
Financial assets held for trading		2,281	2,585
Financial assets designated at fair value		1,242	1,321
Derivatives		29,856	42,372
Loans and advances to customers	6	440,971	452,807
Available-for-sale financial assets		30,455	34,580
Investments in associates and joint ventures		2,534	2,417
Goodwill and other intangible assets		1,081	1,089
Property and equipment		4,451	4,590
Investment properties		271	293
Current tax assets		224	171
Deferred tax assets		2,154	2,360
Other assets		9,461	7,878
Non-current assets held for sale		223	281
Total assets		623,197	662,593
Liabilities			
Deposits from banks		20,793	22,006
Deposits from customers		343,180	347,712
Debt securities in issue		143,588	159,342
Financial liabilities held for trading		761	739
Financial liabilities designated at fair value		14,692	16,520
Derivatives		32,911	48,024
Other liabilities		8,015	8,432
Provisions		1,588	1,546
Current tax liabilities		213	269
Deferred tax liabilities		607	618
Subordinated liabilities		16,535	16,861
Total liabilities		582,883	622,069
Equity			
Reserves and retained earnings	8	25,544	25,821
Equity instruments issued by Rabobank			
- Rabobank Certificates		7,446	5,948
- Capital Securities		6,224	7,636
		13,670	13,584
Non-controlling interests			
Equity instruments issued by subsidiaries			
- Capital Securities		180	185
- Trust Preferred Securities III to IV		399	409
Other non-controlling interests		521	525
		1,100	1,119
Total equity		40,314	40,524
Total equity and liabilities		623,197	662,593

¹ Prior-year figures adjusted; see paragraph Changes in accounting principles and presentation.

Consolidated statement of income

Consolidated statement of income			
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>First half-year 2017</i>	<i>First half-year 2016¹</i>
Interest income	1	8,070	8,256
Interest expense	1	3,616	3,881
Net interest income	1	4,454	4,375
Fee and commission income		1,074	1,090
Fee and commission expense		86	108
Net fee and commission income		988	982
Income from other operating activities	2	879	1,446
Expenses from other operating activities	2	684	1,063
Net income from other operating activities	2	195	383
Income from investments in associates and joint ventures		105	64
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss		100	(78)
Gains/ (losses) on available-for-sale financial assets		12	10
Other income		84	164
Income		5,938	5,900
Staff costs	3	2,136	2,264
Other administrative expenses	4	1,418	1,803
Depreciation		201	209
Operating expenses		3,755	4,276
Loan impairment charges	5	(67)	148
Regulatory levies		258	246
Operating profit before tax		1,992	1,230
Income tax		476	233
Net profit		1,516	997
Of which attributed to Rabobank		903	343
Of which attributed to holders of Rabobank Certificates		242	193
Of which attributed to Capital Securities issued by Rabobank		323	391
Of which attributed to Capital Securities issued by subsidiaries		8	8
Of which attributed to Trust Preferred Securities III to IV		11	30
Of which attributed to other non-controlling interests		29	32
Net profit for the period		1,516	997

1 Prior-year figures adjusted; see paragraph Changes in accounting principles and presentation.

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income		
<i>Amounts in millions of euros</i>	<i>First half-year 2017</i>	<i>First half-year 2016¹</i>
Net profit for the period	1,516	997
Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:		
Exchange differences on translation of foreign operations	(701)	(117)
Changes in the fair value of available-for-sale financial assets	(74)	28
Cash flow hedges	20	(34)
Share of other comprehensive income of associates and joint ventures	(6)	41
Other	35	(2)
Other comprehensive income not to be transferred to profit or loss, net of tax:		
Re-measurements of post-employee benefit obligations	(3)	5
Share of other comprehensive income of associates and joint ventures	1	(6)
Fair value changes due to own credit risk on financial liabilities designated at fair value	(135)	(70)
Other comprehensive income	(863)	(155)
Total comprehensive income	653	842
Of which attributed to Rabobank	61	178
Of which attributed to holders of Rabobank Certificates	242	193
Of which attributed to Capital Securities issued by Rabobank	323	391
Of which attributed to Capital Securities issued by subsidiaries	8	8
Of which attributed to Trust Preferred Securities III to IV	11	30
Of which attributed to other non-controlling interests	8	42
Total comprehensive income	653	842

1 Prior-year figures adjusted; see paragraph Changes in accounting principles and presentation.

Consolidated statement of changes in equity

Consolidated statement of changes in equity					
<i>Amounts in millions of euros</i>	<i>Reserves and retained earnings</i>	<i>Equity instruments issued by Rabobank</i>	<i>Non-controlling interests</i>		<i>Total</i>
			<i>Equity instruments issued by subsidiaries</i>	<i>Other</i>	
Balance on 1 January 2017	25,821	13,584	594	525	40,524
Net profit for the period	1,487	-	-	29	1,516
Other comprehensive income	(842)	-	-	(21)	(863)
Total comprehensive income	645			8	653
Payments on Rabobank Certificates	(242)	-	-	-	(242)
Payments on Trust Preferred Securities IV	-	-	-	-	-
Payments on Capital Securities issued by subsidiaries	(8)	-	-	-	(8)
Payments on Capital Securities issued by Rabobank	(359)	-	-	-	(359)
Redemption of Capital Securities (note 10)	(376)	(1,421)	-	-	(1,797)
Issue of Rabobank Certificates (note 9)	120	1,500	-	-	1,620
Cost of issue Rabobank Certificates	(12)	-	-	-	(12)
Other	(45)	7	(15)	(12)	(65)
Balance on 30 June 2017	25,544	13,670	579	521	40,314
Balance on 1 January 2016	25,623	13,775	1,307	492	41,197
Net profit for the period	965	-	-	32	997
Other comprehensive income	(165)	-	-	10	(155)
Total comprehensive income	800			42	842
Payments on Rabobank Certificates	(193)	-	-	-	(193)
Payments on Trust Preferred Securities III to IV	(18)	-	-	-	(18)
Payments on Capital Securities issued by Rabobank	(439)	-	-	-	(439)
Payments on Capital Securities issued by subsidiaries	(8)	-	-	-	(8)
Issue of Capital Securities	-	1,250	-	-	1,250
Cost of issue of Capital Securities	-	(9)	-	-	(9)
Call of Capital Securities	(360)	(1,437)	-	-	(1,797)
Other	(18)	25	(66)	(7)	(66)
Balance on 30 June 2016	25,387	13,604	1,241	527	40,759

Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows		
<i>Amounts in millions of euros</i>	<i>First half-year 2017</i>	<i>First half-year 2016¹</i>
Operating profit before tax	1,992	1,230
Non-cash items recognised in operating profit before tax	430	1,411
Net change in assets and liabilities relating to operating activities	(13,806)	6,218
Net cash flow from operating activities	(11,384)	8,859
Net cash flow from investing activities	14	135
Net cash flow from financing activities	(364)	584
Net change in cash and balances at central banks	(11,734)	9,578
Cash and balances at central banks at 1 January	84,405	64,943
Net change in cash and balances at central banks	(11,734)	9,578
Exchange rate differences on cash and balances at central banks	(862)	(1,302)
Cash and balance at central banks at 30 June	71,809	73,219

1 Prior-year figures adjusted; see paragraph Changes in accounting principles and presentation.

Notes to the interim financial information

Corporate information

The interim financial statements of Rabobank include the financial information of Coöperatieve Rabobank U.A. and the group companies.

Basis for preparation

The interim financial statements of Rabobank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and are presented in conformity with IAS 34 Interim Financial Reporting. Unless stated otherwise, all amounts are in millions of euros.

For the publication of its interim report, Rabobank has opted for the alternative of presenting a condensed version of its consolidated statement of cash flows. As of this half year interim financial statements, Rabobank is no longer opting for a condensed version of the income statement but is presenting the complete income statement. These interim financial statements do not include all the information and disclosures required in the Consolidated Financial Statements and should be read in conjunction with the Consolidated Financial Statements 2016 of Rabobank Group, which were prepared in accordance with the IFRS as adopted by the European Union. The accounting policies used in this interim report are consistent with those set out in the notes to the Consolidated Financial Statements 2016 of Rabobank Group and in the description of the estimates below, except for the changes in accounting policies described in the section 'Changes in accounting principles and presentation'.

Going concern

The Executive Board considers it appropriate to adopt the going concern basis of accounting in preparing these interim financial statements based on a forecast analysis.

Judgements and estimates

In preparing these interim financial statements, management applied judgement with respect to estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities on the date of the Consolidated Financial Statements, and the amounts reported for income and expenses during the reporting period.

The accounting principles listed below require estimates that are based on assessments and assumptions. Although management

estimates are based on an assessment of current circumstances and activities on the basis of available financial data and information, the outcome may deviate from these estimates.

Loan impairment allowance

Rabobank assesses at each reporting period whether an impairment loss should be recorded in the income statement. The impairment methodology for loans and advances results in the recognition of:

- Specific allowances for individual impaired loans;
- Collective allowances for:
 - Retail exposures if it is not economically justified to recognise the loss on an individual basis;
 - Incurred but not reported losses.

The detailed approach for each category is further explained in section 2.15: 'Loans and advances to customers' and 'Loans and advances to banks' of the Consolidated Financial Statements 2016 of Rabobank. Loan impairment allowances are recognised where there is objective evidence that not all amounts due under the original terms of the contract may be recoverable. Determining an allowance requires a significant degree of judgement, based on management's evaluation of the risks in the loan portfolio, the current economic circumstances, credit losses in previous years, as well as developments in financial credits, business sectors, business concentrations and geopolitical factors. Changes in management judgement formulation and further analyses may lead to changes in the magnitude of loan impairment allowances over time. Uncertainty is inherent in determining objective evidence of reduced creditworthiness and in determining the magnitude of the recoverable amounts and these involve assessing a variety of assumptions and factors regarding the creditworthiness of borrowers, the expected future cash flows and the value of collateral.

Fair value of financial assets and liabilities

Information on the determination of the fair value of financial assets and liabilities is included in the section 'Fair value of financial assets and liabilities'.

Impairment of goodwill, other intangible assets and investments in associates and joint ventures

Goodwill and other intangible assets are assessed for impairment – at least once a year – by comparing the recoverable value to the carrying amount, while investments

in associates and joint ventures are tested for impairment when specific triggers are identified. The determination of the recoverable amount in an impairment assessment of these assets requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgements and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, these estimates are considered critical. The important assumptions for determining recoverable value of goodwill are set out in section 14 and for investments in associates and joint ventures are set out in section 13 of the Consolidated Financial Statements 2016 of Rabobank.

Taxation

Estimates are used when determining the income tax charge and the related current and deferred tax assets and liabilities. Tax treatment of transactions is not always clear or certain and in a number of countries prior year tax returns often remain open and subject to tax authority approval for lengthy periods. The tax assets and liabilities reported are based on the best available information, and where applicable, on external advice. Differences between the final outcome and the estimates originally made are accounted for in the current and deferred tax assets and liabilities in the period in which reasonable certainty is obtained.

Income tax is recognised in the interim period on the basis of the best estimate of the weighted average annual rate of income tax expected for the full financial year.

Provisions

In applying IAS 37, judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. More information on judgements regarding the provision for SME derivatives and the restructuring provision is included sections 4 and 7 of the notes to the primary financial statements.

New and amended standards issued by the IASB and adopted by the European Union which do not yet apply in the current financial year

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board (IASB) published IFRS 9 Financial Instruments as the replacement for IAS 39 Financial Instruments: Recognition and Measurement. The new standard becomes effective on 1 January 2018 and is endorsed by the European Union in 2016. IFRS 9, in particular the impairment requirements, will lead to changes in the accounting for financial instruments.

Classification and measurement – Requirements

Classification and measurement of financial assets dependent on two criteria: how Rabobank manages them, and the type of contractual cash flows in these assets. Both criteria are used to determine whether the financial assets are accounted for at amortised cost, at fair value with adjustments recognised in other comprehensive income (FVOCI), or through profit or loss (FVTPL). The combination of these two criteria (business model and contractual cash flow characteristics) may result in some differences in the composition of financial assets measured at amortised cost and at fair value, as compared to IAS 39. The classification and measurement of financial liabilities under IFRS 9 remains the same as under IAS 39 with the exception of financial liabilities designated to be measured at fair value, for which gains or losses relating to Rabobank's own credit risk are to be included in other comprehensive income. In 2016 Rabobank elected to early apply only the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss.

Classification and measurement – Expected impact

Rabobank currently expects the majority of the balance sheet to remain in the current measurement categories. This means that where financial assets are currently recognised at amortised cost, we expect that the majority will continue to be recognised at amortised cost under IFRS 9. The same applies to financial assets at fair value through other comprehensive income (Available-for-sale category) and financial assets at fair value through profit or loss.

Impairments – Requirements

The rules governing impairments apply to financial assets at amortised cost and financial assets at fair value through OCI, as well as to lease receivables, certain loan commitments and financial guarantees. At initial recognition, an allowance is formed for the amount of the expected credit losses from possible defaults in the coming 12 months ('12-months expected credit loss' (ECL)). If credit risk increased significantly since origination (but remains non-credit-impaired), an allowance will be required for the amount that equals the expected credit losses stemming from possible defaults during the expected lifetime of the financial asset ('Lifetime ECL'). If the financial instrument becomes credit-impaired, the allowance will remain at the Lifetime ECL. However, the interest income for these instruments will be recognised by applying the effective interest rate on the net carrying amount (including the allowance). Financial instruments become credit-impaired when one or more events have a detrimental impact on estimated future cash flows.

The ECLs on an instrument should be based on an unbiased probability-weighted amount that is determined by evaluating a range of possible and reasonable outcomes and should reflect information available on current conditions and forecasts of future economic conditions, such as gross domestic product growth, unemployment rates and interest rates.

Impairments – Differences to current IAS 39 methodology

The IAS 39 impairment methodology is based on an 'incurred loss' model, meaning that an allowance is determined when an instrument is credit-impaired, that is, when a loss event has occurred that has a detrimental impact on estimated future cash flows. This will generally align with the Lifetime ECL – Credit-Impaired category of IFRS 9. However, within the expected credit loss framework of IFRS 9 the entire portfolio of financial instruments is now subject to impairment allowance through the additions of the 12-month ECL category and the Lifetime ECL category – Non-Credit-Impaired categories, generally leading to increases in overall allowances.

Impairments – Key concepts and their implementation at Rabobank

Two fundamental drivers of the IFRS 9 impairments requirements are a) the methodology for the measurement of 12-Month and Lifetime Expected Credit Losses and b) the criteria used to determine whether a 12-month ECL, Lifetime ECL non-credit-impaired, or Lifetime ECL credit-impaired should be applied (also referred to as stage determination criteria).

a) Methodology to determine expected credit losses

In order to determine ECLs Rabobank will utilise Probability of Default (PD) x Loss Given Default (LGD) x Exposure at Default (EAD) models for the majority of the portfolio in scope. The credit risk models in place for regulatory purposes, Advanced Internal Rating Based Approach (A-IRB) models, will function as a basis for these ECL models as they are established in the current (credit) process. However, as these models contain prudential elements, such as conservatism, downturn elements and through-the-cycle estimates, an overlay will be constructed on top of these A-IRB models in order to eliminate any prudential elements and incorporate the elements required by IFRS 9, such as point-in-time estimates, lifetime parameters, etc. Subsequently, forecasts of multiple future economic conditions (macroeconomic scenarios) will be incorporated into the ECL models and probability weighted in order to determine the eventual expected credit losses. Rabobank expects to utilise three global macroeconomic scenarios, a baseline scenario, a baseline minus and a baseline plus, which will be probability weighted. The default definition utilised for accounting purposes is the same as used for regulatory purposes.

b) Stage determination criteria

In order to allocate financial instruments in scope between the categories 12-month ECL (stage 1), Lifetime ECL Non-Credit-Impaired (stage 2) and Lifetime ECL Credit-Impaired (stage 3) a framework of qualitative and quantitative factors has been developed. As the definition of credit-impaired used for IFRS 9 purposes aligns with the default definition used for regulatory purposes, the stage 3 portfolio equals the defaulted portfolio. The criteria for allocating a financial instrument to stage 3 are therefore fully aligned with the criteria for assigning a defaulted status, for example 90 days past due status, or if a debtor is likely to become unable to pay its credit obligations without liquidation of collateral by the bank. In order to allocate financial instruments between stages 1 and 2, we use criteria that are currently applied in the credit process, such as days past due status and special asset management status. Also, the quantitative criteria used are related to the probability of default (PD), where a financial instrument is allocated to stage 2 when an increase in the weighted average PD since origination exceeds a predefined threshold.

Impairments – Expected impact

With the introduction of IFRS 9, allowance levels are expected to increase due to the addition of stage 1 and stage 2 categories which apply to financial instruments that did not previously meet the criteria for having an allowance under IAS 39. This subsequently also leads to a decrease in equity (net of tax). However, the increase in allowance levels due to the addition of stages 1 and 2 is partially offset by the release of the current IAS 39 allowance for incurred but not reported (IBNR) losses, which compensates partly the overall increase. At this stage, Rabobank is still in the process of developing ECL models and calibrating financial methodologies (e.g. in relation to stage determination) and is planning to complete this process in the second half of 2017. Therefore, the full effects of these changes can only be determined reliably and definitely during the second half of 2017.

Impairments – Expected impact – Capital Planning

As IFRS Equity (including retained earnings) is the basis for determining the common equity tier 1 capital (CET1), any decrease in IFRS Equity is also expected to have a negative impact on CET1. However, for Advanced IRB banks the relationship between IFRS Equity and CET1 is affected by the current regulations on the 'IRB Expected Loss Shortfall'. This shortfall represents the difference between 1) the allowances determined for accounting purposes and 2) the allowances (or expected losses) determined under the IRB approach. Where (1) is lower than (2), a shortfall exists and an additional deduction is made from IFRS Equity in order to arrive at CET1. It should be noted that the reason for a shortfall lies

largely in the conservatism applied in the IRB approach, such as the application of economic downturn factors to collateral values (also called the Loss Given Default Downturn Factor). The decrease in IFRS Equity (due to the introduction of IFRS 9) and the resulting impact that this decrease has on CET1 will be partly compensated by the corresponding decrease of the shortfall.

The EBA is currently revisiting the regulations regarding the regulatory treatment of accounting allowances, including the phase-in of a negative capital impact.

Hedge accounting – Requirements

Hedge accounting is an option IFRS offers to mitigate profit or loss volatility caused by measurement and classification differences between granted loans and issued debt measured at amortised cost, assets measured at fair value through OCI (hedged items) and related hedging derivatives measured at fair value through profit or loss (hedging derivatives). The assets and liabilities measured at amortised cost are revalued for the fair value changes due to the hedged risk. For assets measured at fair value through OCI, the fair value changes due to the hedged risk on the assets recognised in OCI are reclassified to profit or loss. In a cash flow hedge the fair value changes of the derivative are recognised in the cash flow hedge reserve (effective part only).

Hedge accounting – Differences to current IAS 39 methodology

One of the main differences between IAS 39 and IFRS 9 for non-portfolio hedge accounting is that IFRS 9 does not permit voluntary de-designation of the hedge relationship. This is not in line with our current approach of applying hedge accounting to a net dynamic risk position which requires frequent (de)designations. Furthermore, IFRS 9 replaces some of the arbitrary rules (such as 80%-125% effectiveness testing) with more principle-based requirements. IAS 39 also lacks a specific accounting solution for hedge accounting with cross-currency swaps (currency basis) when used as hedging instruments, while IFRS 9 has this. Under IFRS 9, the currency basis spreads may be considered as costs of hedging and fair value changes caused by currency basis spread may be recognised in OCI.

Hedge accounting – Expected impact

Rabobank plans to implement IFRS 9 for non-portfolio hedge accounting to benefit from the specific treatment of currency basis in IFRS 9 per 1 January 2018. We expect to be able to designate more effective non-portfolio hedge accounting relationships with cross-currency swaps under IFRS 9 and to reduce the profit or loss volatility caused by currency basis, which will then be recognised in OCI. IFRS 9 does not offer a

solution for fair value hedge accounting for a portfolio hedge of interest rate risk portfolio, so Rabobank will use the accounting policy choice IFRS 9 provides to continue to apply the IAS 39 EU carve-out for such portfolio hedge accounting.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers', which is effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients. The standard does not apply to financial instruments, insurance contracts or lease contracts. Rabobank has not finalised the investigation of the impact on the financial statements and the practical expedients but the current assessment is that this new standard will not have a significant impact on profit or equity.

New standards issued by the IASB, but not yet endorsed by the European Union

IFRS 16 Leases

In January 2016, the IASB issued 'IFRS 16 Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under 'IAS 17 Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability will be measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. Rabobank is currently assessing the impact of this standard.

IFRS 17 Insurance contracts

In May 2017, the IASB issued 'IFRS 17 Insurance Contracts' with an effective date of annual periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Rabobank is currently assessing the impact of this standard.

Other amendments to IFRS

There have been minor amendments to IFRS 2, IFRS 15, IAS 7, IAS 12, IAS 40, IFRIC 22 and the Annual improvements to IFRS Standards 2014-2016 Cycle.

Although these new requirements are currently being analysed and their impact is not yet known, Rabobank does not expect the implementation of these other standards to significantly affect profit or equity.

Changes in accounting principles and presentation

Change in presentation

As disclosed in the Consolidated Financial Statements 2016, Rabobank has elected to early adopt a part of IFRS 9 with regard to the own credit adjustment included in the valuation of financial liabilities designated at fair value through profit or loss as from 1 January 2016. As a result of this early adoption, the figures of June 2016 have been changed as follows. In the Consolidated statement of income, gains/ (losses) on financial assets and liabilities at fair value through profit or loss increased by 97 and the income tax increased by 24. In the Consolidated statement of comprehensive income, -70 was recognised as fair value changes due to own credit risk on financial liabilities designated at fair value. And -3 was recognised in retained earnings.

As per the Interim financial statements 2017, Rabobank decided to disclose the revenues from other operating activities and the corresponding cost of revenue separately in the Consolidated Statement of Income to enhance transparency. The prior-year presentation has been adjusted accordingly.

As per interim financial statements 2017, Rabobank is presenting the cash flows relating to operating leases as part of the cash flows arising from operating activities as this better represents the operating activities of Rabobank group. In the past, these cash flows were disclosed within cash from investment activities. This resulted in an increase of 974 of the net cash flows from operating activities and a corresponding decrease in the net cash flows from investing activities in the comparative figures.

We also adjusted the presentation of the cashflows relating to sales and purchases of available-for-sale-assets and present those cashflows as cashflows from operating activities and not from investing activities anymore. This resulted in a decrease of net cashflows from investing activities and in increase of the net cashflows from operating activities of 1,922.

Notes to the primary financial statements

1. Net interest income

Net interest income		
<i>In millions of euros</i>	<i>First half 2017</i>	<i>First half 2016</i>
Cash and balances at central banks	113	106
Loans and advances to banks	141	148
Financial assets held for trading	19	26
Financial assets designated at fair value	15	14
Loans and advances to customers	7,814	8,203
Available-for-sale financial assets	392	430
Derivatives held as economic hedges	(536)	(740)
Interest income on financial liabilities with a negative interest rate	65	22
Other	47	47
Interest income	8,070	8,256
Deposits from banks	192	237
Deposits from customers	1,088	1,288
Debt securities in issue	1,557	1,766
Financial liabilities held for trading	7	6
Financial liabilities designated at fair value	244	132
Subordinated liabilities	381	348
Interest expense on financial assets with a negative interest rate	144	99
Other	3	5
Interest expense	3,616	3,881
Net interest income	4,454	4,375

2. Net income from other operating activities

Other net operating income		
<i>In millions of euros</i>	<i>First half 2017</i>	<i>First half 2016</i>
Income from real estate activities	531	709
Expenses from real estate activities	417	550
Net income real estate activities	114	159
Income from operational lease activities	336	725
Expenses from operational lease activities	258	510
Net income from operational lease activities	78	215
Income from investment property	12	12
Expenses from investment property	9	3
Net income from investment property	3	9
Net income from other operating activities	195	383

3. Staff costs

Staff costs		
<i>In millions of euros</i>	<i>First half 2017</i>	<i>First half 2016</i>
Wages and salaries	1,401	1,561
Social security contributions and insurance costs	162	192
Pension costs - defined contribution plans	289	252
Pension costs - defined benefit pension plans	1	2
Release of other post-employment provisions	(2)	(83)
Other staff costs	285	340
Staff costs	2,136	2,264

4. Other administrative expenses

Other administrative expenses		
<i>In millions of euros</i>	<i>First half 2017</i>	<i>First half 2016</i>
Additions and releases of provisions	216	610
IT expenses and software costs	335	321
Consultants fees	170	176
Training and travelling expenses	91	81
Publicity expenses	62	71
Result on derecognition and impairments on (in) tangible assets	17	6
Other expenses	527	538
Other administrative expenses	1,418	1,803

Other administrative expenses decreased to 1,418 (1,803). In the first half of 2016, other administrative expenses were relatively high as a result of the provision for adopting the SME interest rate derivative framework (514). Also higher restructuring costs in the first half of 2016 (190 versus 98 in the first half of 2017) contributed to the decrease in other administrative expenses. This decrease was somewhat tempered by the release of a provision for legal claims in the first half of 2016.

5. Loan impairment charges

At minus 67, loan impairment charges in the first half of 2017 were significantly lower than in the first half of 2016 (148 positive), with improvements in nearly all business segments. This is mainly due to the ongoing favourable economic conditions in our domestic market, leading to limited additions and high releases of existing allowances, particularly in the domestic retail banking business and in real estate. Relative to the average private sector loan portfolio, loan impairment charges amounted to minus 3 (7) basis points; this is exceptionally low and substantially below the long-term average (period 2007-2016) of 36 basis points.

6. Loans and advances to customers

The weakening of the US dollar was the main driver for currency effects to have a downward impact on the lending book expressed in euros (EUR 5.0 billion). The remainder of the decrease in the loan portfolio of EUR 1.8 billion is caused by early repayments on residential mortgage loans in the local Rabobanks' private sector loan portfolio. In the first six months of 2017 customers' extra mortgage repayments – all payments on top of the mandatory repayments – totalled approximately EUR 8.3 (6.6) billion at local Rabobanks. At the same time, the non-strategic commercial real estate portfolio was further reduced. Excluding currency effects the loan portfolio of WRR was more or less stable and the portfolio of Rabobank's leasing subsidiary DLL increased modestly.

Loan portfolio

<i>In millions of euros</i>	<i>30-06-2017</i>	<i>31-12-2016</i>
Total loans and advances to customers	441.0	452.8
Governments clients	2.5	3.3
Reverse repurchase transactions and securities borrowings	13.8	16.3
Interest rate hedges (hedge accounting)	6.9	8.6
Private sector loan portfolio	417.8	424.6

7. Legal and arbitration proceedings

Rabobank Group is active in a legal and regulatory environment that exposes it to substantial risk of litigation. As a result, Rabobank Group is involved in legal cases, arbitrations and regulatory proceedings in the Netherlands and in other countries, including the United States. The most relevant legal and regulatory claims which could give rise to liability on the part of Rabobank Group are described below. If it appears necessary on the basis of the applicable reporting criteria, provisions are made based on current information; similar types of cases are grouped together and some cases may also consist of a number of claims. The estimated loss for each individual case (for which it is possible to make a realistic estimate) is not reported because Rabobank Group feels that information of this type could be detrimental to the outcome of individual cases.

When determining which of the claims is more likely than not (i.e., with a likelihood of over 50%) to lead to an outflow of funds, Rabobank Group takes several factors into account. These include (but are not limited to) the type of claim and the underlying facts; the procedural process and history of each case; rulings from legal and arbitration bodies; Rabobank Group's experience and that of third parties in similar cases (where known); previous settlement discussions; third-party settlements in similar cases (where known); available indemnities; and the advice and opinions of legal advisors and other experts.

The estimated potential losses and the existing provisions are based on the information available at the time and are for the main part subject to judgements and a number of different assumptions, variables and known and unknown uncertainties. These uncertainties may include the inaccuracy or incompleteness of the information available to Rabobank Group (especially in the early stages of a case). In addition, assumptions made by Rabobank Group about the future rulings of legal or other instances or the likely actions or attitudes of supervisory bodies or the parties opposing Rabobank Group may turn out to be incorrect. Furthermore, estimates of potential losses relating to the legal disputes are often impossible to process using statistical or other quantitative analysis instruments that are generally used to make

judgements and estimates. They are then subject to a still greater level of uncertainty than many other areas where the group needs to make judgements and estimates.

The group of cases for which Rabobank Group determines that the risk of future outflows of funds is higher than 50% varies over time, as do the number of cases for which the bank can estimate the potential loss. In practice, the end results could turn out considerably higher or lower than the estimates of potential losses in cases where an estimate was made. Rabobank Group can also sustain losses from legal risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognised. For those cases where (a) the possibility of an outflow of funds is not probable but also not remote or (b) the possibility of an outflow of funds is more likely than not but the potential loss cannot be estimated, a contingent liability is shown.

Rabobank Group may settle legal cases or regulatory proceedings or investigations before any fine is imposed or liability is determined. Reasons for settling could include (i) the wish to avoid costs and/or management effort at this level, (ii) to avoid other adverse business consequences and/or (iii) pre-empt the regulatory or reputational consequences of continuing with disputes relating to liability, even if Rabobank Group believes it has good arguments in its defense. Furthermore, Rabobank Group may, for the same reasons, compensate third parties for their losses, even in situations where Rabobank Group does not believe that it is legally required to do so.

Interest rate derivatives

Rabobank concludes interest rate derivatives, such as interest rate swaps, with Dutch business customers who wish to reduce the interest rate risk associated with variable (e.g. Euribor-indexed) loans. Such an interest rate swap protects customers from rising variable interest rates and helps businesses to keep their interest payments at an acceptable level. In March 2016, the Dutch Minister of Finance appointed an independent committee, which on 5 July 2016 published a recovery framework (the Recovery Framework) on the reassessment of Dutch SME interest rate derivatives. Rabobank announced its decision to take part in the Recovery Framework on 7 July 2016. The final version of the Recovery Framework was published by the independent committee on 19 December 2016. Implementation of the Recovery Framework is expected to be finalised no earlier than the first quarter of 2018.

Rabobank is involved in civil proceedings in the Netherlands relating to interest rate derivatives carried out with Dutch

business customers. The majority of these concern individual cases. In addition, there is a collective action regarding interest rate derivatives pending before the Court of Appeal. These actions concern allegations relating to misconduct in connection with Rabobank's Euribor submissions (as described below) and / or allegations of misinforming clients with respect to interest rate derivatives. Rabobank will defend itself against all these claims.

Furthermore, there are pending complaints and proceedings against Rabobank regarding interest rate derivatives brought before Kifid (Dutch Financial Services Complaints Authority, which, in January 2015, opened a conflict resolution procedure for SME businesses with interest rate derivatives).

With respect to the (re-)assessment of the interest rate derivatives of its Dutch SME business customers, Rabobank has recognised a provision of 664. The main uncertainties in the calculations of the provision stem from assumptions regarding the scoping of clients. Furthermore, the calculations regarding technical recovery are based on a portfolio approach instead of individual contract calculations.

Fortis

In 2011, the Dutch Investors Association (VEB) issued a summons against the company formerly known as Fortis N.V. (currently trading as Ageas N.V.), the underwriters involved – including Rabobank – and the former directors of Fortis N.V. The VEB states in this summons that (i) investors were misled by the prospectus published by Fortis N.V. in connection with its rights issue in September 2007 and (ii) the impact and risks of the subprime crisis for Fortis and its liquidity position were misrepresented in the prospectus. The VEB has requested a declaratory judgement stating that the defendants acted illegitimately and must therefore be held liable for the loss allegedly suffered by investors in Fortis, which according to the VEB, amounts to approximately EUR 18 billion. Rabobank maintains the view that the aforementioned loss has not been properly substantiated. The proceedings concern a settlement of collective loss, which means that the court will only rule on the question of whether the defendants (including Rabobank) are liable.

Rabobank has been defending itself against the claim.

A hearing was scheduled to start on 14 March 2016. That day, however, Ageas announced a settlement of EUR 1.2 billion with claimant organisations VEB, Deminor, Stichting FortisEffect and Stichting Investor Claims Against Fortis (SICAF) with respect to all disputes and claims relating to various events in 2007 and 2008 in respect of the former Fortis group (including the VEB claim described above).

On 23 May 2016, the parties to the settlement requested the Amsterdam Court of Appeal declare the settlement binding for all eligible Fortis shareholders (in accordance with the Dutch Law on the Collective Resolvment of Mass Damages ('Wet Collectieve Afwikkeling Massaschade')). The class action has been suspended until this specific procedure is finalised.

On 16 June 2017, the Amsterdam Court of Appeal issued an interim judgement stating that the proposed settlement agreement cannot be declared binding. The court has given the parties the opportunity to amend the settlement agreement and file it for reevaluation by the court in the course of October 2017. Parties may request additional time to file the amended settlement agreement. The settlement process may have one of the two following outcomes:

- (1) the Court of Appeal declares the settlement binding. Investors may choose to opt out of the settlement during an opt-out period of three to six months. After this period (and provided that the settlement is not annulled because the opt-out ratio exceeds a certain limit), distributions of payments will start. The release of Rabobank (and other underwriters) is subject to satisfaction of the compensation obligations towards the eligible Fortis shareholders. It is expected that it will take at least 18 months from the Court of Appeal judgement declaring the settlement agreement binding before the first payments will be made. Investors that choose to opt out of the settlement may still claim damages from Ageas and the defendants (including Rabobank) on an individual basis.
- (2) the Court of Appeal does not declare the settlement binding for all eligible Fortis shareholders or Ageas exercises its right to annul the settlement in case the opt-out ratio exceeds a certain limit. If no settlement agreement is binding, the proceedings against the VEB described above in principle will resume as before the suspension.

Rabobank Group considers the Fortis case to be a contingent liability. No provision has been made.

Libor/Euribor

Rabobank has received a number of requests in recent years from regulators in various countries to produce documents and other information in relation to various issues, including issues related to its interest rate benchmark submissions. Rabobank is cooperating, and will continue to cooperate, with the regulators and authorities involved in these investigations. On 29 October 2013, Rabobank entered into settlement agreements with various authorities in relation to their investigations into the historical Libor and Euribor submission processes of Rabobank. Additional information is available on the bank's corporate website. All amounts payable under these settlement agreements were fully paid and accounted for by Rabobank in 2013.

Rabobank, along with a large number of other panel banks and inter-dealer brokers, has been named as a defendant in a number of putative 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, British pound sterling (GBP) Libor, Japanese yen (JPY) Libor, Tibor (note: Rabobank was never a member of the Tibor panel) and Euribor. In 2014, an Argentine consumer protection organisation brought an alleged class action suit against Rabobank in Argentina in relation to US dollar Libor. Rabobank has also been summoned to appear before various Dutch courts in civil proceedings relating to Euribor. Furthermore, various individuals and entities (including three Dutch collective claim foundations of which one was already mentioned above in the section 'Interest rate derivatives') have made a number of allegations relating to Euribor and/or other benchmarks in letters to and legal proceedings against Rabobank and/or an Irish subsidiary.

Since the alleged class action suits and civil proceedings listed above, which have been brought before the courts in the United States or elsewhere, are intrinsically subject to uncertainties, it is difficult to predict their outcomes. Rabobank takes the stance that it has substantive and convincing legal and factual defenses against these claims. Rabobank has the intention to continue to defend itself against them.

Rabobank Group considers the Libor/Euribor case to be a contingent liability. No provision has been made.

BSA/AML

In 2015, Rabobank made a written agreement with the Federal Reserve Bank of New York and the New York State Department of Financial Services. Under this agreement, Rabobank is required to, among other things, improve the BSA/AML (Bank Secrecy Act/Anti-Money Laundering) framework for its NY branch and oversight for the United States region.

In December 2013, via Consent Order, the United States Office of the Comptroller of the Currency (OCC) commenced a civil enforcement action against Rabobank, National Association (RNA) in connection with issues related to RNA's BSA/AML compliance programme. RNA is almost entirely owned by Rabobank and engages in retail banking in California. The Consent Order and related actions are still pending. In 2014, the United States Department of Justice (DOJ) advised Rabobank that it was investigating RNA for possible violations of the Bank Secrecy Act and related regulations and statutes. RNA has provided documentation and other information in response to various DOJ requests; the DOJ has also conducted interviews of both current and former employees. The investigation is on-going.

The Financial Crimes Enforcement Network (FinCEN) of the United States Department of the Treasury served a notice of Investigation on RNA in February 2017. Rabobank understands that FinCEN is investigating essentially the same issues that are the subject of the OCC matter described above.

Both Rabobank and RNA are cooperating with all of these investigations and believe that they will come to a conclusion in 2017.

Also, a criminal complaint was filed with the Dutch Public Prosecutor (DPP) in February 2017 against Rabobank, two group entities and the persons factually in charge of these entities asking for a criminal investigation in relation to the matters related to the DOJ investigation. Rabobank understands that the DPP has received the complaint and awaits the DPP's response to it.

Rabobank Group considers the BSA/AML case to be a contingent liability. No provision has been made.

Other cases

Rabobank Group is subject to other legal proceedings for which a provision was recognised. These cases are individually less significant in size and are therefore not further described.

On top of the contingent liability cases described above for which an assessment regarding a possible outflow is not yet possible, Rabobank Group has identified a number of other, less relevant cases in terms of size as a contingent liability. Because these cases are less significant, Rabobank has chosen not to describe them in detail. The principal amount claimed for those contingent liability cases combined amounts to 58.

8. Reserves and retained earnings

The reserves and retained earnings can be broken down as follows:

Reserves and retained earnings			
<i>In millions of euros</i>	30-06-2017	31-12-2016	30-06-2016 ¹
Foreign currency translation reserves	(480)	203	(208)
Revaluation reserves – Available-for-sale financial assets	494	571	581
Revaluation reserves – Held for sale	(35)	(70)	3
Revaluation reserves – Cash flow hedges	(50)	(70)	(73)
Remeasurement reserve – Pensions	(221)	(219)	(174)
Remeasurement reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	(439)	(303)	(8)
Retained earnings	26,275	25,709	25,266
Total reserves and retained earnings	25,544	25,821	25,387

9. Issuance of Rabobank Certificates in the first half of 2017

In January 2017 Rabobank issued Rabobank Certificates for a nominal amount of EUR 1.5 billion. Rabobank issued 60 million new Rabobank Certificates; each of these newly issued Certificates was priced at 108% of the nominal value of EUR 25.

10. Redemption of Capital Securities in the first half of 2017

Rabobank issued the USD 2,000 million Capital Securities on 9 November 2011. In accordance with the Terms and Conditions of these Capital Securities, Rabobank has redeemed the Capital Securities on the first call date, namely 29 June 2017.

¹ Prior-year figures adjusted; see paragraph Changes in accounting principles and presentation.

Fair value of financial assets and liabilities

This section should be read in conjunction with section 4.9 'Fair value of financial assets and liabilities' of the Consolidated Financial Statements 2016, which provides more detail about accounting policies adopted, valuation methodologies used in calculating fair value and the valuation control framework which governs oversight of valuations. There have been no changes in the accounting policies adopted or the valuation methodologies used.

The following table shows the fair value of financial instruments, recognised at amortised cost on the basis of the valuation methods and assumptions detailed below. 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. For fair value measurement, Rabobank assumes that the transaction to sell the asset or transfer the liability is conducted in the principal market for the asset or liability or in the most advantageous market if there is no principal market.

Market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. For these financial instruments, the fair values shown in the following table have been estimated using the present value or the results of other estimation and valuation methods, based on the market conditions on 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.

Fair value of financial instruments carried at amortised cost in the statement of financial position

In millions of euros	30-06-2017		31-12-2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances at central banks	71,809	71,809	84,405	84,405
Loans and advances to banks	26,184	26,114	25,444	25,368
Loans and advances to customers	440,971	453,127	452,807	465,278
Liabilities				
Deposits from banks	20,793	20,820	22,006	22,042
Deposits from customers	343,180	348,199	347,712	353,227
Debt securities in issue	143,588	146,991	159,342	163,622
Subordinated liabilities	16,535	18,305	16,861	18,256

The figures stated in the following table represent the best possible estimates by management on the basis of a range of methods and assumptions. If a quoted price on an active market is available, this is the best estimate of fair value. If no quoted prices on an active market are available for fixed-term securities, equity instruments, derivatives and commodity instruments, Rabobank bases the expected fair value on the present value of the future cash flows, discounted at market rates which correspond to the credit ratings and terms to maturity of the investments. A model-based price can also be used to determine fair value. Rabobank follows a policy of having all models used for valuing financial instruments validated by expert staff independent of the staff responsible for determining the fair values of the financial instruments.

In determining market values or fair values, various factors must be considered, including the time-value of money, volatility, underlying options, the credit quality of the counterparty and other factors. The valuation process is designed to systematically use market prices that are available on a periodic basis. This systematic valuation process proved its worth during the credit crisis. Modifications to assumptions may affect the fair value of financial assets and liabilities held for trading and non-trading purposes.

The following table illustrates the fair value hierarchy used in determining the fair value of financial assets and liabilities. The breakdown is as follows:

- Level 1: Quoted prices on 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.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 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 have occurred by reassessing the level at the end of each reporting period.

Fair value hierarchy of financial assets and liabilities carried at fair value in the statement of financial position*In millions of euros*

On 30 June 2017	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading	1,768	439	74	2,281
Financial assets designated at fair value	19	704	519	1,242
Derivatives	7	29,445	404	29,856
Available-for-sale financial assets	26,390	3,546	519	30,455
Non-current assets held for sale	-	-	223	223
Liabilities				
Derivatives	4	32,519	388	32,911
Financial liabilities held for trading	761	-	-	761
Financial liabilities designated at fair value	-	14,684	8	14,692
On 31 December 2016				
Assets				
Financial assets held for trading	2,011	485	89	2,585
Financial assets designated at fair value	48	759	514	1,321
Derivatives	18	41,819	535	42,372
Available-for-sale financial assets	29,693	4,347	540	34,580
Non-current assets held for sale	-	-	281	281
Liabilities				
Derivatives	21	47,479	524	48,024
Financial liabilities held for trading	739	-	-	739
Financial liabilities designated at fair value	9	16,498	13	16,520

The next table shows movements in financial instruments which are carried at fair value in the statement of financial position and which are classified in level 3. The fair value adjustments in level 3 which are included in equity are accounted for in the revaluation reserves for available-for-sale financial assets. In the first half of 2017, there were no significant transfers between level 1 and level 2.

Financial instruments at fair value in level 3									
<i>In millions of euros</i>	<i>Balance on 1 January 2017</i>	<i>Gains/ (losses) recognised in profit or loss</i>	<i>Gains/ (losses) recognised in OCI</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to or from level 3</i>	<i>Transfers to or from non-current assets held for sale</i>	<i>Balance on 30 June 2017</i>
Assets									
Financial assets held for trading	89	(3)	-	-	(12)	-	-	-	74
Financial assets designated at fair value	514	4	-	84	(47)	1	-	(37)	519
Derivatives	535	56	-	-	-	(187)	-	-	404
Available-for-sale financial assets	540	(22)	2	9	(10)	-	-	-	519
Non-current assets held for sale	281	-	-	-	(84)	-	-	26	223
Liabilities									
Derivatives	524	46	-	-	-	(185)	3	-	388
Financial liabilities designated at fair value	13	-	-	-	(5)	-	-	-	8

<i>In millions of euros</i>	<i>Balance on 1 January 2016</i>	<i>Gains/ (losses) recognised in profit or loss</i>	<i>Gains/ (losses) recognised in OCI</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to or from level 3</i>	<i>Transfers to or from non-current assets held for sale</i>	<i>Balance on 31 December 2016</i>
Assets									
Financial assets held for trading	126	(11)	-	3	(34)	-	5	-	89
Financial assets designated at fair value	985	(20)	-	98	(575)	-	26	-	514
Derivatives	765	420	-	-	-	(650)	-	-	535
Available-for-sale financial assets	594	18	(51)	280	(299)	(2)	-	-	540
Non-current assets held for sale	155	-	-	-	(73)	-	-	199	281
Liabilities									
Derivatives	688	527	-	-	(2)	(700)	11	-	524
Financial liabilities designated at fair value	24	(1)	-	-	(10)	-	-	-	13

The amount of gains/ (losses) recognised in the income statement for the period relating to the assets and liabilities held in level 3 until the end of the reporting period is given in the following table.

Gains/ (losses) of financial instruments in level 3 recognised in profit or loss			
<i>In millions of euros</i>	<i>Instruments held at the end of the reporting period</i>	<i>Instruments no longer held at the end of the reporting period</i>	<i>Total</i>
On 30 June 2017			
Assets			
Financial assets held for trading	(3)	-	(3)
Financial assets designated at fair value	-	4	4
Derivatives	3	53	56
Available-for-sale financial assets	(22)	-	(22)
Liabilities			
Derivatives and other trade liabilities	(7)	53	46
Financial liabilities designated at fair value	-	-	-
On 31 December 2016			
Assets			
Financial assets held for trading	(10)	(1)	(11)
Financial assets designated at fair value	(37)	17	(20)
Derivatives	229	191	420
Available-for-sale financial assets	(1)	19	18
Liabilities			
Derivatives	238	289	527
Financial liabilities designated at fair value	(1)	-	(1)

The potential effect before taxation, if more positive reasonable assumptions are used for the valuation of the financial instruments in level 3 on the income statement, is 57 (70) and on equity 6 (7). The potential effect before taxation, if more negative reasonable assumptions are used for the valuation of financial instruments in level 3 on the income statement, while it is -57 (-70) and -6 (-7) for equity.

Level 3 of the financial assets at fair value includes private equity interests. Private equity interests amount to 476 (488). A significant unobservable input for the valuation of these interests is the multiplier which is applied to the EBITDA. The average weighted multiplier is 6.6 (6.0), with a bandwidth of -1 and +1 of the multiplier.

Related parties

In the normal course of business, Rabobank Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of Rabobank Group include, among others, its subsidiaries, joint ventures, associates and key management personnel. Transactions between related parties include rendering or receiving services, leases, transfers

under finance arrangements and provisions of guarantees or collateral. No related party transactions occurred in the first half of 2017 that have materially affected the financial position or performance of the Group during this period.

Credit related contingent liabilities

Credit related contingent 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. The credit contingent liabilities are EUR 57 (63) billion. The contingent liabilities related to litigation are disclosed in section 7 Legal and arbitration proceedings.

Business segments

The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means that the segments are reviewed as part of the strategic management of Rabobank and are used for the purpose of making business decisions with different risks and returns.

As part of the ongoing change of the bank following the update of our strategic objectives Rabobank changed the set-up and internal reporting of the business segments on 1 April 2017. Treasury, which was formerly part of the WRR and Treasury segment, is now reported within other group functions under 'Other'. Furthermore, in the first half of 2017 the portfolio of DLL's Financial Solutions was transferred to the business segment domestic retail banking, and a large part of the loan portfolio of FGH Bank which was previously in the real estate segment was integrated in the domestic retail banking and Wholesale, Rural & Retail segment. In line with IFRS 8, the following tables contain the segment information in the new structure. The previous period segment information is also represented in the new structure and the figures have been adjusted accordingly. This reflects Rabobank Group's organisational structure and forms the basis for internal management reporting.

Major business segments

Rabobank distinguishes five major business segments: domestic retail banking; Wholesale, Rural & Retail; leasing; real estate; and other segments. Domestic retail banking mainly encompasses the activities of the local Rabobanks, Obvion, Financial Solutions and Roparco. WRR supports the Rabobank Group in becoming the market leader in the Netherlands and focuses on the food & agri sectors at international level. This segment develops corporate banking activities on a regional basis and also controls globally operating divisions such as Markets, Acquisition Finance, Global Corporate Clients, Export Finance & Project Finance, Trade & Commodity Finance and Financial Institutions Group. The segment also actively involves International Direct Retail Banking and Rabo Private Equity. International rural and retail banking operations forms a part of the Rabobank label, with the exception of ACC Loan Management. In the leasing segment, DLL is responsible for leasing activities and offers a wide range of leasing products. Manufacturers, vendors and distributors are globally supported in their sales with products relevant to asset financing.

Real estate mainly encompasses the activities of the Rabo Real Estate Group and FGH Bank. The core activities are the development of housing, financing and asset management. In the Dutch market, Rabo Real Estate Group operates through its BPD and Bouwfonds Investment Management brands. Other segments within Rabobank include various sub-segments of which no single segment can be listed separately. This segment mainly comprises the financial results of associates (in particular Achmea B.V.), treasury and head office operations.

There are no customers who represent more than a 10% share in the total revenues of Rabobank. Transactions between the various business segments are conducted under regular commercial terms. Other than operating activities, there is no other material comprehensive income between the business segments. The financial reporting principles used for the segments are identical to those described in the 'Basis for preparation' section.

Business segments							
<i>Amounts in millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale, Rural & Retail</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects</i>	<i>Total</i>
For the half-year ended 30 June 2017							
Net interest income	2,759	1,173	514	72	(64)	-	4,454
Net fee and commission income	700	240	32	35	1	(20)	988
Other results	44	445	120	125	(171)	(67)	496
Total income	3,503	1,858	666	232	(234)	(87)	5,938
Staff costs	734	517	244	93	10	538	2,136
Other administrative expenses	1,349	429	107	59	153	(679)	1,418
Depreciation	47	32	14	3	29	76	201
Operating expenses	2,130	978	365	155	192	(65)	3,755
Loan impairment charges	(156)	105	41	(43)	(15)	1	(67)
Regulatory levies	135	90	11	4	18	-	258
Operating profit before tax	1,394	685	249	116	(429)	(23)	1,992
Income tax	347	191	73	28	(156)	(7)	476
Net profit	1,047	494	176	88	(273)	(16)	1,516
Cost/income ratio excluding regulatory levies (in %) ¹	60.8%	52.6%	54.8%	66.8%	n.a.	n.a.	63.2%
Cost/income ratio including regulatory levies (in %) ²	64.7%	57.5%	56.5%	68.5%	n.a.	n.a.	67.6%
Loan impairment charges (in basis points of average private sector loan) ³	(11)	20	26	(97)	n.a.	n.a.	(3)
External assets	286,645	140,055	31,959	9,568	154,970	n.a.	623,197
Goodwill	322	125	77	-	2	-	526
Private sector loan portfolio	279,663	104,326	27,457	5,847	503	-	417,796
For the half-year ended 30 June 2016⁴							
Net interest income	2,910	1,106	457	106	(204)	-	4,375
Net fee and commission income	669	318	36	6	(31)	(16)	982
Other results	47	345	314	178	(221)	(120)	543
Total income	3,626	1,769	807	290	(456)	(136)	5,900
Staff costs	991	554	294	98	(70)	397	2,264
Other administrative expenses	1,687	334	104	70	199	(591)	1,803
Depreciation	55	45	15	3	23	68	209
Operating expenses	2,733	933	413	171	152	(126)	4,276
Loan impairment charges	12	117	41	(11)	(11)	-	148
Regulatory levies	139	81	11	4	11	-	246
Operating profit before tax	742	638	342	126	(608)	(10)	1,230
Income tax	192	179	96	30	(262)	(2)	233
Net profit	550	459	246	96	(346)	(8)	997
Cost/income ratio excluding regulatory levies (in %)	75.4%	52.7%	51.2%	59.0%	n.a.	n.a.	72.5%
Cost/income ratio including regulatory levies (in %)	79.2%	57.3%	52.5%	60.3%	n.a.	n.a.	76.6%
Loan impairment charges (in basis points of average private sector loan)	1	23	27	(25)	n.a.	n.a.	7
As per 31 December 2016							
External assets	289,110	155,743	31,797	9,625	176,318	n.a.	662,593
Goodwill	322	136	77	-	2	-	537
Private sector loan portfolio	282,426	108,053	27,632	5,956	484	-	424,551

1 Operating expenses divided by income.

2 Operating expenses plus regulatory levies divided by income.

3 Annualised loan impairment charges divided by 6-month average private sector loan portfolio.

4 Prior-year figures adjusted; see paragraph Changes in accounting principles and presentation.

Events after the reporting date

Redemption Notice NZD 900,000,000 Perpetual Non-Cumulative Capital Securities

After receiving the approval from the regulator we have announced on 8 August 2017 that we will redeem the NZD 900,000,000 perpetual non-cumulative capital securities on 9 October 2017 (the first business day after the first call date).

Review report

To: The Executive Board and Supervisory Board of Coöperatieve Rabobank U.A.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information, page 52 to 72, for the six-month period ended 30 June 2017 of Coöperatieve Rabobank U.A., Amsterdam, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. The Executive Board is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope

We conducted our review in accordance with Dutch law, including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 16 August 2017

PricewaterhouseCoopers Accountants N.V.

P.J. van Mierlo, RA

Executive Board responsibility statement

The Executive Board of Coöperatieve Rabobank U.A. (Rabobank) hereby declares that, to the best of its knowledge:

- the interim financial information gives a true and fair view of the assets, liabilities, financial position and profit of Rabobank, and the companies included in the consolidation;
- the interim report gives a true and fair view of the state of affairs as at the reporting date, and of the course of affairs during the first six months of the year at Rabobank and its affiliated entities whose information is included in its interim financial information;
- the interim report describes the principal risks that Rabobank faces as well as a description of the principal risks and uncertainties for the last six months of 2017 with special focus being placed, unless detrimental to the bank's vital interests, on capital expenditures and on circumstances affecting developments in income and profitability.

W. Draijer, *Chairman*

B.C. Brouwers, *CFO*

R.J. Dekker, *COO*

P.C. van Hoeken, *CRO*

B.J. Marttin, *International Rural & Retail*

H. Nagel, *Retail Netherlands*

J.L. van Nieuwenhuizen, *Wholesale*

Utrecht, 16 August 2017

INFORMATION STATEMENT
Dated May 12, 2017



Rabobank

COÖPERATIEVE RABOBANK U.A.,
(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” or the “Bank” are to Coöperatieve Rabobank U.A. and references to “Rabobank Group” are to Rabobank 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 2014, 31 December 2015 and 31 December 2016, incorporated by reference into the Offering Circular dated May 12, 2017 (the “**Offering Circular**”), 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 year ended 31 December 2016.

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 2015 and 31 December 2014 in this Information Statement have been restated. See Rabobank Group audited consolidated financial statements for the years ended 31 December 2016 and 31 December 2015, under note 2.1 “Other changes in accounting principles and presentation” for further information.

Key performance indicators and non-IFRS measures

This Information Statement presents certain financial measures that are not measures defined under IFRS, including operating results. These non-IFRS financial measures are not measures of financial performance under IFRS and should not be considered as a replacement for any IFRS financial measure. In addition, such measures, as defined by Rabobank Group, may not be comparable to other similarly titled measures used by other companies, because the above-mentioned non-IFRS financial measures are not defined under IFRS, other companies may calculate them in a different manner than Rabobank Group which limits their usefulness as comparative measures. Rabobank Group believes that these non-IFRS measures are important to understand Rabobank Group’s performance and capital position.

This Information Statement also presents certain financial measures that are not measures defined under EU IFRS, including regulatory capital, risk-weighted assets and underlying results. As of 2014, capital metrics and risk exposures are reported under the Basel III framework. Comparative figures for 2013 are reported according to Basel II. Where applicable, pro forma figures are provided for comparative purposes.

Rounding and negative amounts

Certain figures contained in this Information Statement, including financial information, have been rounded. Accordingly, in certain instances the sum of the numbers in the text or a column or a row in tables contained in this Information Statement may not conform exactly to the total figure given for that column or row.

In tables, negative amounts are shown between brackets. Otherwise, negative amounts are shown by “-” or “negative” before the amount.

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 financial information for the year ended 31 December 2014 has been derived from the audited consolidated financial statements of Rabobank Group for the year ended 31 December 2015, which have been audited by Ernst & Young Accountants LLP. The financial information for the years ended 31 December 2016 and 2015 has been derived from the audited consolidated financial statements of Rabobank Group for the year ended 31 December 2016, which has been audited by PricewaterhouseCoopers Accountants N.V. The financial ratios, excluding the leverage ratio, the fully loaded common equity tier 1 ratio and loan impairment charges in basis points of average lending are derived from the audited consolidated financial statements of Rabobank Group for the years ended 31 December 2016 and 31 December 2015. The audited consolidated financial statements for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, incorporated by reference into the Offering Circular, have been prepared in accordance with IFRS as adopted by the European Union and comply with Part 9 of Book 2 of the Dutch Civil Code. Pursuant to mandatory audit firm rotation rules in The Netherlands, PricewaterhouseCoopers Accountants N.V. has replaced Ernst & Young Accountants LLP as Rabobank's independent auditor for financial periods beginning January 1, 2016.

	31 December 2016	31 December 2015 (restated) ⁽¹⁾	31 December 2014 (restated) ⁽¹⁾
	<i>(in millions of euro, except percentages)</i>		
Volume of services			
Total assets.....	662,335	678,554	681,086
Private sector loan portfolio ⁽²⁾	424,551	433,927	429,731
Amounts due to customers.....	347,712	345,884	326,288
Financial position and solvency			
Equity.....	40,524	41,197	38,871
Tier 1 capital.....	37,079	35,052	33,874
Common equity tier 1 capital.....	29,618	28,754	28,714
Qualifying capital.....	52,873	49,455	45,139
Risk-weighted assets.....	211,226	213,092	211,870
Statement of income			
Income.....	12,805	13,014	12,889
Operating expenses.....	8,594	8,145	8,055
Loan impairment charges.....	310	1,033	2,633
Contribution to resolution fund and resolution levy.....	180	172	321
Contribution to DGS.....	133	0	0
Bank tax and levy.....	170	172	167
Impairment losses on goodwill and investments in associates.....	700	623	32
Income tax.....	694	655	(161)
Net profit.....	2,024	2,214	1,842
Ratios			
Total capital ratio ⁽³⁾	25.0%	23.2%	21.3%
Tier 1 ratio ⁽⁴⁾	17.6%	16.4%	16.0%
Common equity tier 1 ratio ⁽⁵⁾	14.0%	13.5%	13.6%

¹ As a result of changes in accounting policies and presentation, certain figures for Rabobank Group at and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 in this Information Statement have been restated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Change in accounting policies and presentation" for further information.

² Rabobank has changed its accounting policy for the netting of cash pooling arrangements due to an agenda decision of the IFRS Interpretations Committee in March 2016. This change in accounting policy is accounted for retrospectively in the audited consolidated financial statements for the year ended 31 December 2016 by reversing the netting that took place in 2015. In 2016 the netting procedures have been adjusted resulting in the netting of cash pools. Furthermore, as a result of an adjustment in the opening balance of equity, certain figures for Rabobank Group for the year ended 31 December 2015 have been restated. The capital ratios and the return of equity were not adjusted for this equity change.

³ Qualifying capital as a percentage of the risk-weighted assets.

⁴ Tier 1 capital as a percentage of the risk-weighted assets.

	31 December 2016	31 December 2015 (restated)⁽¹⁾	31 December 2014 (restated)⁽¹⁾
	<i>(in millions of euro, except percentages)</i>		
Equity capital ratio ⁽⁶⁾	15.0%	14.7%	14.4%
Leverage ratio ⁽⁷⁾	5.5%	5.1%	4.9%
Loan-to-deposit ratio ⁽⁸⁾	1.22	1.25	1.32
Return on tier 1 capital ⁽⁹⁾	5.8%	6.5%	5.2%
Cost/income ratio excluding regulatory levies ⁽¹⁰⁾	67.1%	62.6%	62.5%
Cost/income ratio including regulatory levies ⁽¹¹⁾	70.9%	65.2%	66.3%
Net profit growth ⁽¹²⁾	-8.6%	20.2%	-8.2%

⁵ Common equity tier 1 capital as a percentage of the risk-weighted assets.

⁶ Retained earnings and Rabobank Certificates as a percentage of the risk-weighted assets.

⁷ Tier 1 capital divided by balance sheet positions and off-balance-sheet liabilities (calculation based on the definition in CRR/CRD IV).

⁸ Relationship between lending and amounts due to customers.

⁹ Net profit divided by tier 1 capital in the previous year.

¹⁰ Total operating expenses divided by total income.

¹¹ Total operating expenses, including regulatory levies, divided by total income.

¹² Compared to the result for the comparative period in the previous year.

CAPITALIZATION AND INDEBTEDNESS OF RABOBANK GROUP

The table with respect to the capitalization and indebtedness of Rabobank Group below sets out Rabobank Group's consolidated own funds and consolidated long-term and short-term debt securities as at 31 December 2016 and 31 December 2015. All information has been derived from and should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2016, the information included in "Selected Financial Information", the information in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial data appearing elsewhere in this Information Statement.

There has been no material change in the capitalization and indebtedness of Rabobank Group since 31 December 2016.

<i>(in millions of euros)</i>	At 31 December	
	2016	2015 (restated)
Capitalization of Rabobank Group		
Reserves and retained earnings	25,821	25,623
Equity instruments issued by Rabobank		
Rabobank Certificates	5,948	5,949
Capital Securities	7,636	7,826
	<u>13,584</u>	<u>13,775</u>
<i>Equity instruments issued by subsidiaries</i>		
Capital Securities	185	176
Trust Preferred Securities III to VI	409	1,131
	<u>594</u>	<u>1,307</u>
Other non-controlling interests	525	492
Total equity	<u>40,524</u>	<u>41,197</u>
Subordinated liabilities – non-current	16,857	15,443
Debt securities in issue – non-current – unsecured	73,491	81,053
Debt securities in issue – non-current – secured	13,137	13,444
Total non-current debt (excluding current portion of long-term debt)	<u>103,484</u>	<u>109,939</u>
Subordinated liabilities – current	4	60
Debt securities in issue - current – unsecured	64,981	73,687
Debt securities in issue - current – secured	7,733	6,808
Total current debt (maturity up to one year)	<u>72,718</u>	<u>80,555</u>
Total capitalization	<u>176,203</u>	<u>231,691</u>
Breakdown of reserves and retained earnings		
Revaluation reserve – available-for-sale financial assets	571	512
Revaluation reserve – pensions	(219)	(175)
Other reserves	(443)	(37)
Foreign currency translation reserves	203	(76)
Retained earnings	25,709	25,399
Total reserves and retained earnings	<u>25,821</u>	<u>25,623</u>

The table below sets forth Rabobank Group's net indebtedness in the short term and in the medium-long term. All information has been derived from and should be read in conjunction with Rabobank Group's audited consolidated financial statements for the years ended 31 December 2016 and 31 December 2015 and the notes thereto, incorporated by reference into the Offering Circular.

<i>(in millions of euros)</i>	At 31 December	
	2016	2015
Indebtedness of Rabobank Group		
Cash ⁽¹⁾	84,405	64,943
Cash equivalents ⁽²⁾	24,619	29,420
Trading securities ⁽³⁾	1,087	1,080
Total liquidity	<u>110,111</u>	<u>95,443</u>
Current financial receivables ⁽⁴⁾	124,462	130,380
Current bank debt ⁽⁵⁾	17,067	14,862
Current portion of issued debt ⁽⁶⁾	71,104	80,871
Other current financial debt ⁽⁷⁾	331,882	320,830
Total current financial debt	<u>420,053</u>	<u>416,563</u>
Net current financial indebtedness	<u>185,480</u>	<u>190,740</u>
Non-current bank debt ⁽⁸⁾	4,939	4,176
Non-current portion of issued debt ⁽⁹⁾	105,099	109,623
Other non-current financial debt ⁽¹⁰⁾	89,230	97,152

Non-current financial indebtedness	<u>199,268</u>	<u>210,951</u>
Net financial indebtedness	<u>384,748</u>	<u>401,691</u>

Notes:

- (1) Cash and balances at central banks.
- (2) Loans and advances to banks with a maturity of up to one year.
- (3) Financial assets held for trading with a maturity of up to one year.
- (4) Total financial assets with a maturity of up to one year excluding cash balances at central banks, loans and advances to banks and financial assets held for trading.
- (5) Due to banks with a maturity of up to one year.
- (6) Debt securities in issue and subordinated liabilities with a maturity of up to one year.
- (7) Total financial liabilities with a maturity of up to one year excluding due to banks, debt securities in issue and subordinated liabilities.
- (8) Due to banks with a maturity of more than one year.
- (9) Debt securities in issue and subordinated liabilities with a maturity of more than one year.
- (10) Total financial liabilities with a maturity of more than one year excluding due to banks, debt securities in issue and subordinated liabilities.

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 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 since then. In 2016, the Dutch economy showed signs of recovery. The gross domestic product of the Netherlands grew. Contributions were made not just by exports but also by household consumption and investments in housing. Factors such as interest rates, exchange rates, inflation, deflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices can significantly affect the activity level of customers and the profitability of Rabobank Group. In addition, the upcoming elections in several European countries and developments like Brexit could adversely affect the general economic conditions and thereby the profitability of Rabobank Group. Interest rates have declined in 2016. Persistent low interest rates have negatively affected and continue to negatively affect the net interest income of Rabobank Group. Also, a prolonged economic downturn, or significantly higher interest rates for customers, could adversely affect the credit quality of Rabobank Group's assets by increasing the risk that a greater number of its customers would be unable to meet their obligations. Moreover, a market downturn and worsening of the Dutch and global economy could reduce the value of Rabobank Group's assets and could cause Rabobank Group to incur further mark-to-market losses in its trading portfolios or could reduce the fees Rabobank Group earns for managing assets or the levels of assets under management. In addition, a market downturn and increased competition for savings in the Netherlands could lead to a decline in the volume of customer transactions that Rabobank Group executes and, therefore, a decline in customer deposits and the income it receives from commissions and interest. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Material factors affecting results of operations — General market conditions*". Continuing volatility in the financial markets or a protracted economic downturn in Rabobank Group's major markets or Rabobank Group's inability to accurately predict or respond to such developments could have a material adverse effect on Rabobank Group's prospects, business, financial condition and results of operations.

Credit risk

Credit risk is defined as the risk that a bank will suffer economic losses because 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 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 business, financial condition and 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 or collective debtor risk could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

Rabobank performs a number of operations in the UK for its customers, including products and services for international clients in the field of corporate banking, commercial financing and operations relating to global financial markets. The extent and process by which the United Kingdom (or any other country) will exit the European Union (“**Brexit**”), and the longer term economic, legal, political and social framework to be put in place by the United Kingdom and the European Union are unclear at this stage and are likely to lead to ongoing political and economic uncertainty and periods of exacerbated volatility in the United Kingdom, wider European markets or other markets in which Rabobank Group operates. Any of these factors or the terms of the outcome and the result of Brexit could have a material adverse effect on Rabobank Group’s results of operations and the value of the Notes.

Interest rate and inflation risk

Interest rate risk is the risk, outside the trading environment, of deviations in net interest income and/or the economic value of equity as a result of changes in market interest rates. Interest rate risk results mainly from mismatches between the periods for which interest rates are fixed for loans and funds entrusted. If interest rates increase, the rate for Rabobank Group’s liabilities, such as savings, may need to be adjusted immediately. At the same time, the rates on the majority of Rabobank Group’s assets, such as mortgages, which have longer interest rate fixation periods, will not change before the end of the fixed rate period. As a result, rising interest rates may have an adverse impact on Rabobank’s earnings, although this impact should be mitigated to some extent by higher interest revenues on assets that are funded by non- and low-interest-bearing liabilities (reserves, balances on payment accounts and current accounts). Sudden and substantial changes in interest rates or very low or negative interest rates could have a material adverse effect on Rabobank Group’s results of operations. Inflation and expected inflation can influence interest rates. An increase in inflation may: (i) decrease the value of certain fixed income instruments which Rabobank Group holds; (ii) result in surrenders (*afkoop*) 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 the bank will not be able to meet all of its payment obligations on time, as well as the risk that the bank will not be able to fund increases in assets at a reasonable price. This could happen if, for instance, customers or other professional counterparties suddenly withdraw more funding than expected, which cannot be absorbed by the bank’s cash resources, by selling or pledging assets in the market 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 is seriously threatened, this could have a material adverse effect on Rabobank Group’s business, financial condition and results of operations.

Market risk

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

Currency risk

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

Operational risk

Operational risk is defined by Rabobank Group as “the risk of losses resulting from inadequate or failed internal processes, people or systems or by external events”. Rabobank Group

operates within the current regulatory framework as regards measuring and managing operational risk, including holding capital for this risk. Events of recent decades in modern international banking have shown that operational risks can lead to substantial losses. Examples of operational risk incidents are highly diverse: fraud or other illegal conduct, failure of an institution to have policies and procedures and controls in place to prevent, detect and report incidents of non-compliance with applicable laws or regulations, inadequate control processes to manage risks, ineffective implementation of internal controls, claims relating to inadequate products, inadequate documentation, losses due to poor occupational health and safety conditions, errors in transaction processing, system failures and cyber security. Furthermore, organizational change may result in the creation of operational risk, because Rabobank Group is currently undergoing a reorganization, as well as undergoing a restructuring in respect of its control system. As a result of these changes, the number of Rabobank Group's employees has declined. This may have a negative impact on existing work routines and projects and may consequently lead to operational incidents. 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 could have a material adverse effect on Rabobank Group's business, financial condition and results of operations. Operational risk includes legal risk and tax risk.

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

A negative outcome of potentially significant claims (including proceedings, collective-actions and settlements), action taken by supervisory authorities or other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could have a negative impact on Rabobank Group's reputation or impose additional operational costs, and could have a material adverse effect on Rabobank Group's prospects, business, financial condition and results of operations. For further information, see "*Description of Business of Rabobank Group – Legal and arbitration proceedings*" on pages 27 to 28 of this Information Statement. For relevant specific proceedings, reference is made to pages 204 to 207 of Rabobank Group's audited consolidated financial statements, including the notes thereto, for year ended 31 December 2016, incorporated by reference into the Offering Circular.

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 business, financial condition and 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 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 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, its business, financial condition and 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 (also known as the "EU"), the United States and elsewhere. Areas where changes could have an impact include, but are not limited to: consumer protection regulation, 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.

In 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 of 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 €170 million in bank tax and bank levies in 2016 compared to €172 million in 2015 and €167 million in 2014.

Since 2015, Rabobank Group has been required to make yearly contributions to the resolution funds which were established to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB (as defined below) by the Regulation (EU) No 806/2014 (the "SRM Regulation"). In 2015, the contribution to the Dutch National Resolution Fund (the "DNRF") amounted to €172 million. In 2016, the contribution to the Single Resolution Fund, which in large part replaces the DNRF, amounted to €180 million. There can be no assurance that additional taxes or levies will not be imposed, which could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

In November 2015, a new way of financing the Dutch deposit guarantee scheme (the "Dutch Deposit Guarantee Scheme"), a pre-funded system that protects bank depositors from losses caused by a bank's inability to pay its debts when due, came into force. As of 2016, banks were required to pay a premium on a quarterly basis. The target size of the scheme is 0.8 percent of total guaranteed deposits of all banks in the Netherlands. In 2016, Rabobank Group's contribution to the Dutch Deposit Guarantee Scheme amounted to €133 million.

Furthermore, the Single Resolution Mechanism ("SRM") and other new European rules on deposit guarantee schemes will have an impact on Rabobank Group in the years to come. All these

factors could have a material adverse effect on Rabobank Group's business, financial condition and results of operations.

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

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 the value of the property of a residential mortgage has been reduced from 104 percent in 2014, to 103 percent in 2015, to 102 percent in 2016 and to 101 percent in 2017. This maximum will be further reduced 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. The maximum personal mortgage loan eligible for guarantee by the Dutch Homeownership Guarantee Fund (*Stichting Waarborgfonds Eigen Woningen*), an institution that was founded by the Dutch government in 1993, through the National Mortgage Guarantee Scheme (*Nationale Hypotheek Garantie*) was reduced to €265,000 in 2014 and to €245,000 in 2015, and remained unchanged in 2016. Changes in governmental policy or regulation with respect to the Dutch housing market could have a material adverse effect on Rabobank Group's business, financial condition and 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 Commodity Futures Trading Commission (the "**CFTC**") and the Financial Stability Oversight Council (the "**FSOC**"). The Dodd-Frank Act and other post-financial crisis regulatory reforms in the United States have increased costs, imposed limitations on activities and resulted in an increased intensity in regulatory enforcement.

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

On 10 December 2013, five U.S. federal financial regulatory agencies adopted final regulations to implement the Volcker Rule. The regulations impose limitations and significant costs across all of Rabobank Group's subsidiaries and affiliates and their activities in scope for the Volcker

Rule. While the regulations contain a number of exceptions and exemptions that may permit Rabobank Group to maintain certain of its trading and fund businesses and operations, particularly those outside of the United States, aspects of those businesses have been modified to comply with the Volcker Rule. Further, Rabobank Group has spent significant resources to develop a Volcker Rule compliance program mandated by the final regulations, and may continue to spend resources as it deems necessary or appropriate, which may be significant, to develop or further develop the Volcker Rule compliance program. The conformance period for the Volcker Rule generally ended on 21 July 2015 for all proprietary trading activities and for all investments in and relationships with “covered funds” (as defined in the Volcker Rule) that were not in place prior to 31 December 2013. For certain investments in and relationships with “covered funds” that were in place prior to 31 December 2013 (“**legacy funds**”), the Volcker Rule conformance period has been extended by the Federal Reserve to 21 July 2017. With respect to the activities subject to the conformance period that ended on 21 July 2015, Rabobank Group has put in place processes under the relevant Volcker Rule compliance program reasonably designed to conform such activities to the Volcker Rule. With respect to any legacy fund activities subject to the extended conformance period, Rabobank Group must conform any such activities to the Volcker Rule and implement the related compliance program by the end of such conformance period.

The Federal Reserve issued a final rule on 18 February 2014 imposing “enhanced prudential standards” with respect to foreign banking organizations (“**FBOs**”) such as Rabobank Group. The rule imposes, 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 Rabobank Group. The final rule became effective with respect to Rabobank Group on 1 July 2016.

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

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 2013 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.

Pursuant to Regulation EU 1024/2013 conferring specific tasks on the European Central Bank (“**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 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 (but not limited to) powers of early intervention if a bank breaches its regulatory requirements and powers to require a bank to increase its capital or to implement changes to its legal or corporate structures. All other tasks related to resolution remain with the relevant national authorities or the SRM (as defined below), as applicable. The ECB may also carry out supervisory stress tests to support the supervisory review. Such stress tests do not replace the stress tests carried out by the European Banking Authority (the “**EBA**”) with a view to assessing the soundness of the banking sector in the European Union as a whole.

The impact of future regulatory requirements, including the Basel III Reforms (as defined below), 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, the Banking Reform Act and

the Dodd-Frank Act will have far-reaching implications and require implementation of new business processes and models and could have a material adverse effect on Rabobank Group's business, financial condition and results of operations. Compliance with the rules and regulations places ever greater demands on Rabobank Group's management, employees and information technology.

Risks relating to IFRS 9

Rabobank Group's prospects, business, financial condition and results of operations could be affected by the new accounting standard IFRS 9 on financial instruments. Under the new standard, the loan impairment allowance is expected to increase due to the IFRS 9 expected loss concept. However, the internal ratings-based expected loss shortfall (a common equity tier 1 deduction item) is expected to decrease which is expected to partly offset the impact of the increase in loan impairment allowance. The impact of IFRS 9 on the common equity tier 1 ratio ("**CET1 Ratio**") depends on, amongst other things, the time of application, the interest levels at that time and the point in time of the economic cycle. Therefore, IFRS 9 could have a material adverse effect on Rabobank Group's prospects, business, financial condition and results of operations.

Minimum requirement for own funds and eligible liabilities under the BRRD

In order to ensure the effectiveness of bail-in and other resolution tools introduced by Directive 2014/59/EU for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**"), the BRRD requires that with effect from 1 January 2016, all institutions must meet a minimum requirement for own funds and eligible liabilities ("**MREL**"), expressed as a percentage of total liabilities and own funds and set by the relevant resolution authorities. On 23 May 2016, the European Commission adopted regulatory technical standards ("**MREL RTS**") on the criteria for determining the MREL under the BRRD. The MREL RTS were published in the EU Official Journal on 3 September 2016. The MREL RTS provide for resolution authorities to allow institutions an appropriate transitional period to reach the applicable MREL requirements.

Unlike the Financial Stability Board's ("**FSB**") total loss-absorbing capacity ("**TLAC**") principles, the MREL RTS does not set a minimum EU-wide level of MREL, and the MREL requirement applies to all credit institutions, not just to those identified as being of a particular size or of systemic importance. Each resolution authority is required to make a separate determination of the appropriate MREL requirement for each institution within its jurisdiction.

The MREL requirement for each institution will be determined based on a number of key elements, including a loss absorption amount (which will generally as a minimum equate to the institution's capital requirements under CRD IV (as defined below), including applicable buffers), and, in the case of larger institutions, a recapitalization amount, the amount of recapitalization needed to implement the preferred resolution strategy identified in the resolution planning process (including to sustain sufficient market confidence in the institution). Other factors to be taken into consideration by resolution authorities when setting the MREL requirement include the extent to which an institution's liabilities are, or are reasonably likely to be, excluded from contributing to loss absorption or recapitalization; the risk profile and systemic importance of the institution; and the contribution to any resolution that may be made by deposit guarantee schemes and resolution financing arrangements.

Items eligible for inclusion in MREL include an institution's Tier 1 and Tier 2 capital (within the meaning of the CRR), along with certain eligible liabilities, meaning liabilities which, *inter alia*, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), do not arise from derivatives, and are not excluded from bail-in.

Whilst there are a number of similarities between the MREL requirements and the FSB's TLAC principles, there are also certain differences, including the express requirement that TLAC-eligible instruments should be subordinated to liabilities excluded from counting as TLAC including, among other things, insured deposits (which is not necessarily the case for all MREL eligible liabilities), and the timescales for implementation. In its final draft for the MREL RTS, the EBA stated that it expects the MREL RTS to be "broadly compatible" with the FSB's TLAC principles. While acknowledging some differences, the EBA considered "these differences do not prevent resolution authorities from implementing the MREL for global systemically important banks ("**G-SIBs**") consistently with the international framework". Further convergence in the detailed requirements of the

two regimes is expected, as also proposed by the EBA in its final report on the implementation and design of the MREL framework of 14 December 2016 and by the European Commission in its EC Capital Proposals (as defined below). However, it is still uncertain to what extent the regimes will converge and what the final requirements will look like.

The required level of MREL for Rabobank Group has yet to be set by the SRB (as defined below). On the basis of the MREL RTS, it is possible that Rabobank Group may have to issue a significant amount of additional MREL eligible liabilities in order to meet the new requirements within the required timeframes. Moreover, the MREL framework may be subject to substantial change over the coming years, as a result of, amongst other things, the changes envisaged in the EC Capital Proposals (as defined below). As a result, it is not possible to give any assurances as to the ultimate scope, nature, timing, disclosure and consequences of breach of any resulting obligations, or the impact that they will have on Rabobank once implemented. If Rabobank Group were to experience difficulties in raising MREL eligible liabilities, it may have to reduce its lending or investments in other operations which would have a material adverse effect on Rabobank Group's business, financial position and results of operations. The above requirements and the market's perception of Rabobank Group's ability to satisfy them may adversely affect the market value of the Notes.

Risks relating to the FSB's proposals regarding TLAC

On 9 November 2015, the FSB published its final principles regarding the TLAC of G-SIBs. In order to minimize any impact on financial stability, ensure the continuity of critical functions and avoid exposing taxpayers to loss, resolution authorities may subject a failing bank to a resolution regime and may apply certain resolution tools. These resolution tools include the bail-in tool: the power to write down and/or convert into equity a bank's capital instruments or liabilities for the purpose of absorbing the bank's losses and recapitalizing the bank. Application of the bail-in tool requires the availability of sufficient loss absorbing capacity: capital instruments and liabilities eligible for write-down and/or conversion into equity. The FSB's TLAC principles seek to ensure that G-SIBs will have sufficient loss absorbing capacity and include a specific term sheet for TLAC which attempts to define an internationally agreed standard.

The FSB's TLAC principles require all G-SIBs to maintain a minimum (Pillar 1) level of TLAC-eligible instruments of at least 16 percent of the resolution group's risk-weighted assets with effect from 1 January 2019 and at least 18 percent with effect from 1 January 2022. Minimum TLAC must also be at least 6 percent of the Basel III leverage ratio exposures with effect from 1 January 2019, and at least 6.75 percent with effect from 1 January 2022. The principles also require G-SIBs to pre-position such loss-absorbing capacity amongst material subsidiaries on an intra-group basis. The term sheet also provides the possibility for resolution authorities to impose an additional bank-specific (Pillar 2) TLAC requirement over and above the common (Pillar 1) minimum. Capital instruments counting towards the capital requirements pursuant to the Regulation 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**") may also count towards the TLAC requirement. However, the FSB term sheet does not allow the double-counting of capital towards both the TLAC requirement and the CRD IV (as defined below) capital buffers, *i.e.*, it requires that the TLAC requirement should be satisfied before any surplus common equity tier 1 capital ("**Common Equity Tier 1 Capital**") is available to satisfy CRD IV capital buffers.

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

Work is currently ongoing in the EU to implement the TLAC standard into EU legislation. In particular, the European Commission has proposed to incorporate TLAC into the capital requirements framework, as an extension to the own funds requirements and as part of the EC Capital Proposals, as discussed and defined below (see "*— Minimum regulatory capital and liquidity requirements*" below).

Based on the most recently updated FSB list of G-SIBs published in November 2016, Rabobank is not a G-SIB. However, there can be no assurance that relevant EU or Dutch regulators may not in the future impose comparable requirements on Rabobank or apply the requirements for MREL (see “—*Minimum requirement for own funds and eligible liabilities under the BRRD*” above) in a manner which is consistent with the TLAC requirements applicable for G-SIBs, which could have a material adverse effect on Rabobank Group’s business, financial condition and results of operations. Recommendations largely to that effect are included in the EBA’s final report on MREL of 14 December 2016.

Minimum regulatory capital and liquidity requirements

Under CRD IV (as defined below), institutions are required to hold a minimum amount of regulatory capital equal to 8 percent of the aggregate total risk exposure amount of Rabobank Group (“**Risk-Weighted Assets**”) (of which at least 4.5 percent must be Common Equity Tier 1 Capital). In addition to these so-called minimum or “Pillar 1” “own funds” requirements, the CRD IV Directive (for example, at Article 128 and following) also introduces capital buffer requirements that are in addition to the minimum “own funds” requirements and are required to be met with Common Equity Tier 1 Capital. It provides for five capital buffers: (i) the capital conservation buffer, (ii) the institution-specific countercyclical capital buffer, (iii) the global systemically important institutions buffer (the “**G-SII Buffer**”), (iv) the other systemically important institutions buffer (the “**O-SII Buffer**”) and (v) the systemic risk buffer. When an institution is subject to one of the G-SII Buffer or the O-SII Buffer as well as the systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic risk buffer addresses. Subject to transitional provisions, the capital conservation buffer (2.5 percent when fully phased-in) and systemic risk buffer (3.0 percent when fully phased-in) both apply to the Rabobank Group and some or all of the other buffers may be applicable to the Rabobank Group from time to time, as determined by the ECB, the Dutch Central Bank (“**DNB**”) or any other competent authority at such time. Any increase in the capital buffer requirements, including an increase of the systemic risk buffer by DNB, may require the Rabobank Group to increase its CET1 Ratio and also its overall amount of MREL.

In addition to the “Pillar 1” and capital buffer requirements described above, CRD IV (for example, at Article 104(1)(a)) contemplates that competent authorities may require additional “Pillar 2” capital to be maintained by an institution relating to elements of risks which are not fully captured by the minimum “own funds” requirements (“**additional own funds requirements**”) or to address macro-prudential requirements.

The EBA published guidelines on 19 December 2014 addressed to national supervisors on common procedures and methodologies for the supervisory review and evaluation process (“**SREP**”), which contained guidelines proposing a common approach to determining the amount and composition of additional own funds requirements and which were implemented with effect from 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the additional own funds requirements to cover certain risks of at least 56 percent Common Equity Tier 1 Capital and at least 75 percent Tier 1 Capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements.

The interpretation of Article 104(1)(a) of the CRD IV (as defined below) remains unresolved, in particular as to how any “Pillar 2” additional own funds requirements imposed thereunder should be considered to comprise part of an institution’s additional own funds requirements. Such uncertainty can be expected to subsist while the relevant authorities in the EU and in the Netherlands continue to develop their approach to the application of the relevant rules. In July 2016, the ECB confirmed that SREP will for the first time comprise two elements: Pillar 2 requirements (which are binding and breach of which can have direct legal consequences for banks) (“**P2R**”) and Pillar 2 guidance (with which banks are expected to comply but breach of which does not automatically trigger any legal action) (“**P2G**”). Accordingly, in the capital stack of a bank, the P2G is in addition to (and “sits above”) that bank’s Pillar 1 capital requirement, its P2R and its combined buffer requirement. It follows that if a bank does not meet its P2G, supervisors may specify supervisory measures but it is only if it fails to maintain its combined buffer requirement that the mandatory restrictions on discretionary payments (including payments on its CET1 and additional tier 1 instruments) based on its maximum distributable

amount will apply. These changes are also reflected in the EC Capital Proposals. However, there can be no assurance as to the relationship between the “Pillar 2” additional own funds requirements and the restrictions on discretionary payments and as to how and when effect will be given to the EBA’s minimum guidelines and/or the EC Capital Proposals in the Netherlands, including as to the consequences for an institution of its capital levels falling below the minimum, buffer and additional requirements referred to above.

On 2 December 2016, Rabobank published its 2017 ECB capital requirements, determined pursuant to the SREP. The ECB decision requires that Rabobank maintains a total SREP capital requirement of 9.75 percent on a consolidated and unconsolidated basis. The requirement consists of an 8 percent minimum own funds requirement and a 1.75 percent P2R. The total Common Equity Tier 1 Capital minimum requirement is 6.25 percent, consisting of the minimum Pillar 1 requirement (4.5 percent) and the P2R (1.75 percent). In addition, Rabobank is required to comply with the phasing in combined buffer requirements consisting of a capital conservation buffer (1.25 percent) and a systemic risk buffer imposed by the DNB of 1.5 percent in 2017 that needs to be applied on top of these Common Equity Tier 1 Capital requirements. The systemic risk buffer is expected to be phased in up to a level of 3 percent on a fully-loaded basis in 2019. This would translate into an aggregate 9 percent Common Equity Tier 1 Capital requirement for 2017. At the date of this Information Statement, Rabobank Group currently complies with these requirements. See also “*Capital Adequacy*” under the chapter “*Management’s discussion and analysis of financial condition and results of operation*” on page 202 of this Information Statement. In the Netherlands, the countercyclical buffer has been set at zero percent by the DNB. In respect of exposures outside the Netherlands, local regulators may set the countercyclical buffer at a level other than zero percent. The ECB decision also requires that Rabobank maintains a CET1 Ratio of 7.5 percent on an unconsolidated basis. This 7.5 percent capital requirement is comprised of the minimum Pillar 1 requirement (4.5 percent), the P2R (1.75 percent) and the capital conservation buffer (1.25 percent). Rabobank currently intends to maintain an internal management buffer (as described further below) comprising Common Equity Tier 1 Capital over the combined buffer requirement applicable to Rabobank Group. As part of its Strategic Framework 2016-2020, in anticipation of the expected impact of new rules on capital requirements, Rabobank aims to increase its CET1 Ratio to a minimum of 14 percent, by the end of 2020, but there can be no assurance that this target ratio will be achieved. This target could be revised as a result of (regulatory) developments. As at 31 December 2016, the “phased-in” (meaning the CET1 Ratio under the current stage of phase-in capital requirements under the CRR) CET1 Ratio of Rabobank Group was 14.0 percent (the fully loaded CET1 Ratio of Rabobank Group as at 31 December 2016 was 13.5 percent). There can be no assurance, however, that Rabobank will continue to maintain such internal management buffer or that any such buffer would be sufficient to protect against a breach of the combined buffer requirement resulting in restrictions on payments on its Common Equity Tier 1 and additional tier 1 instruments.

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 or any capital buffer requirements. Capital requirements may 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 or any capital buffer requirements could result in administrative actions or sanctions, which in turn could 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, which are intended to reinforce capital standards and to establish minimum liquidity standards for financial institutions, including building societies.

The Basel III Reforms have been implemented in the European Economic Area (the “EEA”) through 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, the “**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 (*Wet op het financieel toezicht*) (“**FMSA**”) 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 for many areas including, *inter alia*, liquidity requirements and certain aspects of capital requirements.

It is possible that the ECB or the EBA or both may implement the Basel III Reforms and CRD IV in a manner that is different from that which is currently envisaged, or may impose additional capital and liquidity requirements on Dutch banks. In December 2014, the Basel Committee announced its intention to revisit the system of capital floors for internal models for credit risk. The revised capital floor framework would be relevant for the revised standardized approaches for credit risk, market risk and operational risk. The current floor for internal models (in the EU framework) is required under Article 500 of CRR and is set at 80 percent of the requirement of own funds as calculated under the Basel I framework (“**Basel I**”). Thus, the floor does not impact the calculation of risk-weighted assets, but acting as a kind of “adjustment factor”, determines what capital is required to be held, which differs from the Basel I approach.

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

On 11 January 2016, the Group of Central Bank Governors and Heads of Supervision (“**GHOS**”) at the Basel Committee agreed that the GHOS will review the Basel Committee’s proposals on the risk weighted framework and the design and calibration of capital floors at or around the end of 2016. However, more time was required to finalize this work. As a result, a meeting of the GHOS, originally planned for early January 2017, was therefore postponed. Separately, the Basel Committee conducted a comprehensive quantitative impact study in 2016. For further information, see “*Regulation of Rabobank Group - Recent Developments*” below.

On 11 September 2016, the GHOS reaffirmed that the Basel Committee should focus on not significantly increasing overall capital requirements.

On 23 November 2016, the European Commission published legislative proposals for amendments to the CRR, the CRD IV Directive, the BRRD, the SRM Regulation and a proposed new directive to facilitate the creation of a new asset class of “non-preferred” senior debt (the “**EC Capital Proposals**”). The EC Capital Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, permission for reducing own funds and eligible liabilities, macroprudential tools, creditor/depositor hierarchy, a new category of “non-preferred” senior debt, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above. The EC Capital Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change; they are expected to enter into force no earlier than 2019 (or 2017 in the case of the proposal for a new asset class of “non-preferred” senior debt). The final new package of legislation may not include all elements of the EC Capital Proposals and new or amended elements may be introduced throughout the course of the legislative process. Until the EC Capital Proposals are in final form, it is uncertain how the EC Capital Proposals will affect Rabobank or holders of the Notes.

Rabobank, N.A. is subject to U.S. capital adequacy standards. Further, under section 171 of the Dodd-Frank Act (the “**Collins Amendment**”), Utrecht-America Holdings, Inc., which holds Rabobank, N.A. and many of Rabobank Group’s U.S. non-bank subsidiaries, became subject to U.S.

capital adequacy standards as of 21 July 2015. Those standards require Rabobank Group to maintain capital at the level of Utrecht-America Holdings, Inc. in accordance with U.S. regulatory capital requirements rather than relying on capital maintained at Rabobank Group's top-level parent company. Compliance with the Collins Amendment limits Rabobank Group's ability to deploy capital most efficiently in accordance with its subsidiaries' business needs, and potentially increases the costs of Rabobank 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 (including any amendments arising as a result of the EC Capital Proposals or otherwise), any failure of Rabobank Group to maintain such increased capital and liquidity ratios may result in administrative actions or sanctions, which may have a material adverse effect on Rabobank Group's business, financial condition and results of operations. For further information regarding the Basel III Reforms and CRD IV, including their implementation in the Netherlands, please see the section entitled "*Regulation of Rabobank Group*".

Credit ratings

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

A downgrading, an announcement of a potential downgrade in its credit ratings or a withdrawal of its credit rating, as a result of a change in a rating agency's view of Rabobank Group, 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 prospects, business, financial condition and 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 prospects, business, financial condition and results of operations.

Geopolitical developments

Geopolitical developments (such as the United Kingdom's expected exit from the European Union, upcoming elections in France and Germany, and tensions relating to North Korea and Iran), social unrest (such as the continuing turmoil in Ukraine which resulted in EU sanctions against Russia, the war in Syria and increasing tension with regard to North Korea), political crises, commodity supply shocks and natural disasters, among other things, can affect the global financial markets. Since the beginning of the 21st century, accounting and corporate governance scandals and financial crises have significantly undermined investor confidence from time to time. The occurrence of any such developments and events could have a material adverse effect on Rabobank Group's business, financial condition and 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 or 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 business, financial condition and 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 business, financial condition and 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 business, financial condition and 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. Rabobank Group comprises Rabobank as the top holding entity together with its subsidiaries in the Netherlands and abroad. Rabobank Group operates in 40 countries. Its operations include domestic retail banking, wholesale banking and international rural and retail banking, leasing and real estate. It serves approximately 8.7 million clients around the world. In the Netherlands, its focus is on maintaining Rabobank Group's position in the Dutch market and, internationally, on food and agriculture. Rabobank Group believes that its entities have strong interrelationships due to Rabobank Group's cooperative structure.

Rabobank Group's cooperative core business is carried out by the local Rabobanks. With 475 branches and 2,141 cash-dispensing machines at 31 December 2016, the local Rabobanks form a dense banking network in the Netherlands. Together the local Rabobanks serve approximately 6.5 million retail clients, and approximately 800,000 corporate clients, offering a comprehensive package of financial services. Clients can become members of Rabobank.

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 on-going program, Rabobank Group has increased both the number and type of products and services available to its customers in order to diversify from a traditional savings and mortgage-based business to become a provider of a full range of financial products and services, both in the Netherlands and internationally. Rabobank Group provides an integrated range of financial services comprising primarily domestic retail banking, wholesale banking and international rural and retail banking, leasing, real estate and distribution of insurance products to a wide range of both individual and corporate customers.

As at 31 December 2016, Rabobank Group had total assets of €662.6 billion, a private sector loan portfolio of €424.6 billion, amounts due to customers of €347.7 billion (of which savings deposits total €142.2 billion) and equity of €40.5 billion. Of the private sector loan portfolio, €201.2 billion, virtually all of which were mortgages, consisted of loans to private individuals, €121.3 billion of loans to the trade, industry and services sector and €102.0 billion of loans to the food and agriculture sector. As at 31 December 2016, its CET1 Ratio, which is the ratio between Common Equity Tier 1 Capital and total risk-weighted assets, was 14.0 percent and its capital ratio, which is the ratio between qualifying capital and total risk-weighted assets, was 25.0 percent. For the year ended 31 December 2016, Rabobank Group's cost/income ratio, which is the ratio between total operating expenses (regulatory levies excluded) and total income, was 67.1 percent. For the year ended 31 December 2015, this was 62.6 percent. For the year ended 31 December 2016, Rabobank Group realized a net profit of €2,024 million. As at 31 December 2016, Rabobank Group employed 45,567 employees (internal and external full time employees ("FTEs")).

The return on invested capital ("**ROIC**") is calculated by dividing net profit realized after non-controlling interests by the core capital (actual Tier 1 capital plus the goodwill in the balance sheet at the end of the reporting period) minus deductions for non-controlling interests in Rabobank's equity. For the year ended 31 December 2016, Rabobank's ROIC was 5.2 percent. As at 31 December 2015, it was 6.0 percent.

For the years ended 31 December 2016 and 2015, Rabobank's return on Tier 1 capital was 5.8 percent and 6.5 percent.

Group overview

The overview below provides an overview of the business of Rabobank Group. The figures presented in the overview are provided as at 31 December 2016.

Mission

Rabobank wants to make a substantial contribution to **welfare and prosperity** in the Netherlands and to **feeding the world sustainably**.

8.7 million customers



7.5 million Dutch customers

1.2 million international customers

The Netherlands

103 local banks
with 475 branches
and 1.9 million members

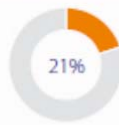


Worldwide

382 foreign places of business



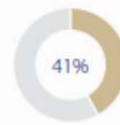
Market shares in the Netherlands



Mortgages



Savings



Trade, industry
and services (TIS)



Food and agri

Subsidiaries and associates

Payment transactions

- MyOrder

Wholesale

- Rembrandt (51%)

Mortgages

- Obvion

Leasing

- DLL (Freo)

Insurance

- Achmea (29%)

Real estate

- BPD Europe B.V.
- Bouwfonds IM
- FGH Bank

International retail

- ACC Loan Management
- BGZ BNP Paribas (7%)

Partner banks

- Banco Terra (45%)
- Banco Regional (38%)
- BPR (15%)
- NMB (35%)
- Zanaco (46%)
- Banco Sicredi (24%)
- DFCU (28%)
- Banco Finterra (15%)
- LAAD (8%)

Business activities of Rabobank Group

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

Domestic retail banking

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

Rabobank 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.

As at 31 December 2016, Rabobank Group's domestic retail banking operations had total assets of €315.5 billion, a private sector loan portfolio of €275.8 billion, amounts due to customers of €223.3 billion (of which savings deposits total €116.2 billion). For the year ended 31 December 2016, Rabobank Group's domestic retail banking operations accounted for 54 percent, or €6,859 million, of Rabobank Group's total income and 56 percent, or €1,127 million, of Rabobank Group's net profit. As at 31 December 2016, Rabobank Group's domestic retail banking operations employed 17,455 FTEs.

Local Rabobanks

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. Many private individuals have current, savings or investment accounts 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 2016 (AM Jaarboek 2016)).

Obvion

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 as at 31 December 2016.

Rabohypotheekbank also serves as a supplementary financing vehicle for the local Rabobanks in the event that they choose not to make certain mortgage loans to their customers entirely on their own, either for liquidity or lending-limit reasons or because of the nature of the required financing. The majority of Rabohypotheekbank's loans are secured by mortgages on residential property. Its loans are funded by term loans from, or guaranteed by, Rabobank and by the issuance of mortgage bonds. Rabohypotheekbank does not engage in the financing of real estate development. As at 31 December 2016, Rabohypotheekbank had assets of €6.1 billion.

Wholesale banking and international rural and retail banking

Wholesale banking and international rural and retail banking focuses its activities on the food and agri sector and is known as "Wholesale, Rural & Retail". Wholesale, Rural & Retail (WRR) has an international network of branches with offices and subsidiaries in various countries. Rabobank also operates RaboDirect internet savings banks. The wholesale banking division serves the largest domestic and international companies (Corporates, Financial Institutions, Traders and Private Equity). Rural banking is focused on offering financial solutions for the specific needs of leading farmers and their communities in a selected number of key food & agri countries. The total number of internal and external employees in wholesale banking and international rural and retail banking stood at 7,808 FTEs at year-end 2016.

All sectors in the Netherlands are being serviced, while outside the Netherlands Rabobank focuses on the food & agri and trade-related sectors. Internationally, Rabobank Group services food & agri clients, ranging from growers to the industrial sector, through its global network of branches. Rabobank Group services the entire food value chain, with specialists per sector. Rabobank Group advises its clients and prospects in these sectors by offering them finance, knowledge and its network. Rabobank is active in the main food-producing countries such as the United States, Australia, New Zealand, Brazil and Chile and main food consumption countries.

As at 31 December 2016, Rabobank Group's wholesale banking and international rural and retail banking operations had total assets of €438.6 billion and a private sector loan portfolio of €105.2 billion. For the year ended 31 December 2016, Rabobank Group's wholesale banking and international rural and retail banking operations accounted for 28 percent, or €3,609 million, of Rabobank Group's total income and 32 percent, or €644 million of Rabobank Group's net profit.

Leasing

Within Rabobank, DLL International B.V. ("**DLL**") is the entity responsible for Rabobank Group's leasing business supporting manufacturers and distributors selling products and services worldwide with vendor finance. DLL, active in more than 30 countries, is a global provider of asset-based financial solutions in the agriculture, food, healthcare, clean technology, transportation, construction, industrial and office technology industries. DLL is committed to delivering integrated financial solutions that support the complete asset life cycle. Its mobility solutions entity Athlon, active in 11 European countries, was sold to Daimler Financial Services on 1 December 2016. As of 31 December 2016, DLL employed 4,675 FTEs (including external staff).

Rabobank owned a 100 percent equity interest in DLL as at 31 December 2016. Its issued share capital amounts to €98,470,307, all of which is owned by Rabobank. As at 31 December 2016, Rabobank's liabilities to DLL amounted to €2,918 million. As at 31 December 2016, Rabobank's claims on DLL amounted to €28,841 million (loans, current accounts, financial assets and derivatives). All liabilities of DLL are guaranteed (through a cross guarantee system) by Rabobank and the various legal entities within the group.

As at 31 December 2016, DLL had a private sector loan portfolio of €31.8 billion. For the year ended 31 December 2016, DLL accounted for 16 percent, or €1,992 million, of Rabobank Group's total income and 37 percent, or €740 million, of Rabobank Group's net profit.

Real estate

Rabo Real Estate Group, FGH Bank and Rabo Real Estate Finance form part of the real estate segment of Rabobank. Rabo Real Estate Group consists of the Bouwfonds Property Development ("**BPD**") and Bouwfonds IM divisions. BPD is responsible for developing residential and commercial real estate while Bouwfonds IM is responsible for real asset investments. Rabo Real Estate Group is active in the Netherlands and, to a much lesser extent, in France and Germany. Rabo Real Estate Finance was launched in November 2016 in response to the ongoing integration of specialized real estate bank FGH Bank into the Rabobank organization. Rabo Real Estate Finance is a new real estate finance entity that combines the real estate knowledge and expertise of FGH Bank and Rabobank. As of 31 December 2016, the real estate segment employed 1,493 FTEs (including external staff).

For the year ended 31 December 2016, Rabo Real Estate Group sold 9,905 houses. As at 31 December 2016, Rabo Real Estate Group managed €5.9 billion of real estate assets. The private sector loan portfolio amounted to €11.3 billion. For the year ended 31 December 2016, the real estate operations accounted for 5 percent, or €688 million, of Rabobank Group's total income and 14 percent, or €288 million, of Rabobank Group's net profit.

Participations

As of 31 December 2016, Rabobank held 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 audited consolidated financial statements. Achmea is accounted for as an associate in Rabobank's audited consolidated financial statements in accordance with the equity method. As at 31 December 2016, Achmea had a workforce of approximately 14,900 FTEs. Achmea is a major insurance company in the Netherlands, where it serves a broad customer base of private individuals as well as government agencies and corporate clients. Achmea occupies a relatively minor position outside the Netherlands, operating in four other European countries and Australia. Rabobank and Achmea work closely together in the area of insurance.

Recent Developments

Issue of €1.5 billion Rabobank Certificates

On 11 January 2017, Rabobank announced it would increase its capital buffers by issuing €1.5 billion new Rabobank Certificates. Delivery and payment, as well as the commencement of trading of the newly issued Rabobank Certificates, took place on 24 January 2017. Rabobank issued 60 million new Rabobank Certificates. The price per newly-issued Rabobank Certificate was set at 108 percent of the nominal value of €25. After the issuance, a total nominal amount of approximately €7.4 billion in Rabobank Certificates is outstanding.

Rabobank's credit ratings

During 2016, Rabobank's credit ratings remained unchanged by all the rating agencies. At the date of this Information Statement, Rabobank has been assigned an 'A+' rating by S&P Global, 'Aa2' by Moody's, 'AA-' by Fitch and 'AA' by DBRS. Rabobank has a significant buffer of equity and subordinated debt, which is regarded as an important rating driver by all the rating agencies.

Globally, Rabobank is listed among the top 10 largest commercial banks (based on total balance sheet)¹³ with the highest rating awarded by S&P Global, Moody's and Fitch assigned to such institutions. In Europe, Rabobank is in the top three. The rating agencies view Rabobank's new governance structure (effective since 1 January 2016) as a positive change because it allows Rabobank to reduce both costs and inefficiencies while also increasing transparency.

All the rating agencies view Rabobank's leading positions in the Dutch banking sector and in food & agri internationally as important rating drivers. Both sectors occupy a central place in Rabobank's Strategic Framework 2016-2020 (see "Strategy of Rabobank Group" below). Other key elements in Rabobank's strategy, further balance sheet optimization and increased earnings capacity, were taken into account in Moody's and S&P's recent affirmation.

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

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

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

Strategy of Rabobank Group

In 2016, Rabobank started the implementation of its Strategic Framework 2016-2020, which describes how it wants to achieve its ambitions. This strategy provides a sharpened focus on improving customer service and realizing a fundamental improvement in financial performance across Rabobank in order to safeguard its future success. To fulfil its ambitions for 2020, Rabobank is focusing on the following three core objectives.

¹³ (measured by Rabobank's own surveys)

1. *Excellent customer focus.* In the Netherlands, Rabobank strives to be the most customer-focused bank in the country and Rabobank aims for a sharp increase in customer satisfaction outside the Netherlands as well. The management of Rabobank believes that this is where its strength and distinctiveness lie. Rabobank expects to undergo a fundamental transformation in the coming years in terms of working methods, culture, attitudes and conduct. By doing so, Rabobank is responding to changes in customer needs, the uncertain economic climate, expectations of society and the stricter requirements of regulators. Rabobank wants to become the most customer-focused bank in the Netherlands and in the food & agri sector internationally by excelling in basic services, being the closest to its customers at key moments and fulfilling its role as a financial partner serving our customers. This will enable Rabobank to expand its services as an intermediary, for example in the fields of crowdfunding and working with institutional investors.

2. *Increased flexibility and reduction of the balance sheet.* In the years to come, Rabobank anticipates a further tightening of the regulatory environment. For example the implementation of the proposed reforms to Basel III and implementation of MREL require Rabobank's balance sheet to be more flexible. Rabobank wants to achieve balance sheet optimization by, among other things, placing parts of its loan portfolio with external parties and maintaining a liquidity buffer that is in line with the reduced balance sheet total. Rabobank is carefully monitoring ongoing developments with regard to the pending Basel regulations, the final outcome of which will ultimately determine the extent of the required balance sheet reduction, but without changing its other financial targets for 2020.

3. *Performance improvement.* Rabobank aims to improve its performance by improvements in efficiency and cost reductions within Rabobank's central organization, the local Rabobanks and the international organization. The improvement should be effected by both higher revenues and lower costs through increasing efficiency and new ways of working (e.g. increased digitalization and more flexible working spaces). Reaching this level of profit improvement is expected to improve the cost/income ratio to approximately 53-54 percent in 2020, and Rabobank aims to achieve an ROIC of at least 8 per cent in 2020.

Implementation accelerators

The strategy calls for a substantial transformation of Rabobank. In view of the challenges Rabobank faces, Rabobank has identified three accelerators to realize and strengthen the transformation:

1. *Strengthening innovation:* Innovation allows Rabobank to improve its services and respond rapidly to opportunities in the market. In addition, innovation is essential to provide support to Rabobank's customers.

2. *Empowering employees:* Achieving the strategic objectives will require a transformation into an organization in which there is scope for professionalism and entrepreneurship, with a continual focus on development and training, employee diversity and a good, learning corporate culture.

3. *Creating a better cooperative organization:* The new governance structure (see "Structure and Governance of Rabobank Group") will contribute to the transformation that Rabobank as an organization must go through to fulfil its strategy. This will allow an organization to emerge that is flexible for the future and centers on maximum local entrepreneurship.

Strategy implementation

The Strategic Framework 2016-2020 has initiated a group wide transition process consisting of a wide range of change initiatives that impact Rabobank's organizational structure, the way it works and the way it serves its customers. In addition to many initiatives in the line organization, several large, strategic projects are also expected to be implemented. The strategic implementation agenda has been designed along four strategic pillars: Complete customer focus, Rock-solid bank, Meaningful cooperative and Empowered employees. The transition process is dynamic and is expected to be adjusted based on evolving circumstances.

An integrated process for the coordination of the transition is essential to ensure timely and coherent implementation of the strategic goals. This process began in 2016 and is expected to continue in the coming years. Strategy implementation is facilitated by a central oversight and coordination office for performance and strategic initiatives, which reports frequently to the Executive Board, Supervisory Board and supervisors. Processes have been established to ensure short-cycle steering by the Executive Board members in their respective domains, based on goals that have been translated into concrete activities, key performance indicators (“KPI”) and clearly allocated responsibilities. This approach enables the line organization to remain in the lead of the transition process.

Competition in the Netherlands

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

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 69 percent. Historically, mortgage lending in the Netherlands has been relatively low risk and all mortgage loans are collateralized. Mortgage loan defaults do not occur frequently, either in Rabobank Group’s mortgage-lending operations or in the Netherlands generally. Almost all mortgages in the Netherlands have a maturity of 30 years. Generally, mortgages have a long-term (greater than five years) fixed interest rate, after which period the rate is reset at the current market rate. Customers generally only have the option to prepay a certain percentage on the principal amount on their mortgage loan without incurring a penalty fee, thus reducing the interest rate risks related to mortgage loan refinancing for Rabobank Group.

Market Shares in the Netherlands

Rabobank Group offers a comprehensive package of financial products and services in the Netherlands. 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: As at 31 December 2016, Rabobank Group had a market share of 20.5 percent of the total amount of new home mortgages in the Dutch mortgage market by value (17.3 percent by local Rabobanks and 3.2 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: As at 31 December 2016, Rabobank Group had a market share of 33.8 percent of the Dutch savings market (source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*)). Rabobank Group is one of the largest savings institutions in the Netherlands measured as a percentage of the amount of saving deposits (source: Statistics Netherlands). Of the total saving deposits in the Netherlands, 33.0 percent are held by the local Rabobanks and 0.8 percent are held by Robeco Direct’s savings bank, Roparco.

Lending to small and medium-sized enterprises: As at 31 December 2016, Rabobank Group had a market share of 41.3 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 Group’s own surveys).

Agricultural loans: As at 31 December 2016, Rabobank Group had a market share of 84 percent of loans and advances made by banks to the Dutch primary agricultural sector (measured by Rabobank’s own surveys).

Property, Plant and Equipment

Rabobank and the local Rabobanks typically own the land and buildings used in the ordinary course of their business activities in the Netherlands. Outside the Netherlands, some 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 Group believes that its facilities are adequate for its present needs in all material respects. The table below provides an overview of Rabobank Group's material owned facilities:

<u>Location</u>	<u>Country</u>	<u>Owned / Rented</u>	<u>Encumbrances</u>
Croeselaan 18 – 22, Utrecht	The Netherlands	Owned	None
Bloemmolen 2 – 4, Boxtel	The Netherlands	Owned	None

Material Contracts

There are no contracts, other than contracts entered into in the ordinary course of business, to which Rabobank or any member of Rabobank Group is party, for the two years prior to the date of this Information Statement that are material to Rabobank Group as a whole. There are no other contracts (not being contracts entered in the ordinary course of business) entered into by any member of Rabobank Group which contain any provision under which any member of Rabobank Group has any obligation or entitlement which is material to Rabobank Group as at the date of this Information Statement.

Insurance

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

Legal and Arbitration Proceedings

Rabobank Group is active in a legal and regulatory environment that exposes it to substantial risk of litigation. As a result, Rabobank Group is involved in legal cases, arbitrations and regulatory proceedings in the Netherlands and in other countries, including the United States. The most relevant legal and regulatory claims which could give rise to liability on the part of Rabobank Group are described on pages 204 to 207 in Rabobank Group's audited consolidated financial statements for the year ended 31 December 2016, including the notes thereto, incorporated by reference into the Offering Circular. If it appears necessary on the basis of the applicable reporting criteria, provisions are made based on current information; similar types of cases are grouped together and some cases may also consist of a number of claims. The estimated loss for each individual case (for which it is possible to make a realistic estimate) is not reported, because Rabobank Group feels that information of this type could be detrimental to the outcome of individual cases.

When determining which of the claims is more likely than not (i.e., with a likelihood of over 50 percent) to lead to an outflow of funds, Rabobank Group takes several factors into account. These include (but are not limited to) the type of claim and the underlying facts; the procedural process and history of each case; rulings from legal and arbitration bodies; Rabobank Group's experience and that of third parties in similar cases (if known); previous settlement discussions; third party settlements in similar cases (where known); available indemnities; and the advice and opinions of legal advisers and other experts.

The estimated potential losses, and the existing provisions, are based on the information available at the time and are for the main part subject to judgments and a number of different assumptions, variables and known and unknown uncertainties. These uncertainties may include the inaccuracy or incompleteness of the information available to Rabobank Group (especially in the early stages of a case). In addition, assumptions made by Rabobank Group about the future rulings of legal or other instances or the likely actions or attitudes of supervisory bodies or the parties opposing Rabobank Group may turn out to be incorrect. Furthermore, estimates of potential losses relating to

the legal disputes are often impossible to process using statistical or other quantitative analysis instruments that are generally used to make judgments and estimates. They are then subject to a still greater level of uncertainty than many other areas where Rabobank Group needs to make judgments and estimates.

The group of cases for which Rabobank Group determines that the risk of future outflows of funds is higher than 50 percent varies over time, as do the number of cases for which Rabobank can estimate the potential loss. In practice the end results could turn out considerably higher or lower than the estimates of potential losses in those cases where an estimate was made. Rabobank Group can also sustain losses from legal risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognized. For those cases where (a) the possibility of an outflow of funds is less likely than not but also not remote or (b) the possibility of an outflow of funds is more likely than not but the potential loss cannot be estimated, a contingent liability is shown.

Rabobank Group may settle legal cases or regulatory proceedings or investigations before any fine is imposed or liability is determined. Reasons for settling could include (i) the wish to avoid costs and/or management effort at this level, (ii) to avoid other adverse business consequences and/or (iii) pre-empt the regulatory or reputational consequences of continuing with disputes relating to liability, even if Rabobank Group believes it has good arguments in its defense. Furthermore, Rabobank Group may, for the same reasons, compensate third parties for their losses, even in situations where Rabobank Group does not believe that it is legally required to do so.

Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Rabobank is aware), during the 12 months prior to the date of this Information Statement which may have, or have had in the past, significant effects on Rabobank and Rabobank Group's financial position or profitability are described on pages 204 to 207 under "Legal and arbitration proceedings" in Rabobank Group's audited consolidated financial statements for the year ended 31 December 2016, including the notes thereto, incorporated by reference into the Offering Circular.

STRUCTURE AND GOVERNANCE OF RABOBANK GROUP

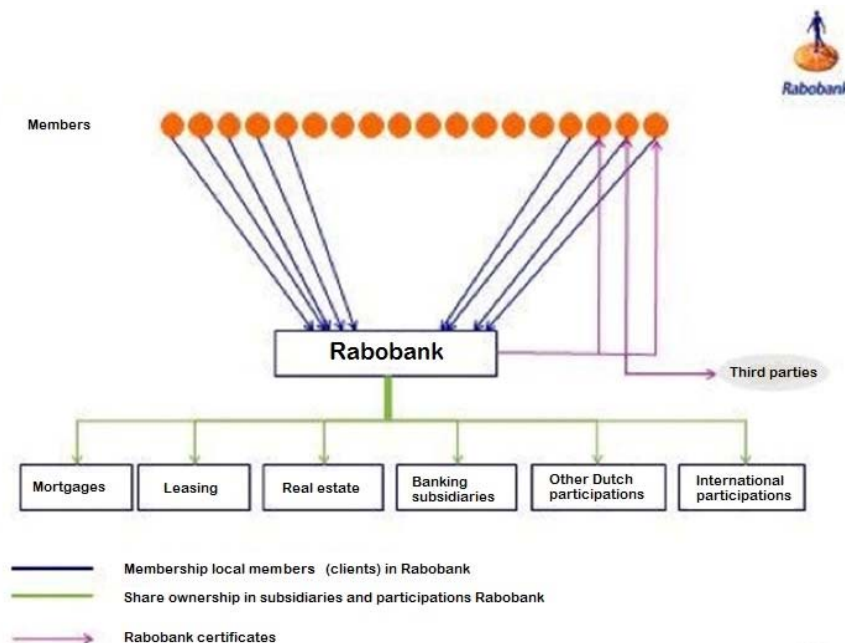
Rabobank Group comprises Coöperatieve Rabobank U.A. and its subsidiaries and participations in the Netherlands and abroad. Rabobank operates not only from the Netherlands but also from branches and representative offices all over the world. These branches and offices all form part of the legal entity Rabobank. Rabobank branches are located in Sydney, Antwerp, Toronto, Beijing, Shanghai, Dublin, Frankfurt, Madrid, Paris, Mumbai, Milan, Labuan, Wellington, New York, Singapore, Hong Kong and London. Rabobank representative offices are located in Mexico City, Buenos Aires, Moscow, Istanbul, Kuala Lumpur, Tokyo, Atlanta, Chicago, Dallas, San Francisco, Nairobi and St. Louis.

Rabobank also conducts business through separate legal entities worldwide. Rabobank is shareholder of such entities. Rabobank has its executive office in Utrecht (Croeselaan 18, 3521 CB), the Netherlands (telephone number +31 (0)30 216 0000). Its statutory seat is in Amsterdam, the Netherlands. Rabobank is registered in the commercial register of the Chamber of Commerce under number 30046259. Rabobank uses various tradenames.

General

Rabobank is a licensed bank, in the legal form of a cooperative with excluded liability (coöperatie U.A.). It was established under Dutch law. Rabobank uses amongst others the trade names Rabobank Nederland and Rabobank. Rabobank was formed as a result of the merger of the Coöperatieve Centrale Raiffeisen Bank and the Coöperatieve Centrale Boerenleenbank, the two largest banking cooperative entities in the Netherlands. It was established with unlimited duration on 22 December 1970. Until 1 January 2016, the Dutch local Rabobanks were separate legal cooperative entities. On 1 January 2016, a legal merger under universal title took place between Rabobank and all 106 local banks. Rabobank was the surviving entity.

The Executive Board is responsible for the management of Rabobank, including the local banks and, indirectly, its affiliated entities. Executive Board members are appointed by the Supervisory Board. The Supervisory Board is responsible for the supervision of the management by the Executive Board. Supervisory Board members are appointed by the General Members' Council of Rabobank. For further information regarding the governance of Rabobank Group, see “— Member influence within Rabobank Group” below and “Governance of Rabobank Group”.



Through their mutual financial association, various legal entities within Rabobank Group, including Rabobank, make up a single organization. This relationship is formalized in an internal

cross-guarantee system. This cross-guarantee system stipulates that if a qualifying institution should have a shortage of funds to meet its obligations towards creditors, the other qualifying institutions are required to supplement that institution's funds in order to allow it to fulfil these obligations. For the avoidance of doubt, the cross guarantee scheme does not apply in favor of holders of the Notes.

Corporate purpose

The objective of a cooperative is to provide for certain material needs of its members by whom it is effectively owned and controlled. Pursuant to Article 3 of the Rabobank Articles, the corporate object of Rabobank is to promote the interests of its members and to do so by:

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

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

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

(iv) performing any activities which are incidental to or may be conducive to this object.

Rabobank is furthermore authorized to extend its activities to parties other than its members.

Member influence within Rabobank Group

As a cooperative, Rabobank has members, not shareholders. Customers of Rabobank in the Netherlands have the opportunity to become members of Rabobank. As at the date of this Information Statement, Rabobank has approximately 1.9 million members. Members do not make capital contributions to Rabobank and do not have claims on the equity of Rabobank. The members do not have any obligations and are not liable for the obligations of Rabobank.

Main characteristics of Governance

Rabobank is a decentralized organization with decision making powers at both a local and central level. The governance reflects the unity of cooperative and bank. Although the Dutch Corporate Governance Code does not apply to the cooperative, Rabobank's corporate governance is broadly consistent with this code. Rabobank also observes the Dutch Banking Code.

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

The local members' councils consist of 30 to 50 members and were established pursuant to the Articles of Association. Local members' councils report to and collaborate with the management team of the local bank on the quality of services and the contribution on social and sustainable development of the local environment. These councils have a number of formal tasks and responsibilities. One of the powers of the local members' council is appointment, suspension and dismissal of the local supervisory body, including its chairman.

The local supervisory body consists of three to seven members and is part of the Department. It is a corporate body established pursuant to the local bank rules and performs various tasks and has various responsibilities, including a supervisory role on the level of the local bank. As part of that role, the Executive Board has granted the local supervisory body a number of powers in respect of material decisions of the management team chairman. The local supervisory body monitors the execution by the management team chairman of the local strategy. The local supervisory body also exercises the functional employer's role in relation to the management team chairman of the local bank. The local supervisory body is accountable to the local members' council.

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

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

The members of the Supervisory Board of Rabobank are appointed by the General Members' Council of Rabobank. Two thirds of the number of members of the Supervisory Board must be members of Rabobank. The Supervisory Board performs the supervisory role and is accountable to the General Members' Council of Rabobank. In this respect, the Supervisory Board monitors compliance with laws and regulations and *inter alia* achievement of Rabobanks' objectives and strategy. The Supervisory Board has the power to approve material decisions of the Executive Board. The Supervisory Board also has an advisory role in respect to the Executive Board. The Supervisory Board has several committees, *inter alia* a risk committee and an audit committee that perform preparatory and advisory work for the Supervisory Board. For further information regarding the Supervisory Board, see "*Governance of Rabobank Group*".

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

The Executive Board of Rabobank is responsible for the management of Rabobank including the local banks and, indirectly, its affiliated entities. The Executive Board has the ultimate responsibility for defining and achieving the targets, strategic policy and associated risk profile, financial results and corporate social responsibility aspects. In addition, the Executive Board is in charge of Rabobank Groups' compliance with relevant laws and regulations. Rabobank, represented by the Executive Board, is the hierarchical employer of the management team chairmen of the local banks. The Executive Board members are appointed by the Supervisory Board and are accountable to the Supervisory Board and the General Members' Council of Rabobank. For further information regarding the Executive Board, see "*Governance of Rabobank Group*".

The directors' conference was established pursuant to the articles of association but is not a decision-making body. It is a preparatory, informative and advisory meeting for proposals and policies concerning the business of the local banks. The Executive Board, management team chairmen of the local banks and directors of local banks participate in this meeting.

Employee Influence within Rabobank Group

Rabobank Group 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 Dutch business of Rabobank are handled by the works council (*ondernemingsraad*) of Rabobank (the "**Works Council**"). Local issues concerning the business of one, two or three local banks are handled by the local work(s) council(s). Issues concerning a subsidiary are handled by the works council of that subsidiary. Rabobank has also installed a European works council for issues concerning the businesses that operate in more than one EU member state.

Material Subsidiaries or other interests

Rabobank also conducts business through separate legal entities, not only in the Netherlands but also worldwide. At 31 December 2016 Rabobank was the (ultimate) shareholder of 637 subsidiaries and participations.

Rabobank has assumed liability for debts arising from legal transactions for 15 of its Dutch subsidiaries under Section 2:403 DCC.

THE UTRECHT BRANCH

Rabobank, 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 Rabobank U.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. Notes issued by the Utrecht Branch are not bank deposits and are not insured or guaranteed by the FDIC, 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.

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’s North American corporate banking business. The New York Branch focuses primarily on financing agribusiness companies engaged in the processing, distribution, storage, export and import of agricultural commodities although it also engages in lending activities in other sectors of the United States economy. Additionally, the New York Branch provides banking services in the United States to Rabobank’s Dutch customers. The New York Branch provides for its own funding needs through transactions in the domestic and international money markets, such as the issuance of certificates of deposit, commercial paper and medium-term notes.

The New York Branch is presently located at 245 Park Avenue, New York, NY 10167, United States of America. Neither deposits held by the New York Branch nor any notes issued or guaranteed by the New York Branch are insured or guaranteed by the FDIC, 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. See also “Regulation of Rabobank Group—United States”.

GOVERNANCE OF RABOBANK GROUP

Members of Supervisory Board and Executive Board

Supervisory Board of Rabobank

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

Name	Born	Year Appointed	Term Expires	Nationality
Ron (R.) Teerlink, Chairman	1961	2013	2017	Dutch
Marjan (M.) Trompetter, Vice Chairman	1963	2015	2019	Dutch
Irene (I.P.) Asscher-Vonk.....	1944	2009	2017	Dutch
Leo (L.N.) Degle.....	1948	2012	2020	German
Petri (P.H.M.) Hofsté.....	1961	2016	2020	Dutch
Arian (A.A.J.M.) Kamp	1963	2014	2018	Dutch
Leo (S.L.J.) Graafsma.....	1949	2010	2018	Dutch
Jan (J.) Nooitgedagt.....	1953	2016	2020	Dutch
Pascal (P.H.J.M.) Visée	1961	2016	2020	Dutch

Mr. R. Teerlink (Ron)

<i>Date of birth</i>	28 January 1961
<i>Profession</i>	Independent Management Consultant (until 14 September 2016)
<i>Main position</i>	Chairman of the Supervisory Board of Rabobank
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	– Member of the Supervisory Board of Takeaway.com
<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

Mrs. M. Trompetter (Marjan)

<i>Date of birth</i>	1 November 1963
<i>Profession</i>	– Supervisory Director
–	Self-employed Management Consultant
<i>Main position</i>	Supervisory Director
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	Supervisory Directorships: <ul style="list-style-type: none"> – Vice chairman of the Supervisory Board of Rabobank – Member of Supervisory Board of Friesland Mental Health Care Association – Member of Supervisory Board of Rijnstate Hospital, Arnhem – Member of Supervisory Board of Salvation Army Foundation for Welfare and Health Care Services
	Other auxiliary position: <ul style="list-style-type: none"> – Chairman of the Board of the Dutch Cancer Society, Elburg Division
<i>Date of first appointment to the</i>	September 2015

Supervisory Board

Current term of appointment to the Supervisory Board September 2015 - September 2019

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

Date of birth 5 September 1944

Profession Professional supervisory director

Main position None

Nationality Dutch

Auxiliary positions

Supervisory Directorships:

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

Other auxiliary positions:

- Chair of the National Arbitration Board for Schools (Landelijke Geschillencommissie Scholen)
- Chair of The Dutch Museum Association (Museumvereniging)
- Chair of the Arbitration Board for the Collective Labor Agreement in Sport (Geschillencommissie Sport CAO)

Date of first appointment to the Supervisory Board June 2009

Current term of appointment to the Supervisory Board June 2013 - June 2017

Mr. L.N. Degle (Leo)

Date of birth 15 August 1948

Profession Professional director/supervisory director

Main position None

Nationality German

Auxiliary positions

Supervisory Directorships:

- Member of the Supervisory Board of Rabobank
- Member of the Supervisory Board of Berlage B.V.
- Member of the Supervisory Board of Ten Kate B.V.
- Member of the Supervisory Board of Egeria Investments B.V.

Date of first appointment to the Supervisory Board September 2012

Current term of appointment to the Supervisory Board September 2016 - September 2020

Ms. P.H.M. Hofsté (Petri)

Appointment is conditional upon approval by external supervisors

<i>Date of birth</i>	6 April 1961
<i>Profession</i>	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– Member of the Supervisory Board and Audit Committee of Fugro N.V.– Member of the Supervisory Board and Audit Committee of Achmea B.V.– Member of the Supervisory Board of Achmea's Pensions en Life Insurance business– Chair of the Supervisory Board of Achmea Bank N.V.– Member of the Supervisory Board of Achmea Investment Management– Member of the Supervisory Board and Chair of the Audit Committee of Kasbank N.V.– Member of the Supervisory Board and Audit Committee of BNG Bank <u>Other auxiliary positions:</u> <ul style="list-style-type: none">– Member of the Advisory Board of Amsterdam Institute of Finance– Member of the Advisory Committee of the Vrije Universiteit's accounting & control master science education– Member of the program council of the NBA-VRC– Member of the board and Chair of the Audit Committee of Nyenrode Foundation– Member of the board and treasurer of 'Vereniging Hendrick de Keyser'
<i>Date of first appointment to the Supervisory Board</i>	December 2016
<i>Current term of appointment to the Supervisory Board</i>	December 2016 - December 2020

Mr. A.A.J.M. Kamp (Arian)

<i>Date of birth</i>	12 June 1963
<i>Profession</i>	Entrepreneur, owner of a cattle farm
<i>Main position</i>	Cattle farmer and professional supervisory director
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none">- Member of the Supervisory Board of Rabobank

	- Vice-chairman of the Supervisory Board Koninklijke Coöperatie Agrifirm UA
	- Member of the Board of Stichting Beheer Flynth
<i>Date of first appointment to the Supervisory Board</i>	December 2014
<i>Current term of appointment to the Supervisory Board</i>	December 2014 – December 2018

Mr. S.L.J. Graafsma (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>	– Member of the Supervisory Board of Rabobank
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	– 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 2014 - June 2018

Mr. J. Nooitgedagt (Jan)

<i>Date of birth</i>	17 July 1953
<i>Profession</i>	Professional Supervisory Director
<i>Main position</i>	None
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u>
	– Member of the Supervisory Board Rabobank
	– Vice chairman of the Supervisory Board Telegraaf Media Group
	– Vice chairman of the Supervisory Board BNG Bank
	– Member of the Supervisory Board Robeco
	<u>Other auxiliary positions:</u>
	Chairman of the Nyenrode Foundation
	– Chairman of the VEEO (Association of listed companies in the Netherlands)
	– Chairman of the Foundation Shares Administration Office KAS Bank
	– Member of the Commission Financial Reporting and Accountancy, Authority Financial Markets (AFM)
	– Member of the Audit Committee Ministry of Security and Justice
	– Member of the Governance, Risk & Compliance Committee and Member Ethics Committee for Accountants in Business, Dutch Institute of Chartered Accountants (NBA)

– Member of the Fiep Westerdorp Foundation
Date of first appointment to the Supervisory Board September 2016
Current term of appointment to the Supervisory Board September 2016 - September 2020

Mr. P.H.J.M. Visée (Pascal)

Date of birth 11 July 1961
Profession Professional Supervisory Director and independent advisor
Main position None
Nationality Dutch
Auxiliary positions Supervisory Directorships:
– Member of the Supervisory Board Rabobank
– Member of the Supervisory Board of Mediq B.V.
– Member of the Supervisory Board of PLUS Retail B.V.
Other auxiliary positions:
– Member of the Supervisory Council Erasmus University
– Chairman of the VEVO (Association of listed companies in the Netherlands)
– Board Member of Albron Foundation
– Senior advisor (external) of McKinsey Company Inc.
– Senior advisor (external) of Genpact Inc.
– Chair of the Supervisory Council ‘Stedelijk Museum Schiedam’
– Board Member of Prins Claus Fund

Date of first appointment to the Supervisory Board December 2016
Current term of appointment to the Supervisory Board December 2016 - December 2020

Executive Board of Rabobank

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

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

Wiebe (W.) Draijer

Mr. Draijer was appointed as chairman of the Executive Board of Rabobank as of 1 October 2014. From 1 January 2016 until 1 April 2016, Mr. Draijer performed the role of interim CRO. Mr. Draijer served as President of the Social and Economic Council of the Netherlands from 2012 to

2014. Prior to that, he held several positions within management-consulting firm McKinsey & Company and worked as a researcher at Philips Research Laboratories and as a freelance journalist.

- Auxiliary positions*
- Member of the board of the Dutch Banking Association (*Nederlandse Vereniging van Banken*)
 - Member of the supervisory board of Unico Banking Group
 - Member of the Board of the European Association of Cooperative Banks (EACB)
 - Member of the supervisory board of Museum Nemo/National Centre for Science and Technology
 - Member of the supervisory board of the Kröller-Müller Museum
 - Member of the supervisory board of Staatsbosbeheer (national nature conservation)

Bas (B.C.) Brouwers

Mr Brouwers was appointed to the Executive Board as of 1 January 2016. Mr Brouwers started his career at KPMG Audit in 1995. He then held various positions within ING from 1998 until 2008. He was head of Controlling & Risk Management of ING-DiBa AG (Germany) from 2007 until 2008 and CFO of ING-DiBa AG (Germany) from 2008 until 2013. From 2013 until 2015, Mr Brouwers was CFO of ING Netherlands. At the date of this Information Statement, Mr Brouwers holds no auxiliary positions.

Ralf (R.J.) Dekker

Mr Dekker was appointed to the Executive Board as of 1 November 2013. He joined Rabofacet in 1993 as the manager of IT Policy & Consultancy. From 1996 until 1998, he was the director of IT of Rabofacet and from 1998 until 2000, he was the managing Director of Rabofacet. In 2000 he was appointed to the managing board of Rabobank International. In the past he also acted as Chief Operating Officer and member of the Wholesale and Rural & Retail management teams of Rabobank.

- Auxiliary position*
- Member of the supervisory board of Rabohypotheekbank

Berry (B.J.) Marttin

Mr. Marttin was appointed to Rabobank's Executive Board as of 1 July 2009. Within the Executive Board, Mr. Marttin is responsible for international Rural & Retail, Sustainability, Rabobank Development and the Rabobank Foundation. He is co-chairman of the Management Team for WRR. Mr. Marttin joined Rabobank in 1990. 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 Deputy General Manager Rural Banking for Rabobank Australia and New Zealand. From 2004 until 2009 he was Chairman of the board of directors of Rabobank Amsterdam.

- Auxiliary positions*
- Board Member, Unico Banking Group
 - First Vice President of the Executive Team, American Chamber of Commerce
 - Chairman of the International Advisory Board, Amsterdam University College
 - Member of the Supervisory Board, Wageningen University
 - Member of the Supervisory Board of IDH (Initiatief Duurzame Handel/Dutch Sustainable Trade Initiative)
 - Member of the Dutch Trade Board
 - Chairman of the Supervisory Board of DLL International

- Member of the Supervisory Board of Rabohypotheekbank N.V.
- Member of the Board of Directors Rabobank International Holding B.V.
- Member of the Board of Directors RI Investment Holding B.V.
- Member of the Board of Rabobank Foundation
- Non-executive member of the Board Rabobank Australia Ltd.
- Non-executive member of the Board Rabobank New Zealand Holdings
- Member of the North America Board
- Chairman of the Shareholders Council of Rabo Development
- Member of the Board of Directors of Arise
- Chairman of the Supervisory Board of Obvion N.V.
- Board member Hanss Neumann Stiftung
- 50 percent shareholder of Sawah Agropecuaria, Brazil

Rien (H.) Nagel

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

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

Jan (J.L.) van Nieuwenhuizen

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

- Auxiliary positions*
- Member of the Supervisory Board of Rabo Vastgoedgroep
 - Chairman of the Supervisory Board of FGH Bank

P.C. Van Hoeken (Petra)

Mrs. Van Hoeken is a member of the Rabobank Executive Board and Chief Risk Officer since 1 April 2016. Mrs. Van Hoeken has over 30 years of experience in the global financial sector. From 1986 until 2008, Mrs. Van Hoeken held several positions of increasing responsibility, at ABN Amro

Bank, in Amsterdam, Madrid, Singapore, Frankfurt and New York. She worked both in business as well as in Risk management roles, and Sustainable Development and Public Affairs. After the acquisition of ABN Amro, she held the position of Chief Risk Officer, including regulatory Compliance, of Europe, Middle East and Africa of RBS Group. In late 2011 she joined the Managing Board of NIBC bank as their Chief Risk Officer.

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

Administrative, management and supervisory bodies — conflicts of interests

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

Administrative, management and supervisory bodies — business address

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

SELECTED FINANCIAL INFORMATION

The following selected financial data for the year ended 31 December 2014 are derived from the audited consolidated financial statements of Rabobank Group for the year ended 31 December 2015, which have been audited by Ernst & Young Accountants LLP. The following selected financial data for the years ended 31 December 2016 and 2015 are derived from the audited consolidated financial statements of Rabobank Group for the year ended 31 December 2016, which has been audited by PricewaterhouseCoopers Accountants N.V. The financial ratios, excluding the leverage ratio, the fully loaded common equity tier 1 ratio and loan impairment charges in basis points of average lending which are marked with an asterisk (*), are derived from the audited consolidated financial statements of Rabobank Group for the years ended 31 December 2016 and 31 December 2015.

The data should be read in conjunction with the audited consolidated financial statements (and related notes), incorporated by reference into the Offering Circular, and “Presentation of Financial and other Information”, “Capitalization and indebtedness of Rabobank Group” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Information Statement. Rabobank Group’s audited consolidated 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 DCC.

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

The financial data in the (sub) paragraphs in this chapter marked with an asterisk () has not been directly extracted from the audited consolidated financial statements but instead is derived from other accounting records of Rabobank.*

Consolidated statement of financial position

<i>(in millions of euros)</i>	At 31 December		
	2016	2015 (restated)	2014 (restated)
Assets			
Cash and balances at central banks	84,405	64,943	43,409
Loans and advanced to banks	25,444	32,434	45,962
Financial assets held for trading	2,585	3,472	4,279
Financial assets designated at fair value	1,321	2,196	4,325
Derivatives	42,372	48,113	56,489
Loans and advances to customers	452,807	465,993	461,787
Available-for-sale financial assets	34,580	37,773	39,770
Investments in associates and joint ventures	2,417	3,672	3,807
Goodwill and other intangible assets	1,089	1,493	2,059
Property and equipment	4,590	7,765	7,148
Investment properties	293	381	452
Current tax assets	171	193	211
Deferred tax assets	2,360	2,390	2,501
Other assets	7,878	7,854	8,560
Non-current assets held for sale	281	155	327
Total assets	662,593	678,827	681,086

<i>(in millions of euros)</i>	At 31 December		
	2016	2015 (restated)	2014 (restated)
Liabilities			
Deposits from banks	22,006	19,038	18,066
Deposits from customers	347,712	345,884	326,288
Debt securities in issue	159,342	174,991	189,060
Financial liabilities held for trading	739	573	1,324
Financial liabilities designated at fair value	16,520	16,991	19,744
Derivatives	48,024	54,556	66,236
Other liabilities	8,432	8,323	8,047
Provisions	1,546	993	794
Current tax liabilities	269	203	255

	At 31 December		
	2016	2015 (restated)	2014 (restated)
<i>(in millions of euros)</i>			
Deferred tax liabilities.....	618	575	473
Subordinated liabilities.....	16,861	15,503	11,928
Total liabilities.....	622,069	637,630	642,215

	At 31 December		
	2016	2015 (restated)	2014 (restated)
<i>(in millions of euros)</i>			
Equity			
Reserves and retained earnings.....	25,821	25,623	24,894
Equity instruments issued by Rabobank.....			
– Rabobank Certificates.....	5,948	5,949	5,931
– Capital Securities.....	7,636	7,826	6,349
	13,584	13,775	12,280
Equity instruments issued by subsidiaries.....			
– Capital Securities.....	185	176	181
– Trust Preferred Securities III to VI.....	409	1,131	1,043
	594	1,307	1,224
Other non-controlling interests.....	525	492	473
Total equity.....	40,524	41,197	38,871
Total equity and liabilities.....	622,593	678,827	681,086

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations —Change in accounting policies and presentation” for a comparison of the figures that were adjusted in the audited consolidated financial statements for the year ended 31 December 2016 compared to the audited consolidated financial statements for the year ended 31 December 2015.

Condensed Consolidated Statement of Income

	At 31 December		
	2016	2015	2014 (restated)
<i>(in millions of euros)</i>			
Net interest income.....	8,743	9,139	9,118
Net fee and commission income.....	1,918	1,892	1,879
Other income.....	2,144	1,983	1,892
Income.....	12,805	13,014	12,889
Staff costs.....	4,521	4,786	5,086
Other administrative expenses.....	3,635	2,916	2,532
Depreciation.....	438	443	437
Operating expenses.....	8,594	8,145	8,055
Impairment losses on goodwill and investments in associates.....	700	623	32
Loan impairment charges.....	310	1,033	2,633
Regulatory levies.....	483	344	488
Operating profit before tax.....	2,718	2,869	1,681
Income tax.....	694	655	(161)
Net profit.....	2,024	2,214	1,842
Of which attributed to Rabobank.....	749	880	620
Of which attributed to holders of Rabobank Certificates.....	387	387	385
Of which attributed to Capital Securities issued by Rabobank.....	762	794	690
Of which attributed to Capital Securities issued by subsidiaries.....	15	15	15
Of which attributed to Trust Preferred Securities III to VI.....	47	63	74
Of which attributed to non-controlling interests.....	64	75	58
Net profit for the year.....	2,024	2,214	1,842

Financial Ratios:

	2016	2015	2014
Total capital ratio	25.0%	23.2%	21.3%
Tier 1 ratio	17.6%	16.4%	16.0%
CET1 Ratio	14.0%	13.5%	13.6%
Fully Loaded Common Equity Tier 1 ratio*	13.5%	12.0%	11.8%
Equity capital ratio	15.0%	14.7%	14.4%
Leverage ratio*	5.5%	5.1%	4.9%

	2016	2015	2014
Loan impairment charges (in basis points of average lending)*	7	24	60

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

The following discussion and analysis should be read in conjunction with the rest of the Information Statement, including the information set forth in "Selected Financial Information" and the audited consolidated financial statements and the notes thereto of Rabobank Group incorporated by reference into the Offering Circular.

Certain figures for Rabobank Group at and for the years ended 31 December 2015 and 31 December 2014 included in the following discussion and analysis have been restated as a result of changes in accounting policies and presentation. The restated figures for the year ended 31 December 2015 have been derived from the audited consolidated financial statements for the year ended 31 December 2016. The restated figures for the year ended 31 December 2014 have been derived from the comparative figures as included in the audited consolidated financial statements for the year ended 31 December 2015. See "Change in accounting policies and presentation" below for further information. The audited consolidated 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 DCC.

The financial data in the (sub) paragraphs in this chapter marked with an asterisk () has not been directly extracted from the audited consolidated financial statements but instead is derived from the accounting records of Rabobank.*

Material 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 in the Netherlands continues in 2017.

In 2016, 42 percent of Rabobank Group's operating profit before tax 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 sustained 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. Rabobank expects that the relatively low interest rate environment that it has faced in the recent past is likely to continue in 2017, with a corresponding impact on Rabobank Group's results.

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 the Offering Circular for additional discussion of the application of Rabobank Group's accounting policies.

Loan impairment charges

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

The loan impairment allowance consists of three components:

- *Specific allowance*: For individual impaired loans a specific allowance is determined. The size of the specific allowance is the difference between the carrying amount and the recoverable amount, which is the present value of the expected cash flows, including amounts recoverable under guarantees, collateral and unencumbered assets, discounted at the original effective interest rate of the loans. If a loan is not collectible it is written-off from the allowance. Specific provisioning for every change that impacts the statement of income by €7.5 million or more is dealt with by the Provisioning Committee.
- *Collective allowance*: In addition to the assessment of individual loans, a collective assessment is made with respect to retail expenses that are not subject to a specific allowance. In these cases the collective assessment is made based on homogenous groups of loans with a similar risk profile with the purpose of identifying the need to recognize an allowance for loan losses.
- *IBNR (Incurred But Not Reported)*: For exposures in the portfolio that are impaired, but not yet recognized as such (i.e. incurred but not reported) a general allowance is taken. This allowance is taken because there is always a mismatch period between an event causing a default of a client and the moment the bank becomes aware of the default. The allowance will be determined based on Expected Loss data generated by the Economic Capital models.

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

Trading activities

Rabobank's trading portfolio is carried at fair value based on market prices or model prices if the market prices are not available. The market value of financial instruments in Rabobank Group's trading portfolio is generally based on listed market prices or broker-dealer price quotations. If prices are not readily determinable, fair value is based on valuation models. The fair value of certain financial instruments, including OTC derivative instruments, are valued using valuations models that consider, among other factors, contractual and market prices, correlations, time value, credit, yield curve volatility factors 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 2015 and 31 December 2014 in this Information Statement

have been restated. Rabobank has changed its accounting policy for the netting of cash pooling arrangements due to an agenda decision of the IFRS Interpretations Committee in March 2016. This change in accounting policy is accounted for retrospectively in the audited consolidated financial statements for the year ended 31 December 2016 by reversing the netting that took place in 2015. In 2016 the netting procedures have been adjusted resulting in the netting of cash pools. Furthermore, as a result of an adjustment in the opening balance of equity, certain figures for Rabobank Group for the year ended 31 December 2015 have been restated. The capital ratios and the return on equity were not adjusted for this equity change. See Rabobank Group's audited consolidated financial statements for the year ended 31 December 2016 and 31 December 2015, under note 2.1, "Other changes in accounting policies and presentation". Where the year ended 31 December 2015 is compared with the year ended 31 December 2014, the restated figures for 2015 and 2014 are discussed. Where the year ended 31 December 2016 is compared with the year ended 31 December 2015, the restated figures for 2015 are discussed.

Below is a comparison of the 'Total assets', 'Loans and advances to banks', 'Loans and advances to customers', 'Other assets', 'Total liabilities', 'Amounts due to customers', 'Financial liabilities held for trading', 'Derivatives', 'Other liabilities', 'Current tax liabilities', 'Reserves and retained earnings' and 'Total equity' line items on 31 December 2015 as stated in the audited consolidated financial statements for the year ended 31 December 2016 and for the year ended 31 December 2015:

<i>(in millions of euro)</i>	31 December 2015 figures included in consolidated statement of financial position as of 31 December 2016	31 December 2015 figures included in consolidated statement of financial position as of 31 December 2015	Restatement and reclassification	In %
Total assets.....	678,827	670,373	8,454	1.3%
Loans and advances to banks.....	32,434	31,210	1,224 ⁽³⁾	3.9%
Loans and advances to customers.....	465,993	458,618	7,375 ⁽³⁾	1.6%
Other assets.....	7,854	7,999	(145) ⁽⁴⁾	(1.8)%
Total liabilities.....	637,630	629,093	8,537	1.4%
Amounts due to customers.....	345,884	337,593	8,291 ⁽¹⁾	2.5%
Financial liabilities held for trading.....	573	0	573 ⁽⁵⁾	100%
Derivatives.....	54,556	55,129	(573) ⁽⁵⁾	(1.0)%
Other liabilities.....	8,323	8,050	273 ⁽⁴⁾	3.4%
Current tax liabilities.....	203	230	(27) ⁽²⁾	(11.7)%
Reserves and retained earnings.....	25,623	25,706	(83) ⁽²⁾	(0.3)%
Total equity.....	41,197	41,280	(83)⁽²⁾	(0.2)%

Note(s):

- (1) In April 2016, an Agenda Rejection Notice was published by the IFRS Interpretations Committee ('IFRIC') on balance sheet offsetting of notional cash pooling products. The issue relates to the question whether certain cash pooling arrangements would meet the requirements for offsetting under IAS 32. The IFRIC provided further clarification that the transfer of balances into a netting account should occur at the period end to demonstrate an intention to settle on a net basis. As a result of the Agenda Rejection Note, the comparable figures have been adjusted by reversing the netting that took place in 2015. The Loans and advances to customers and Deposits from customers have been increased by €8,291 million per December 2015 and €10,121 million per 1 January 2015.
- (2) As of 31 December 2015, receivables were overstated by €110 million. This amount has been reported as income in years prior to 2013. In accordance with IAS 8, the opening balance of equity as per 1 January 2015 has been adjusted retrospectively from €24,894 million to €24,811 million. The 'Loans and advances to customers' line item decreased by €110 million and the 'Current tax liabilities' line item decreased by €27 million at December 2015.
- (3) As a result of a reclassification of reverse repurchase loans the 'Loans and advances to banks' line item increased by €1,224 million and the 'Loans and advances to customers' line item decreased by €1,224 million.
- (4) Structured inventory products have been reclassified from the 'Other assets' line item to the 'Loans and advances to customers' line item as per 31 December 2015 for an amount of €418 million. This change results in a better alignment with the extent to which the risks and rewards of the underlying commodities are transferred. Because of this reclassification, the 'Other Assets' line item were restated and decreased by €418 million. Furthermore the 'Other assets' line item and the 'Other liabilities' line item were both restated and increased by €273 million as a result of the unjust netting of projects in Germany by Rabo Real Estate Group.

- (5) In the statement of financial position of the consolidated financial statements 2016 the 'Financial liabilities held for trading' line item was reported separately in contrary to 2015 where these numbers were incorporated within the line item 'Derivatives and other trade liabilities' in the statement of financial position of the consolidated financial statements 2015. In note 10.4 of the consolidated financial statements 2015 the balance as per 31 December 2015 of €573 million 'Short positions shares and bonds' concerns the reclassified amount from the line item 'Derivatives and other trade liabilities' in the financial statements 2015 to the line item 'Financial liabilities held for trading' in the financial statements 2016.
- (6) This is the result of the increase of €8,291 million described in footnote (1) minus the overstatement of €110 million described in footnote (2) minus the reclassification of €1,224 million described in footnote (3) plus the restatement of €418 million described in footnote (4).

Results of operations

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

<i>(in millions of euro)</i>	Year ended 31 December		
	2016	2015	2014 (restated)
Net interest income	8,743	9,139	9,118
Net fee and commission income	1,918	1,892	1,879
Other income	2,144	1,983	1,892
Total income	12,805	13,014	12,889
Staff costs	4,521	4,786	5,086
Other administrative expenses	3,635	2,916	2,532
Depreciation	438	443	437
Total operating expenses	8,594	8,145	8,055
Gross result	4,211	4,869	4,834
Impairment losses on goodwill and investments in associates	700	623	32
Loan impairment charges	310	1,033	2,633
Regulatory levies	483	344	488
Operating profit before tax	2,718	2,869	1,681
Income tax	694	655	(161)
Net profit	2,024	2,214	1,842

Comparison results of operations for the years ended 31 December 2016 and 31 December 2015

Total income. Rabobank Group's total income decreased by €209 million in 2016 to €12,805 million compared to €13,014 million in 2015. The decrease was mainly due to a decrease in net interest income.

Net interest income. Net interest income decreased by €396 million to €8,743 million in 2016 compared to €9,139 million in 2015. Lending at local Rabobanks and FGH Bank decreased, resulting in a lower contribution of net interest income. At Wholesale, Rural and Retail ("WRR") commercial interest margins stabilized. Amongst other factors negative interest rates, the relatively flat interest rate curve and higher liquidity buffer costs led to lower net interest income from Rabobank Group Treasury activities. Net interest income at DLL was stable.

Net fee and commission income. Net fee and commission income increased by €26 million to €1,918 million in 2016 compared to €1,892 million in 2015. At the local Rabobanks, net fee and commission on payments increased. At WRR, net fee and commission income increased in line with the strategy of more fee-generating business and as result of growth of the loan portfolio. Also, at DLL, the growth of the loan portfolio resulted in higher net fee and commission income. However, the rise was tempered by the fall in net fee and commission income from the real estate segment, due to the demerger of Fondsenbeheer Nederland, which contributed to net fee and commission income until June 2015.

Other income. Other income increased by €161 million to €2,144 million in 2016 compared to €1,983 million in 2015, mainly as a result of the sale of Athlon. This sale resulted for DLL in a book profit of €251 million for DLL. Furthermore, the sale of mortgages by the local Rabobanks contributed to the increase of other income. At WRR, markets performed better compared to 2015 and also the

release of foreign exchange reserves connected to the closing of Rabobank's office in Curaçao contributed to the increase in other income as well. The increase of the other income item was offset by the lower (regular) results on our investment in Achmea and lower results on structured notes and hedge accounting. The gross result on hedge accounting and structured notes decreased by €170 million to €106 million compared to €276 million in 2015.

Total operating expenses. Rabobank Group's total operating expenses increased €449 million in 2016 to €8,594 million compared to €8,145 million in 2015, in particular due to an increase in other administrative expenses.

Staff costs. Staff costs decreased €265 million to €4,521 million in 2016 compared to €4,786 million in 2015. In 2016, the total number of employees (including external hires) at Rabobank decreased by 6,446 FTEs to 45,567 FTEs mainly as a result of the large restructuring program "Performance Now" in the Netherlands. The sale of Athlon and staff reductions at WRR in Ireland, Australia, New Zealand and Chile also contributed to the decrease. The largest reduction in staff was at the local Rabobanks. Besides the staff reduction, the moderation of fringe benefits helped to bring staff costs down.

Other administrative expenses. Other administrative expenses increased by €719 million to €3,635 million in 2016 compared to €2,916 million in 2015. In 2016 an additional provision of €514 million was made after Rabobank adopted the SME interest rate derivatives recovery framework. Total restructuring costs amounted to €515 million in 2016. As of 31 December 2016, the restructuring provision in the balance sheet amounted to €461 million. This rise in restructuring costs can be attributed mostly to redundancies at Rabobank and, to a lesser extent, FGH Bank, DLL and ACC Loan Management. The digitalization of services resulted in a decline in the number of employees and branches. The revaluation of property in own use, due to a lower occupancy rate of the local branch premises, also contributed to the increase in other administrative expenses. The increase in the other administrative expenses was partly compensated by a provision release for legal claims at WRR.

Depreciation. Depreciation was down by €5 million to €438 million in 2016 compared to €443 million in 2015.

Impairment losses on goodwill and investments in associates. Impairment losses on goodwill and investments in associates were up €77 million to €700 million in 2016, compared to €623 million in 2015. In 2016, the operating profit before tax was pressured down by €700 million in the aggregate due to non-cash impairments of Rabobank's stake in Achmea. The outlook for the future profitability of Achmea deteriorated during 2016, taking into account recent developments in the health insurance market and the financial results over the first half year of 2016. These elements, combined with the deteriorating business environment of Dutch insurers over the last years, gave triggers of potential impairments for the investment in Achmea. The test to establish whether these potential impairments had occurred, resulted in downward adjustments of the book value of the investment in Achmea. In 2015, an impairment on goodwill lowered the operating profit before tax by €623 million. Of this sum, €604 million was associated with Rabobank National Association ("RNA") in the United States.

Loan impairment charges. Loan impairment charges were down €723 million to €310 million in 2016 compared to €1,033 million in 2015. Due to the economic recovery in The Netherlands, and economic growth worldwide, all business segments of the bank are performing well. This resulted in significant releases on the loan impairment allowance. Other factors contributing to this positive development include foreclosures at better-than-anticipated collateral values as well as adequate existing allowances. Relative to the average private sector loan portfolio based on month-end balances, loan impairment charges amounted to 7 basis points in 2016 compared to 24 basis points in 2015; this is exceptionally low and substantially below the long-term average (period 2006-2015) of 36 basis points.

Regulatory levies. Regulatory levies led to an expense item for Rabobank Group of €483 million in 2016, compared to €344 million in 2015. The increase in the contribution to the resolution fund and Rabobank's inaugural contribution to the Dutch Deposit Guarantee Scheme affected net profit negatively.

Income tax. The recognized tax expense was €694 million in 2016 compared to €655 million in 2015, which corresponds to an effective tax burden of 26 percent in 2016 compared to 23 percent in 2015.

Net profit. Net profit decreased by 9 percent to €2,024 million in 2016 compared to €2,214 million in 2015. Impairments on Rabobank's stake in Achmea lowered net profit in 2016 by in aggregate €700 million, whereas in 2015 an impairment on goodwill with regard to our retail subsidiary RNA in the United States reduced net profit by €604 million. The net profit was pressured by higher administrative expenses due to the additional provision for adopting the SME interest rate derivatives recovery framework and due to higher restructuring costs. Furthermore, Rabobank's increased contribution to the resolution fund and ex-ante contribution to the Dutch Deposit Guarantee Scheme fund affected net profit by €106 million. The €723 million decrease in loan impairment charges positively influenced net profit.

Comparison results of operations for the years ended 31 December 2015 and 31 December 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment Discussion

Domestic retail banking

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

<i>(in millions of euros)</i>	Year ended 31 December		
	2016	2015 (restated)	2014 (restated)
Net interest income	5,467	5,661	5,783
Net fee and commission income	1,334	1,321 ⁽¹⁾	1,318
Other income	58	18	131
Total income	6,859	7,000	7,232
Staff costs	1,798	2,134	2,302
Other administrative expenses	3,113	2,470 ⁽²⁾	2,233
Depreciation	117	116	127
Total operating expenses	5,028	4,720	4,662
Gross result	1,831	2,280	2,570
Loan impairment charges	25	343	1,422
Regulatory levies	279	171	354
Operating profit before tax	1,527	1,766	794
Income tax	400	445	261
Net profit	1,127	1,321	533

Note(s):

- (1) Comparative figure 'Other income' for the year ended 31 December 2015 was restated from €1,371 million to €1,321 million.
- (2) Comparative figure 'Other administrative expenses' for the year ended 31 December 2015 was restated from €2,520 million to €2,470 million.

Comparison results of domestic retail banking for the years ended 31 December 2016 and 31 December 2015

Total income. Domestic retail banking total income decreased by 2 percent, to €6,859 million in 2016, compared to €7,000 million in 2015 mainly due to a decrease in net interest income.

Net interest income. Net interest income decreased 3 percent to €5,467 million in 2016, compared to €5,661 million in 2015. Margins on new lending improved, whereas margins on payment accounts were lower. Combined with the decrease in lending volumes net interest income was pressured and decreased to €5,467 million. The income received from prepayment penalties, which is recognized as part of interest income, was used for the recouping of swaps. By recouping a swap, the historical interest coupon paid is lowered which ultimately will bring down the future total interest rate risk costs.

Net fee and commission income. Net fee and commission income increased by 1 percent to €1,344 million in 2016, compared to €1,321 million in 2015, due to higher commission on payments.

Other income. Other income increased by €40 million to €58 million in 2016, compared to €18 million in 2015, mainly due to the sale of mortgages.

Total operating expenses. Total operating expenses for domestic retail banking increased 7 percent to €5,028 million in 2016, compared to €4,720 million in 2015, as a result of an increase in other administrative expenses.

Staff costs. Staff costs decreased by €336 million to €1,798 million in 2016, compared to €2,134 million in 2015. Staff costs fell as the virtualization and centralization of services impacted the size of the workforce. The number of internal and external employees in the segment decreased to 17,455 FTEs in 2016, compared to 24,341 FTEs in 2015. Part of this decrease is the result of the movement of employees from local Rabobanks to the central organization.

Other administrative expenses. Other administrative expenses increased by €643 million to €3,113 million in 2016, compared to €2,470 million in 2015. Other administrative expenses rose mainly due to the additional provision of €514 million in the first half of 2016 following Rabobank's adoption of the SME interest rate derivatives recovery framework. Furthermore, the restructuring costs also increased due to the high level of redundancies compared to 2015.

Depreciation. Depreciation increased by €1 million to €117 million in 2016, compared to €116 million in 2015, as a result of higher depreciation on intangible fixed assets.

Loan impairment charges. Loan impairment charges decreased by €318 million to reach €25 million in 2016, compared to €343 million in 2015. This translates into 1 basis point of the average loan portfolio based on month-end balances in 2016, compared to 12 basis points in 2015, far below the long-term average of 23 basis points. In the Netherlands, the further recovery of the economy was clearly reflected in the limited number of newly defaulted loans and high releases on the loan impairment allowance. Also the allowances for loans for which a provision had already been taken proved to be sufficient. The low impairment charges are noticeable in almost all sectors, except for the sea and coastal shipping, for which structural problems continue. Although loan impairment charges in greenhouse horticulture were, due to releases, negative for the second consecutive year the sector is still confronted with fragile market conditions. The dairy sector also recorded low loan impairment charges; however, the sector was confronted with liquidity shortages and uncertainties regarding the phosphate policy, which will result in a significant decline of the livestock in the coming years.

Regulatory levies. Regulatory levies led to an additional expense item of €279 million in 2016 compared to €171 million in 2015.

Income tax. Income tax decreased in 2016 by €45 million to €400 million compared to €445 million in 2015.

Net profit. Net profit decreased by €194 million to €1,127 million in 2016 compared to €1,321 million in 2015. The net result was negatively affected by higher other administrative expenses.

Comparison results of domestic retail banking for the years ended 31 December 2015 and 31 December 2014

Total income. Domestic retail banking total income decreased by 3 percent, falling to €7,000 million in 2015, compared to €7,232 million in 2014. This decrease was mainly due to a decrease in net interest income and other income.

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

Net fee and commission income. Net fee and commission income increased insignificantly to €1,321 million in 2015, compared to €1,318 million in 2014.

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

Total operating expenses. Total operating expenses for domestic retail banking increased 1 percent, increasing to €4,720 million in 2015, compared to €4,662 million in 2014, as a result of an increase in other administrative expenses.

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

Other administrative expenses. Other administrative expenses increased by €237 million to €2,470 million in 2015, compared to €2,233 million in 2014, due to higher reorganization and legal costs.

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

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

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

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

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

Wholesale banking and international rural and retail banking

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

<i>(in millions of euros)</i>	Year ended 31 December		
	2016	2015	2014 (restated)
Net interest income	1,974	2,270	2,416
Net fee and commission income	538	513	552
Other income	1,097	653	825
Total income	3,609	3,436	3,793
Staff costs	1,137	1,123	1,164
Other administrative expenses	1,023	1,101	1,166
Depreciation	94	107	87
Total operating expenses	2,254	2,331	2,417
Gross result	1,355	1,105	1,376
Impairment losses on goodwill and investments in associates	0	612	26
Loan impairment charges	255	526	420
Regulatory levies	151	139	67
Operating profit before tax	949	(172)	863
Income tax	305	161	105
Net profit	644	(333)	758

Comparison results of wholesale banking and international rural and retail banking for the years ended 31 December 2016 and 31 December 2015

Total income. Wholesale banking and international rural and retail banking total income increased by 5 percent to €3,609 million in 2016 compared to €3,436 million in 2015. This increase was attributable to an increase in other income partly offset by a decrease in interest income.

Net interest income. Net interest income declined by 13 percent to €1,974 million in 2016, compared to €2,270 million in 2015. Amongst others negative interest rates, the relatively flat interest rate curve and higher liquidity buffer costs led to lower net interest income from the Treasury. Within the segment wholesale banking and international rural and retail banking, the results of Group Treasury were also presented.

Net fee and commission income. WRR's loan portfolio grew, while it also focused, in line with its strategy, on more fee-generating business. As a result, net fee and commission income increased by 5 percent to €538 million in 2016, compared to €513 million in 2015.

Other income. Other income increased by 68 percent to €1,097 million in 2016, compared to €653 million in 2015. The main drivers for this increase were the better performance of Markets compared to 2015 and the release of foreign exchange reserves connected to the closing of Rabobank's office in Curaçao.

Total operating expenses. Total operating expenses decreased by 3 percent to €2,254 million in 2016, compared to €2,331 million in 2015, mainly as a result of a decrease in other administrative expenses.

Staff costs. Despite the increase in the value of the U.S. dollar, staff costs increased marginally to €1,137 million in 2016, compared to €1,123 million in 2015, due to cost-saving initiatives related to our performance improvement program "Performance Now". Examples of such initiatives include efforts in further standardization of the organization and simplification of the IT landscape which facilitates staff reduction.

Other administrative expenses. Other administrative expenses were down 7 percent to €1,023 million in 2016, compared to €1,101 million in 2015, mainly due to the release of a provision for legal issues.

Depreciation. As a result of lower depreciation on software developed in-house, depreciation was down 12 percent to €94 million in 2016, compared to €107 million in 2015.

Impairment losses on goodwill and investments in associates. Impairment losses on goodwill and investments in associates decreased by €612 million to €0 in 2016, compared to €612 million in 2015. In the first half of 2015 an impairment on goodwill with regard to RNA in the United States lowered the operating profit before taxation by €604 million.

Loan impairment charges. Loan impairment charges at Wholesale banking and international rural and retail banking decreased by 52 percent to €255 million in 2016, compared to €526 million in 2015. Expressed in basis points of the average loan portfolio based on month-end balances, the loan impairment charges amounted to 26 basis points in 2016, compared to 53 basis points in 2015. Loan impairment charges are well below the long-term average (2006-2015) of 59 basis points. In Wholesale, all regions other than Asia, showed significant reductions in loan impairment charges over 2016 compared to 2015. In the Netherlands loan impairment charges decreased below the long-term average, due to improved economic conditions. For Rural & Retail the decrease can mainly be attributed to the exceptionally low loan impairment charges of ACC Loan Management, the wholly-owned Irish subsidiary of the Rabobank.

Regulatory levies. The regulatory levies led to an expense item of €151 million in 2016, compared to €139 million in 2015.

Income tax. Income tax increased in 2016 by €144 million to €305 million, compared to €161 million in 2015.

Net profit. Net profit increased by €977 million to €644 million in 2016 compared to minus €333 million in 2015. The goodwill impairment with respect to RNA of €604 million significantly lowered the operating profit before tax in 2015.

Comparison results of wholesale banking and international rural and retail banking for the years ended 31 December 2015 and 31 December 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

Leasing

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

<i>(in millions of euros)</i>	Year ended 31 December		
	2016	2015	2014
Net interest income	1,086	1,094	1,000
Net fee and commission income	90	57	30
Other income	816	568	548
Total income	1,992	1,719	1,578
Staff costs	616	601	535
Other administrative expenses	285	277	251
Depreciation	31	38	48
Total operating expenses	932	916	834
Gross result	1,060	803	744
Impairment losses on goodwill and investments in associates	0	10	0
Loan impairment charges	101	85	131
Regulatory levies	22	19	9
Operating profit before tax	937	689	604
Income tax	197	191	168
Net profit	740	498	436

Comparison results of leasing for the years ended 31 December 2016 ended 31 December 2015

Total income. DLL's total income increased by 16 percent to €1,992 million in 2016, compared to €1,719 million in 2015. The increase was mainly due to a 44 percent increase in other income.

Net interest income. Net interest decrease by 1 percent to €1,086 million in 2016, compared to €1,094 million in 2015.

Net fee and commission income. Net fee and commission income rose by €33 million to €90 million in 2016, compared to €57 million in 2015 as a result of a higher activity level.

Other income. Other income mainly consisted of sales results on end-of-lease assets and income from operational lease contracts. In December 2016, the sale of Athlon which resulted in a book profit of €251 million, contributed largely to the increase in other income. Consequently, other income rose by 44 percent to €816 million in 2016, compared to €568 million in 2015.

Total operating expenses. Total operating expenses at DLL were up 2 percent to €932 million in 2016, compared to €916 million in 2015. The increase in the number of employees by 149 FTEs in 2016 compared to 2015 contributed to the increase in operating expenses.

Staff costs. Staff costs were up €15 million, reaching €616 million in 2016, compared to €601 million in 2015. Due to the sale of Athlon in December, the total number of employees decreased to 4,675 FTEs, but Athlon still contributed to DLL staff costs until November. In 2016, staff costs showed a modest rise to €616 million, mainly related to regular yearly salary adjustments.

Other administrative expenses. Other administrative expenses rose 3 percent to €285 million in 2016, compared to €277 million in 2015 due in part to higher costs for regulation and supervision.

Depreciation. Lower depreciation of intangible assets led to a decline in depreciation by €7 million to €31 million in 2016, compared to €38 million in 2015.

Loan impairment charges. DLL's loan impairment charges increased by 19 percent to €101 million in 2016, compared to €85 million in 2015. Expressed in basis points of the average loan portfolio based on month-end balances, the loan impairment charges amounted to 30 basis points in 2016, compared to 25 basis points in 2015. Loan impairment charges are well below the long-term average (2006-2015) of 66 basis points. In 2016 there were no new significant individual default cases.

Regulatory levies. Regulatory levies led to an expense of €22 million in 2016, compared to €19 million in 2015.

Income tax. Income tax increased in 2016 by €6 million to €197 million compared to €191 million in 2015.

Net profit. Net profit increased 49 percent to €740 million in 2016 compared to €498 million in 2015 due to the increase in total income and the decrease in loan impairment charges.

Comparison results of leasing for the years ended 31 December 2015 and 31 December 2014

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

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

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

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

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

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

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

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

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

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

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

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

Real estate

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

<i>(in millions of euro)</i>	Year ended 31 December		
	2016	2015	2014 (restated)
Net interest income	293	348	313
Net fee and commission income	16	29	36
Other income	379	302	267
Total income	688	679	616
Staff costs	215	196	198
Other administrative expenses	142	124	104
Depreciation	4	7	9
Total operating expenses	361	327	311
Gross result	327	352	305
Impairment losses on goodwill and investments in associates	0	1	6
Loan impairment charges	(75)	90	656
Regulatory levies	13	15	8
Operating profit before tax	389	246	(365)
Income tax	101	65	(102)
Net profit	288	181	(263)

Comparison results of real estate for the years ended 31 December 2016 and 31 December 2015

Total income. Total income in Rabobank Group's real estate business increase by 1 percent to €688 million in the 2016 compared to €679 million in 2015.

Net interest income. Net interest income decreased 16 percent to €293 million in 2016 compared to €348 million in 2015. The decrease of the loan portfolio at FGH Bank resulted in lower net interest income, which was partly offset by higher income from penalty interest received in connection with the early repayment of loans.

Net fee and commission income. The reduction in the loan portfolio and the decrease in assets under management influenced net fee and commission income, which fell by €13 million to €16 million in 2016, compared to €29 million in 2015.

Other income. Other income was positively influenced by the rise in the number of residential units sold, and the sale of the building 'De Rotterdam' in June. As a result, other income increased by €77 million to €379 million, compared to €302 million in 2015.

Operating expenses. Total operating expenses in Rabobank Group's real estate business increased by 10 percent to €361 million in 2016, compared to €327 million in 2015, mainly due to an increase in other administrative expenses and staff costs.

Staff costs. At area developer BPD, increased commercial activity led to a small increase of the number of employees. For the complete real estate segment this was more than compensated by the decrease of personnel at RVG Holding. The number of employees also increased at Rabo Real Estate Finance. The integration of FGH Bank into Rabobank resulted in additional activities, for which external employees were hired, increasing staff costs by 10 percent to €215 million in 2016, compared to €196 million in 2015. Once the integration is finished, the number of employees is expected to fall.

Other administrative expenses. The restructuring provision taken for redundant employees at FGH Bank contributed significantly to the increase in other administrative expenses by 15 percent to €142 million in 2016, compared to €124 million in 2015.

Depreciation. Depreciation decreased by 43 percent to €4 million in 2016, compared to €7 million in 2015.

Loan impairment charges. Loan impairment charges decreased to negative €75 million in 2016, compared to €90 million in 2015. Expressed in basis points of the average loan portfolio based on month-end balances, based on month-end balances, the loan impairment charges amounted to minus 54 basis points in 2016, compared to 56 basis points in 2015. Loan impairment charges are well below the long-term average (2006-2015) of 94 basis points. Among others the economic recovery led to an increased demand for commercial real estate and retail premises, while the property investment market saw significant activity from both domestic and foreign investors. Mainly due to initiatives to convert vacant buildings, the number of vacant offices and retail premises is decreasing. However, rental prices are still under pressure in areas outside core locations in large cities.

Regulatory levies. Regulatory levies led to an expense item of €13 million in 2016, compared to €15 million in 2015.

Income tax. Income tax increased by €36 million to €101 million in 2016 compared to €65 million in 2015.

Net profit. Net profit increased by €107 million to €288 million in 2016 compared to €181 million in 2015, primarily due to lower loan impairment charges.

Comparison results of real estate for the years ended 31 December 2015 and 31 December 2014

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

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

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

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

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

Staff costs. Staff costs fell by 1 percent to €196 million compared to €198 million in 2014, due to a decline in the number of employees.

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

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

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

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

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

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

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

Loan Portfolio

The sale of parts of the mortgage portfolio and early repayments on residential mortgage loans contributed to the decrease in the local Rabobanks' private sector loan portfolio in 2016. Obvion also sold part of a portfolio of Dutch residential mortgages and securitized €1 billion of its mortgage portfolio. In this transaction the most junior tranches were also sold to investors, resulting in off-balance sheet treatment. At real estate financier FGH Bank, the commercial real estate portfolio was further reduced and the sale of the real estate financing activities of RNHB contributed to a decrease of the loan portfolio. The loan portfolio of WRR increased, due to several factors including growth in the rural banking portfolio and changes in foreign exchange rates. At Rabobank's leasing subsidiary DLL, the loan portfolio increased – excluding the sale of Athlon - on the back of better economic conditions, and foreign exchange fluctuations. The volume of the private sector loan portfolio at year-end 2015 was restated and increased by €8.3 billion as a result of a change in accounting principles related to the netting of cash pools. More information can be found in the consolidated financial statements 2016 in the section on other changes in accounting principles and presentation. The loan portfolio at Rabobank Group level decreased in 2016 by €9.3 billion, including the effects of the change in accounting policies.

Excluding the restatement, loans and advances to customers decreased by €4.9 billion, to €452.8 billion at 31 December 2016 from €457.7 billion at 31 December 2015. The private sector loan portfolio decreased by €1.6 billion to €424.6 billion at 31 December 2016 from €426.2 billion at 31

December 2015. Loans to private individuals, primarily for mortgage finance, were down €6.6 billion to €201.2 billion at 31 December 2016. Residential mortgage loans are granted by local Rabobanks and by Obvion. These loans are secured on underlying properties and have maturities up to 30 years. Loans to the trade, industry and services sector decreased by €6.4 billion to €121.3 billion at 31 December 2016. Lending to the food and agri sector increased by €3.6 billion to €102.0 billion at 31 December 2016.

The following table shows a breakdown of Rabobank Group's total lending outstanding to the private sector at 31 December 2016, 31 December 2015 and 31 December 2014, by category of borrower:

<i>(in billions of euro and as percentage of total private sector lending)</i>	As at 31 December					
	2016		2015 (restated)		2014 (restated)	
Private individuals	201.2	47%	207.8 ⁽¹⁾	48%	210.8	49%
Trade, industry and services	121.3	29%	127.7 ⁽²⁾	29%	127.3	30%
Food and agri	102.0	24%	98.4 ⁽³⁾	23%	92.3	21%
Total private sector lending	424.6	100%	433.9⁽⁴⁾	100%	430.4	100%

Note(s):

- (1) Comparative figure 'Private individuals' for the year ended 31 December 2015 was restated from €207.9 billion to €207.8 billion.
- (2) Comparative figure 'Trade, industry and services' for the year ended 31 December 2015 was restated from €120.5 billion to €127.7 billion.
- (3) Comparative figure 'Food and agri' for the year ended 31 December 2015 was restated from €97.8 billion to €98.4 billion.
- (4) Comparative figure 'Total private sector lending' for the year ended 31 December 2015 was restated from €426.2 billion to €433.9 billion.

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

The following table provides a breakdown of the remaining maturity of Rabobank Group's total loans and advances to customers (public and private sector) and professional securities transactions at 31 December 2016 and 31 December 2015. These amounts are non-restated for the netting of cash pooling arrangements and correspond to the audited consolidated financial statements for the year ended 31 December 2016:

<i>(in millions of euro and as percentage of total loans and advances to customers)</i>	As at 31 December			
	2016		2015 (restated)	
Less than 1 year	103,206	22%	116,849 ⁽¹⁾	25%
More than 1 year	349,601	78%	349,144 ⁽²⁾	75%
Total loans and advances to customers	452,807	100%	465,993⁽³⁾	100%

Note(s):

- (1) Comparative figure 'Less than 1 year' for the year ended 31 December 2015 was restated from €109,363 million to €116,849 million.
- (2) Comparative figure 'Trade, industry and services' for the year ended 31 December 2015 was restated from €349,255 million to €349,144 million.
- (3) Comparative figure 'Food and agri' for the year ended 31 December 2015 was restated from €458,618 million to €465,993 million.

Funding*

As was the case for the private sector loan portfolio, the amounts due to Rabobank customers at year-end 2015 were restated and increased by €8.3 billion as a result of a change in accounting principles related to the netting of cash pools. Total amounts due to customers increased by €1.8 billion to €347.7 billion at 31 December 2016, including the effect of the change in accounting policies.

The balance held in savings deposits increased by €1.7 billion to €142.2 billion, an increase of 1 percent. Other amounts due to customers (including current accounts, repurchase agreements and time deposits) increased by €8.4 billion to €205.5 billion at 31 December 2016. At 31 December 2016, debt securities in issue (including certificates of deposit, commercial paper and bonds) totaled €159.3 billion compared to €175.0 billion at 31 December 2015. 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 2016, 31 December 2015 and 31 December 2014:

<i>(in millions of euro)</i>	As at 31 December		
	2016	2015 (restated)	2014 (restated)
Current accounts.....	76,757	77,966 ⁽¹⁾	56,255
Deposits with agreed maturity.....	82,909	96,363	96,572
Deposits redeemable at notice.....	175,943	162,083	162,857
Repurchase agreements.....	212	488	2,025
Other due to customers.....	34	607	8,579
Debt securities in issue.....	159,342	174,991	189,060
Financial liabilities designated at fair value.....	16,520	16,991	19,744
Total	511,717	529,489	535,092

Note(s):

(1) Comparative figure 'Current accounts' for the year ended 31 December 2015 was restated from €69,675 million to €77,966 million.

Rabobank Group also receives funds from the inter-bank and institutional markets. Rabobank Group's total due to other banks was €22.0 billion at 31 December 2016, a 16 percent increase from €19.0 billion at 31 December 2015.

Other Financial Assets

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

- Financial assets held for trading;
- Other financial assets at fair value through profit or loss; and
- Available-for-sale financial assets.
- The tables below show Rabobank Group's financial assets in the years indicated.

<i>(in millions of euro)</i>	Other financial assets as at 31 December 2016			
	Financial assets held for trading	Financial assets designated at fair value	Available -for-sale financial assets	Total
Purchased loans.....	272	854	0	1,126
Short-term government securities.....	0	0	1,602	1,602
Government bonds.....	603	0	27,010	27,613
Other debt securities.....	1,123	32	5,133	6,288
Total debt securities	1,998	886	33,745	36,629
Venture capital.....	0	314	0	314
Other equity instruments.....	587	121	835	1,543
Total other assets	587	435	835	1,857
Total	2,585	1,321	34,580	38,486
Category 1 ⁽¹⁾	2,011	48	29,693	31,752
Category 2 ⁽²⁾	485	759	4,347	5,591
Category 3 ⁽³⁾	89	514	540	1,143

Other financial assets as at 31 December 2015				
<i>(in millions of euro)</i>	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Total
Purchased loans	520	1,006	0	1,526
Short-term government securities	19	0	1,191	1,210
Government bonds	1,073	0	30,053	31,126
Other debt securities	1,637	791	5,594	8,022
Total debt securities	3,249	1,797	36,838	41,884
Venture capital	0	270	0	270
Other equity instruments	223	129	935	1,287
Total other assets	223	399	935	1,557
Total	3,472	2,196	37,773	43,441
Category 1 ⁽¹⁾	2,385	24	33,068	35,447
Category 2 ⁽²⁾	961	1,187	4,111	6,259
Category 3 ⁽³⁾	126	985	594	1,705

Other financial assets as at 31 December 2014				
<i>(in millions of euro)</i>	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Total
Purchased loans	712	1,090	0	1,802
Short-term government securities	123	0	2,297	2,420
Government bonds	950	12	31,456	32,418
Other debt securities	2,117	2,494	4,740	9,351
Total debt securities	3,902	3,596	38,493	45,991
Venture capital	0	274	0	274
Other 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 ⁽²⁾	1,091	2,274	1,805	5,170
Category 3 ⁽³⁾	129	1,733	991	2,853

Notes:

- (1) Category 1: quoted prices in active markets for identical assets or liabilities;
- (2) 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);
- (3) 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.

<i>(in millions of euro)</i>	As at 31 December		
	2016	2015 (restated)	2014 (restated)
Financial guarantees.....	11,595	10,402	11,826
Letters of credit	6,276	4,980	5,392
Loan commitments.....	44,889	46,674 ⁽¹⁾	36,429
Credit related off balance sheet commitments	62,760	62,056⁽²⁾	53,647
Revocable credit facilities	49,931	55,418 ⁽³⁾	51,327
Total credit related commitments	112,691	117,474	104,974

Note(s):

- (1) Comparative figure 'Loan commitments' for the year ended 31 December 2015 was restated from €46,903 million to €46,674 million.
- (2) Comparative figure 'Credit related off balance sheet commitments' for the year ended 31 December 2015 was restated from €62,285 million to €62,056 million.
- (3) Comparative figure 'Revocable credit facilities' for the year ended 31 December 2015 was restated from €55,189 million to €55,418 million.

Investments and Divestments

The most significant acquisitions and divestments during the period covered by this discussion up to the date of this Information Statement are the following:

(i) An agreement was reached in December 2013 regarding the sale of the 98.5 percent share interest in the Polish based Bank BGZ to BNP Paribas Group for an amount of 4 billion Polish Zloty (approximately €1 billion). The sale was completed on 23 September 2014.

(ii) On 30 June 2016, DLL signed a sale and purchase agreement with the intention to sell Athlon Car Lease to Daimler Financial Services. After announcing in July 2016 its intention to sell its mobility solutions entity, Athlon Car Lease International B.V. (including all subsidiaries), the sale to Daimler Financial Services, a division of Daimler AG, was completed on 1 December 2016. On 1 December 2016, DLL confirmed the sale of Athlon Car Lease to Daimler Financial Services. The sale transaction recently received final approvals and consents from the necessary regulatory authorities.

(iii) In September 2016, FGH Bank entered into an agreement to sell the real estate financing activities of RNHB with a loan portfolio of approximately €1.7 billion. This transaction was completed in December 2016.

Capital Adequacy

Rabobank wishes to have an adequate solvency position, which it manages based on a number of ratios. The principal ratios are the CET1 Ratio, the Tier 1 ratio, the total capital ratio and the equity capital ratio. Rabobank's internal targets exceed the regulators' minimum requirements as it anticipates market expectations and developments in laws and regulations. Rabobank seeks to stand out from other financial institutions, managing its solvency position based on policy documents. The Risk Management Committee and the Asset and Liability Committee, the Executive Board and the Supervisory Board periodically discuss the solvency position and the targets to be used.

Rabobank must comply with a number of minimum solvency positions stipulated under the law. The solvency position is determined based on ratios. These ratios compare Rabobank's total capital and Common Equity Tier 1 Capital with the total amount of the risk-weighted assets. The minimum required percentages under the CRD IV are 8 percent and 4.5 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 CET1 Ratio, the Tier 1 ratio and the total capital ratio are the most common ratios used to measure solvency. The CET1 Ratio expresses the relationship between Common Equity Tier 1 Capital and total risk-weighted assets. At 31 December 2016, Rabobank Group's CET1 Ratio stood at 14.0 percent (year-end 2015; 13.5 percent).

Risk-weighted assets were down €1.9 billion to €211.2 billion at 31 December 2016 compared to €213.1 billion at 31 December 2015. Common Equity Tier 1 Capital increased by €0.8 billion to €29.6 billion at 31 December 2016 compared to €28.8 billion at 31 December 2015. 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 2016, Rabobank Group's Tier 1 ratio stood at 17.6 percent (year-end 2015: 16.4 percent). The minimum requirement set by external supervisors under the CRD IV is 6.5 percent

The total capital ratio is calculated by dividing the total of Tier 1 and Tier 2 capital by the total of risk-weighted assets. At 31 December 2016, the total capital ratio stood at 25.0 percent (year-end 2015: 23.2 percent). The issuance of \$1.5 billion Tier 2 notes in July 2016 adds 0.6 percent points to the total capital ratio on a pro forma basis. 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 2016, 31 December 2015 and 31 December 2014:

Development in capital and solvency ratios

	As at 31 December		
	2016	2015	2014
<i>(in millions of euros, except percentages)</i>			
Common Equity Tier 1 Capital	29,618	28,754	28,714
CET1 Ratio	14.0%	13.5%	13.6%
Fully Loaded CET1 Ratio*	13.5%	12.0%	11.8%
Tier 1 capital	37,079	35,052	33,874
Tier 1 ratio	17.6%	16.4%	16.0%
Qualifying capital	52,873	49,455	45,139
Total capital ratio	25.0%	23.2%	21.3%

Cash flow

The following table sets forth Rabobank Group's cash flow for the years ended 31 December 2016, 2015 and 2014.

	Year ended 31 December		
	2016	2015 (restated)	2014
<i>(in millions of euro)</i>			
Net cash flow from operating activities	21,243	18,060 ⁽¹⁾	(13,463)
Net cash flow from investing activities	(203)	(1,693) ⁽²⁾	9,505
Net cash flow from financing activities	(773)	3,131	1,365
Net change in cash and cash equivalents	20,267	19,498	(2,593)
Cash and cash equivalents at 1 January	64,943	43,409	43,039
Net change in cash and cash equivalents	20,267	19,498	(2,593)
Foreign exchange differences on cash and cash equivalents	(805)	2,036	2,963
Cash and cash equivalent	84,405	64,943	43,409

Note(s):

- (1) Comparative figure 'Net cash flow from operating activities' for the year ended 31 December 2015 was restated from €15,848 million to €18,060 million.

- (2) Comparative figure 'Net cash flow from investing activities' for the year ended 31 December 2015 was restated from €519 million to minus €1,693 million.

Net cash flow from operating activities was €21,243 million year ended 31 December 2016 compared to €18,060 million year ended 31 December 2015, mainly due to a net change in assets and liabilities relating to operating activities.

Net cash flow from investing activities was minus €203 million in the year ended 31 December 2016 compared to minus €1,693 million year ended 31 December 2015, mainly due to sales in the available-for-sale financial assets.

Net cash flow from financing activities was minus €773 million in the year ended 31 December 2016 compared to €3,131 million year ended 31 December 2015, mainly due to the issue of capital securities minus payments on equity instruments.

Working capital

In the opinion of Rabobank Group, its working capital is sufficient for its present requirements, that is for at least 12 months following the date of this Information Statement. Rabobank Group currently complies with the applicable own funds and liquidity requirements as set out in the CRD IV Directive as implemented in the FMSA and CRR.

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

<i>(in percentages)</i>	2016	2015	2014	2013	2012
Return on assets (in percentages) ⁽¹⁾	0.30	0.32	0.27	0.29	0.27
Net profit (in millions of euro)	2,024	2,214	1,842	2,007	2,058
Total average assets (month-end balances in billions of euro).....	679.1	686.1	674.8	705.2	757.8
Return on equity (in percentages) ⁽²⁾	4.96	5.42	4.69	4.88	4.58
Net profit (in millions of euro)	2,024	2,214	1,842	2,007	2,058
Total average equity (quarter-end balance in billions of euro).....	40.8	40.9	39.3	41.2	45.0
Equity to assets ratio (in percentages) ⁽³⁾	6.01	5.95	5.80	5.82	5.96
Total average equity (quarter-end balances in billions of euro).....	40.8	40.9	39.3	41.2	45.0
Total average assets (quarter-end balances in billions of euro).....	679.1	686.6	677.1	709.2	753.9

Notes:

- (1) The return on assets states net profit as a percentage of total average assets, based on month-end balances.
- (2) The return on equity is a profitability ratio which states net profit as a percentage of average equity, based on quarter-end balances.
- (3) The equity to assets ratio is a leverage ratio and is calculated by dividing average equity by average total assets, based on quarter-end balances.

The following table presents information relating to payments on Rabobank (Member) Certificates for the year ended 31 December 2016 and for each of the past four years:

<i>(in millions of euro, except percentages)</i>	2016	2015	2014	2013	2012
Outstanding Rabobank (Member) Certificates ⁽¹⁾	5,948	5,949	5,910	6,219	6,587
Payments	387	387	385	309	328
Average yield ⁽²⁾	6.50%	6.51%	6.52%	4.96%	4.98%

Notes:

- (1) Average Outstanding Rabobank (Member) Certificates based on month-end balances.
- (2) Average yield is calculated by dividing payments by the number of outstanding Rabobank Certificates and multiplying the result by two. The result is multiplied by two because the payments represent semi-annual payments.

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 2016, 31 December 2015 and 31 December 2014:

<i>(in billions of euro)</i>	As at 31 December		
	2016*	2015 (restated)	2014 (restated)
Private sector lending	424.6	425.6 ⁽¹⁾	429.7
Loans to government clients	3.3	3.4	2.1
Receivables relating to securities transactions	16.3	19.7 ⁽²⁾	18.3
Hedge accounting	8.6	9.0	11.6
Change in accounting policy	0	8.3	0
Total loans and advances to customers	452.8	466.0	461.8
Loan impairment allowance loans and advances to customers	(7.5)	(8.4)	(9.3)
Reclassified assets	0.4	0.8	1.3
Gross loans and advances to customers	459.9	473.6	469.8

Note(s):

- (1) Comparative figure 'Private sector lending' for the year ended 31 December 2015 was restated from €426.2 billion to €433.9 billion of which €8.3 billion as a result of a change in accounting principles related to the netting of cash pools.
- (2) Comparative figure 'Receivables related to securities transactions' for the year ended 31 December 2015 was restated from €20.2 billion to €19.7 billion.

The following table sets forth a geographic breakdown of Rabobank Group's private sector loan portfolio at 31 December 2016, 31 December 2015 and 31 December 2014:

<i>(in millions of euro)</i>	As at 31 December		
	2016*	2015 (restated)	2014 (restated)
The Netherlands	304,723	321,798 ⁽¹⁾	321,429
Other European countries in the EU zone	28,895	27,185 ⁽²⁾	27,312
North America	45,985	42,241 ⁽³⁾	40,198
Latin America	13,680	12,741	11,273
Asia	9,624	9,502 ⁽⁴⁾	9,230
Australia	21,315	20,116	19,948
Other countries	329	344	341
Total private sector lending	424,551	433,927⁽⁵⁾	429,731

Note(s):

- (1) Comparative figure 'The Netherlands' for the year ended 31 December 2015 was restated from €313,895 million to €321,798 million.
- (2) Comparative figure 'Other European countries in the EU zone' for the year ended 31 December 2015 was restated from €27,563 million to €27,185 million.
- (3) Comparative figure 'North America' for the year ended 31 December 2015 was restated from €42,098 million to €42,241 million.
- (4) Comparative figure 'Asia' for the year ended 31 December 2015 was restated from €9,400 million to €9,502 million.
- (5) Comparative figure 'Total private sector lending' for the year ended 31 December 2015 was restated from €426,157 million to €433,927 million..

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 figures are non-restated for the netting of cash pooling arrangements and correspond with the statement of financial position.

<i>Payments due by period (in millions of euro)</i>	As at 31 December 2016					Total
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Cash and balances at central banks	83,032	1,362	11	0	0	84,405
Loans and advances to banks	4,442	18,882	1,295	556	269	25,444
Financial assets held for trading	1	958	128	818	680	2,585
Financial assets designated at fair value	0	341	89	290	601	1,321
Derivatives	8	4,500	3,033	9,798	25,033	42,372
Loans and advances to customers	20,459	42,397	40,350	92,451	257,150	452,807
Available-for-sale financial assets.....	43	3,361	3,313	18,456	9,407	34,580
Other assets (excluding employee benefits)	771	4,261	1,536	1,087	216	7,871
Total financial assets	108,756	76,062	49,755	123,456	293,356	651,385
Due to banks	4,442	10,217	2,408	3,892	1,047	22,006
Due to customers	250,255	47,040	13,966	14,013	22,438	347,712
Debt securities in issue	0	33,287	37,817	61,587	26,651	159,342
Derivatives and other trade liabilities	0	6,207	3,646	9,786	29,124	48,763
Other liabilities (excluding employee benefits)	1,102	5,011	1,254	659	91	8,117
Financial liabilities designated at fair value	95	623	2,683	4,032	9,087	16,520
Subordinated liabilities	0	0	0	2,012	14,849	16,861
Total financial liabilities	255,894	102,385	61,774	95,981	103,287	619,321
Net liquidity balance	(147,138)	(26,323)	12,019	27,475	190,069	32,064

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 DNB, Rabobank had a substantial liquidity surplus at 31 December 2016 and throughout 2016. The average liquidity surplus was 30 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. For more information, see note 29 of Rabobank Group's audited consolidated financial statements for the year ended 31 December 2016 incorporated by reference into the Offering Circular.

*Interest rate sensitivity**

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

The BPV is the absolute loss of economic value of equity after a parallel shift of the yield curve with 1 basis point. In 2016, the BPV was 7.7 million.

Long-term interest rate risk is measured and managed using the Equity at Risk concept. Equity at Risk is the sensitivity of Rabobank Group's economic value of equity to interest rate fluctuations. A 100 basis point overnight upward parallel shock of the curve will result in a 1.4 percent drop in economic value of equity (figure at 31 December 2016).

Short-term interest rate risk is monitored using the Income at Risk concept. This is the amount of net interest income that is put at risk on an annual basis, based on certain interest rate scenarios. If interest rates were to gradually decrease 10 basis points over a one-year period, net interest income would decrease by €82 million (figure at 31 December 2016).

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 2016, 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 and as at 31 December 2016, 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
As at 31 December 2016				
France.....	5,940	3,142	1,261	12,355
United Kingdom.....	7,923	1	9,531	19,910
As at 31 December 2015				
France.....	6,277	3,441	1,386	11,104
United Kingdom.....	6,888	7	13,544	20,439
Switzerland.....	182	9,910	1,969	12,061
United States.....	1,761	1,388	4,230	7,379
As 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
As 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

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 2016:

<i>(in millions of euros)</i>	At 31 December 2016		
	On balance	Off balance	Total
Grain and oilseeds.....	19,540	755	20,295
Animal protein.....	15,728	187	15,915
Dairy.....	22,713	100	22,813
Fruit and vegetables.....	10,628	228	10,856
Farm inputs.....	10,061	350	10,411
Food retail and food service.....	4,527	155	4,682
Beverages.....	3,852	8	3,860
Flowers.....	1,682	3	1,685

<i>(in millions of euros)</i>	At 31 December 2016		
	On balance	Off balance	Total
Sugar	2,811	15	2,826
Miscellaneous crop farming	1,194	7	1,201
Other food and agri	9,245	1,214	10,459
Total private sector lending to food and agri	101,981	3,022	105,003
Lessors of real estate	20,670	39	20,709
Finance and insurance (except banks)	12,291	1,715	14,006
Wholesale	12,747	6,325	19,072
Activities related to real estate	5,340	27	5,367
Manufacturing	9,180	902	10,082
Transportation and warehousing	6,729	269	6,998
Construction	5,014	1,176	6,190
Healthcare & social assistance	6,069	36	6,105
Professional, scientific and technical services	10,065	238	10,303
Retail (except food and beverages)	4,520	405	4,925
Utilities	2,896	955	3,851
Information and communication	981	6	987
Arts, entertainment and recreation	1,164	16	1,180
Other services	23,670	2,379	26,049
Total private sector lending to trade, industry and services	121,336	14,488	135,824
Private individuals	201,234	204	201,438
Total private sector lending	424,551	17,714	442,265

Apart from loans and advances to banks (€25.4 billion at 31 December 2016 which is 3.8 percent of total assets), Rabobank's only significant risk concentration is in the portfolio of loans to private individuals which accounted for 47 percent of the private sector loan portfolio at 31 December 2016. 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 24 percent at 31 December 2016. The proportion of the total loan portfolio attributable to trade, industry and services was 29 percent at 31 December 2016. 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.

Non-performing loans*

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

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

At 31 December 2016, these loans amounted to €18,530 million (2015: €19,503 million). The loan impairment allowance covered 40.7 percent (2015: 43.5 percent) of the non-performing loans. Over and above the loan impairment allowance, additional coverage is raised through collateral and other securities. Rabobank applies the one-obligor principle for the corporate portfolio, which means that the exposure to all counterparties belonging to the same group is taken into account. In addition, the full exposure to a client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of security or collateral. At 31 December 2016, non-performing loans corresponded to 4.4 percent (2015: 4.6 percent) of the private sector loan portfolio.

The following table provides an analysis of Rabobank Group's non-performing loans by business at 31 December 2016, 31 December 2015 and 31 December 2014:

<i>(in millions of euros)</i>	At 31 December		
	2016	2015	2014
Domestic retail banking	8,185	9,166	10,492
Wholesale banking and international rural and retail banking	6,421	5,644	6,437
Leasing	575	681	576
Real estate	3,350	4,012	3,745
Rabobank Group	18,530	19,503	21,250

Summary of loan loss experience

The following table shows the movements in the allocation of the allowance for loan losses on loans accounted for as loans to customers for 31 December 2016, 31 December 2015 and 31 December 2014:

<i>(in millions of euros)</i>	At 31 December		
	2016	2015 (restated)	2014
Domestic retail banking.....	3,963	4,836	4,561
Wholesale banking and international rural and retail banking	2,898	2,816	2,672
Leasing	322	378	455
Real estate.....	1,175	1,270	842
Other	33	48	51
Balance on 1 January	8,391	9,348	8,581
Domestic retail banking.....	91	377	1,469
Wholesale banking and international rural and retail banking	307	509 ⁽¹⁾	448
Leasing	145	120	185
Real estate.....	(73)	91	657
Other	4	(10) ⁽²⁾	3
Loan impairment charges from loans and advances to customers	474	1,087⁽³⁾	2,762
Domestic retail banking.....	(932)	(1,440)	(1,263)
Wholesale banking and international rural and retail banking	(203)	(478)	(355)
Leasing	(165)	(167)	(268)
Real estate.....	(240)	(218)	(335)
Other	(7)	(4)	(6)
Write-down of defaulted loans during the period	(1,547)	(2,307)	(2,227)
Domestic retail banking.....	125	190	69
Wholesale banking and international rural and retail banking	33	52 ⁽⁴⁾	51
Leasing	15	(9)	6
Real estate.....	12	32	106
Other	(15)	(2)	0
Interest and other adjustments	170	263⁽⁵⁾	232
Domestic retail banking.....	3,246	3,963	4,836
Wholesale banking and international rural and retail banking	3,035	2,899 ⁽⁶⁾	2,816
Leasing	317	322	378
Real estate.....	874	1,175	1,270
Other	15	32	48
Balance on end of period	7,487	8,391⁽⁷⁾	9,348

Note(s):

- (1) Comparative figure 'Wholesale banking and international rural and retail banking' for the year ended 31 December 2015 was restated from €556 million to €509 million.
- (2) Comparative figure 'Other' for the year ended 31 December 2015 was restated from €48 million to minus €10 million.
- (3) Comparative figure 'Loan impairment charges from loans and advances to customers' for the year ended 31 December 2015 was restated from €1,134 million to €1,087 million.
- (4) Comparative figure 'Wholesale banking and international rural and retail banking' for the year ended 31 December 2015 was restated from minus €14 million to €52 million.
- (5) Comparative figure 'Interest and other adjustments' for the year ended 31 December 2015 was restated from minus €197 million to €263 million.
- (6) Comparative figure 'Wholesale banking and international rural and retail banking' for the year ended 31 December 2015 was restated from €2,880 million to €2,899 million.
- (7) Comparative figure 'Balance on end of period' for the year ended 31 December 2015 was restated from €8,372 million to €8,391 million.

Due to customers

The following table presents a breakdown of due to customers at 31 December 2016, 31 December 2015 and 31 December 2014. Interest rates paid on time deposits and savings deposits reflect market conditions and not all current accounts earn interest.

<i>(in millions of euros)</i>	At 31 December		
	2016	2015 (restated)	2014
Current accounts.....	76,757	77,966 ⁽¹⁾	56,255
Deposits with agreed maturity.....	82,909	96,363	96,572
Deposits redeemable at notice.....	175,943	162,083	162,857
Repurchase agreements.....	212	488	2,025
Other due to customers.....	11,891	8,984	8,579
Total due to customers	347,712	345,884⁽²⁾	326,288

Note(s):

- (1) Comparative figure 'Current accounts' for the year ended 31 December 2015 was restated from €69,675 million to €77,966 million.
- (2) Comparative figure 'Total due to customers' for the year ended 31 December 2015 was restated from €337,593 million to €345,884 million.

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 within the line item "Debt securities in issue". The following table includes an analysis of the balance of short-term borrowings at 31 December 2016, 31 December 2015 and 31 December 2014 is provided below.

<i>(in millions of euros)</i>	At 31 December		
	2016	2015	2014
End of period balance.....	45,796	52,953	55,065
Average balance.....	54,306	55,087	56,434
Maximum month-end balance.....	59,422	65,076	59,842

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 within the line items "Debt securities in issue" and "Other financial liabilities at fair value through profit or loss". The following table includes an analysis of the balance of long-term borrowings at 31 December 2016, 31 December 2015 and 31 December 2014 is provided below.

<i>(in millions of euros)</i>	At 31 December		
	2016	2015	2014
End of period balance.....	130,066	139,029	153,739
Average balance.....	136,811	151,383	156,859
Maximum month-end balance.....	142,230	160,664	160,014

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 (including 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*”.

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 2016, 47 percent of Rabobank Group’s private sector lending consisted of loans to private individuals, mainly residential mortgages, which tend to have a very low risk profile in relative terms. The remaining 53 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. Very large loans are approved by the Central Credit Committee Rabobank (CCCRG), which is chaired by the CRO. The Risk Management Committee Group (RMC Group) establishes Rabobank Group’s credit risk policy and global standards. Rabobank Group entities define and establish their own credit policies within this framework. In this context, the RMC Retail NL is responsible for domestic retail banking and the RMC WRR for wholesale banking and international rural and retail banking. For corporate loans, a key concept in Rabobank Group’s policy for accepting new clients is the “know your customer” principle, meaning that loans are granted only to corporate clients whose management, including their integrity and expertise, is known and considered acceptable by Rabobank Group. In addition, Rabobank Group is familiar with the industry in which a client operates and can assess its clients’ financial performance. Corporate social responsibility implies responsible financing; accordingly, corporate social responsibility guidelines apply to the lending process as well.

With respect to the management of Rabobank Group’s exposure to credit risk, Rabobank’s Credit Department within overall Risk Management play a key role. Credit applications beyond certain limits are subject to a thorough credit analysis by credit officers of Credit. Credit monitors and reports about 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.

For the vast majority of its credit exposure Rabobank Group uses the Advanced Internal Ratings-Based (“**Advanced IRB**”) approach for credit risk. This is the most risk-sensitive form of the CRD IV Credit Risk approaches. Rabobank Group has professionalized its risk management even further by combining Basel II compliance activities with the implementation of a best-practice framework for economic capital. The main Basel II parameters as far as credit risk is concerned are Exposure At Default (“**EAD**”), Probability of Default (“**PD**”) and Loss Given Default (“**LGD**”). It is partly on the basis of these parameters that Rabobank Group determines the economic capital and the Risk Adjusted Return On Capital (“**RAROC**”). These CRD IV parameters are an important element of management information. A significant advantage associated with the use of economic capital is a streamlined and efficient approval process. The use of the CRD IV parameters and RAROC support

credit analysts and the Credit Committees in making well-considered decisions. Every group entity has established a RAROC target at customer level. Next to credit quality, this is an important factor in taking decisions on specific credit applications.

Rabobank Group believes it has a framework of policies and processes in place that is designed to measure, manage and mitigate credit risks. Rabobank Group's policy for accepting new clients is characterized by careful assessment of clients and their ability to make repayments on credit granted. Rabobank Group's objective is to enter into long-term relationships with clients which are beneficial for both the client and Rabobank Group.

EAD is the expected exposure to the client in the event of, and at the time of, a counterparty's default. At 31 December 2016, the EAD of the total Advanced IRB loan portfolio was €607 billion (2015: €594 billion). This EAD includes the expected future usage of unused credit lines. As part of its approval process Rabobank Group uses the Rabobank Risk Rating system, which indicates the counterparty's PD over a one-year period. The counterparties have been assigned to one of the 25 rating classes, including four default ratings. These default ratings are assigned if the customer defaults, the form of which varies from payment arrears of 90 days to bankruptcy. The weighted average PD of the total Advanced IRB loan portfolio is 0.99 percent (2015: 0.98 percent).

The following table shows the impaired loans (i.e. the amount of loans for which an allowance has been taken) of 31 December 2016, 2015 and 2014 per business unit as a percentage of private sector loans:

Impaired loans/private sector lending per business unit

<i>(in percentages)</i>	At 31 December		
	2016	2015	2014
Domestic retail banking.....	2.5	3.0	3.0
Wholesale banking and international rural and retail banking	5.8	5.4	3.9
Leasing	1.8	2.3	2.3
Real Estate	26.0	22.7	18.8
Rabobank Group	3.9	4.2	3.8

Loan impairment charges

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

The following table sets forth Rabobank Group's loan impairment charges for the years ended 31 December 2016, 2015 and 2014 per business unit as a percentage of private sector lending:

Loan impairment charges/average private sector lending per business unit

<i>(in percentages)</i>	Year ended 31 December			
	2016	2015	2014	2013
Domestic retail banking.....	0.01	0.12	0.48	0.45
Wholesale banking and international rural and retail banking.....	0.26	0.53	0.44	0.57
Leasing.....	0.30	0.25	0.43	0.59
Real estate	(0.54)	0.56	3.64	2.78
Rabobank Group	0.07	0.24	0.60	0.59

Country risk

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

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

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

At 31 December 2016, the ultimate collective debtor risk for non-OECD countries was €28.4 billion and the net ultimate transfer risk before provisions for non-OECD countries was €17.5 billion, which corresponds to 2.6 percent of total assets (2015: 2.3 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

Regions					31 December 2016	
	Europe	Africa	Latin America	Asia/Pacific	Total	In % of total assets
Ultimate country risk (excluding derivatives)	844	602	11,956	14,964	28,366	4.3%
- of which in local currency exposure.....	178	7	7,090	3,574	10,848	
<i>Net ultimate country risk before allowance ...</i>	<i>666</i>	<i>596</i>	<i>4,866</i>	<i>11,390</i>	<i>17,518</i>	<i>2.6%</i>
						In % of total allowance
<i>Total allowance for ultimate country risk.....</i>	<i>10</i>	<i>—</i>	<i>192</i>	<i>268</i>	<i>471</i>	<i>6.2%</i>

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 Rabobank Group's interest rate risk profile.

Rabobank Group's short-term interest rate risk can be quantified by looking at the sensitivity of net interest income (interest income less interest expenses, before tax) for changes in interest rates. This "Income at Risk" figure represents the decline in net interest income for the coming 12 months, due to parallel increases/decreases in interest rates, assuming no management intervention. The Income at Risk calculation also takes account of changes in client savings behavior in reaction to interest rate movements and changes in the pricing policy of savings products. Historically, the

applied interest rate scenarios were based on the assumption that all money and capital market interest rates will show an even and parallel increase/decline by 200 basis points during the first 12 months. However, given the current low interest rate environment and the assumption that interest rates will not fall further sharply if they are already (partially) negative, the 200 basis points down scenario has been replaced by a scenario that envisages interest rates declining by only a smaller number of basis points. At the end of 2015, for euro loans a decline of 2 basis points was assumed. This assumption was the same as at 31 December 2014. As of January 2016, the income at risk methodology was updated to accommodate interest rate scenarios to decrease up to -0.5 percent, while in 2015 these downward scenarios were floored at 0 percent. For the EUR and USD interest rates this meant that in 2016 the applied maximum shocks enlarged from -2 to -10 basis points and -20 to -75 basis points respectively. The simulation of the possible net interest income development is based on an internal interest rate risk model. This model includes certain assumptions regarding the interest rate sensitivity of products with interest rates that are not directly linked to a certain money or capital market rate, such as savings of private customers.

Rabobank Group's long-term interest rate risk is measured and controlled based on the concept of "Equity at Risk", which is the sensitivity of Rabobank Group's economic value of equity to an instant parallel change in interest rates of 100 basis points. The economic value of equity is defined as the present value of the assets less the present value of the liabilities plus the present value of the off-balance sheet items. In the Equity at Risk calculation, client behavior and the bank's pricing policy are supposed to show no changes, while all market interest rates are assumed to increase by 100 basis points at once. Just as in the Income at Risk calculation, the impact analysis of these scenarios is based on an internal interest rate risk model. In that model, balance sheet items without a contractual maturity, like demand savings deposits and current accounts, are included as a replicating portfolio. Equity at Risk is expressed as a percentage. This percentage represents the deviation from the economic value of equity at the reporting date.

At 31 December 2016, 31 December 2015 and 31 December 2014, the Income at Risk and Equity at Risk for Rabobank Group were as follows:

<i>(in millions of euros, except percentages)</i>	At 31 December		
	2016	2015	2014
Income at Risk	82 (decline by 10 basis points)	19 (decline by 2 basis points)	15 (decline by 2 basis points)
Equity at Risk	1.4%	2.4%	0.4%

The current low interest rate environment received significant attention during 2016. For a bank in general a low interest rate environment is challenging for profitability. Non-interest bearing liabilities and liabilities with zero or very low interest rates, such as the equity and current account balances, are less profitable in the event of low interest rates. In 2016, the interest rate was in fact negative on the short end of the curve. In addition, a low interest environment is often accompanied by a flattening of the curve resulting in a bank making less profit on the transformation of short-term liabilities into longer term assets. Rabobank's scenario analysis shows that a further interest rate decline and flattening of the curve has negative consequences for interest income in the event of unchanging margins, particularly for retail businesses. The impact of this increases if the situation continues or the curve becomes more negative.

Liquidity risk

Liquidity risk is the risk that a bank will not be able to meet all its payment obligations on time, as well as the risk that the bank will not be able to fund increases in assets at a reasonable price.

Responsibility for the day-to-day management of the liquidity position, the raising of professional funding on the money and the capital markets, and the management of the structural position lies within the 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-funded using money raised from customers. The

division raised more than enough money to fund operations in 2016 given low lending demand, while retail savings increased.

Rabobank has developed several methods to measure and manage liquidity risk, including stress scenarios 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 2016, Rabobank more than satisfies the minimum survival period of three months in all the internally developed scenarios.

Market risk

Market Risk arises from the risk of losses on trading book positions affected by movements in interest rates, equities, credit spreads, currencies and commodities. The RMC Group 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 DNB. The internal "Value at Risk" model forms a key part of Rabobank's market risk framework. Value at Risk describes the maximum possible loss that Rabobank Group can suffer within a defined holding period, based on historical market price changes and a given certain confidence interval. Value at Risk within Rabobank Group is based on actual historical market circumstances. To measure the potential impact of strong adverse market price movements not captured by Value at Risk, stress tests are applied. These "event risk scenarios" measure the effect of sharp and sudden changes in market prices. Historical and hypothetical scenarios are complemented with specific sensitivity scenarios in order to measure effects of adverse market prices movements on trading book positions. In addition, interest rate delta is monitored and indicates how the value of trading positions change if the relevant yield curve shows a parallel increase of one basis point. Interest rate delta, 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 2016, the Value at Risk, based on a one-day holding period and 97.5 percent confidence level, fluctuated between €3.5 million (2015: €2.5 million) and €6.9 million (2015: €8.7 million), with an average of €4.4 million (2015: €4.8 million). VaR has moved little during 2016 with some fluctuations being driven by client related deals and volatility in financial markets. The Value at Risk remained well within the internal VaR limit throughout 2016. On 31 December 2016, the worst case, potential, loss from the event risk scenarios was €105.2 million (2015: € 107.7 million), well within the internal Event Risk limit. It fluctuated between €103.0 million (2015: € 98.5 million) and € 159.0 million (2015: €131.9 million), with an average of €125.0 million (2015: €113.0 million).

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 Group, in evaluating Rabobank's trading book positions.

Operational risk

Operational risk is the risk of direct or indirect losses arising from inadequate or failed internal processes, people and systems or from external events. Possible legal and reputational impacts 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 implementing policies and procedures to manage their

specific operational risks in line with the Global Policy on Operational Risk. Risk Management – Operational Risk (“**RM-OpRisk**”) offers overview, support tools, expertise and challenge to Rabobank 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 identification, assessment and scenario analysis. All entities record operational incidents and report them on a quarterly basis to the RM Operational Risk 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 and reputational damage. 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 that the bank’s financial result and/or economic value could be negatively affected by changes in exchange rates. The bank distinguishes two types of non-trading currency risks: (i) Currency risk in the banking books and (ii) Foreign Exchange (FX) translation risk.

Currency risk in the banking books

Currency risk in the banking books is the risk where currency cash flow commitments and receivables in the banking books are unhedged. As a result, it could have an adverse impact on the financial results and/or financial position of Rabobank Group, due to movements in exchange rates. FX risk in banking books is fully hedged.

FX Translation risk

Translation risk is an FX risk component that results from accounting rules and regulations and arises in the preparation of the bank’s consolidated financial statements, in which all (non-trading) items in foreign currencies have to be converted into the group reporting currency. This means that the financial figures could be affected by fluctuations in exchange rates.

Translation risk arises at Rabobank Group in two different ways:

1. Investments in consolidated group entities where the functional currency of the operation differs from the functional currency of the entity holding the investment. This type of risk reveals by translating the value of an operation to Euros;
2. The impact of currency fluctuation on solvency ratios at group level.

FX Translation risk and currency risk in the Banking books are covered by the Foreign Exchange Risk Policy Rabobank Group. The policy is designed in order to protect Rabobank Group CET1 Ratio against the effects of exchange rate movements.

Unhedged translation risks are measured within the internal Pillar II framework.

REGULATION OF RABOBANK GROUP

Rabobank is a bank organized under Dutch law. The principal Dutch law on supervision applicable to Rabobank is the FMSA which entered into force on 1 January 2007 and under which Rabobank is supervised by the DNB and the AFM. Further, as of 4 November 2014, the ECB assumed certain supervisory tasks from the DNB 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 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.

The overview below consists of a summary of the key applicable regulations and does not purport to be complete.

Basel Standards

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

Credit Risk

To assess their credit risk, banks can choose between the "Standardized Approach", the "Foundation Internal Ratings Based Approach" and the "Advanced Internal Ratings Based Approach". The Standardized Approach is based on standardized risk weights set out in the Basel II capital guidelines and external credit ratings; it is the least complex. The two Internal Ratings Based Approaches allow banks to use internal credit rating systems to assess the adequacy of their capital. The Foundation Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Probability of Default". In addition to this component of credit risk, the Advanced Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Exposure at Default" and the "Loss Given Default". Rabobank is internal ratings based ("**IRB**") compliant for 97 percent of its credit portfolio exposures (this includes a limited exposure on IRB foundation).

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

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

This consultation is especially important given the proposed upcoming capital floors which will be based on the standardized approaches. The impact could be significant for internal ratings-based banks like Rabobank as its capital will be 'floored' based on simplistic standardized approaches. A capital floor complements the leverage ratio introduced as part of Basel III. In March 2016, the Basel Committee issued a consultation on setting additional constraints on the use of internal model approaches for credit risk, in particular through the use of input floors. Together, these measures aim to reinforce the risk-weighted capital framework and promote confidence in the regulatory capital framework. The Basel Committee has conducted a comprehensive quantitative impact study ("**QIS**") in 2016. All calibrations in the consultative document were preliminary, and are subject to review

based on evidence from the QIS, to ensure adequate capitalization and overall consistency with other components of the capital framework. For further information, see “*Recent Developments*” below.

Prior to finalizing the revised standardized approach during 2017, the Basel Committee is expected to evaluate appropriate implementation arrangements, and to provide sufficient time for such implementation, taking into account the range of other reforms that have been, or are due to be, agreed by the Basel Committee. The implementation date has not yet been confirmed. Rabobank expects that the implementation date would not be until 2021 at the earliest, together with a phased-in implementation schedule. See also the recent developments below.

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

Market Risk

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

Operational Risk

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

Basel III Reforms

The Basel III framework, which is implemented in the EU by means of the CRD IV Directive and CRR (see “*European Union Standards – The CRD IV Directive and CRR*” below) sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. The Basel III Reforms include increasing the minimum Common Equity Tier 1 Capital (or equivalent) requirement from 2 percent of the total risk exposure amount (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 Common Equity Tier 1 Capital requirement has increased from 4 percent of the total risk exposure amount to 6 percent under CRD IV and the total Common Equity Tier 1 Capital requirement is 8 per cent of the total risk exposure amount under CRD IV. In addition, banks will be required to maintain, in the form of Common Equity Tier 1 Capital (or equivalent), a capital conservation buffer of 2.5 percent of the total risk exposure amount to withstand future periods of stress, bringing the total Common Equity Tier 1 Capital (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 capital buffer (generally of up to 2.5 percent of the total risk exposure amount and also comprised of Common Equity Tier 1 Capital (or other fully loss absorbing capital)) may be applied as an extension of the capital conservation buffer. Furthermore, banks considered to have systemic importance should have loss absorbing capacity beyond these standards.

Capital requirements have been further supplemented by the introduction of a non-risk based leverage ratio of 3 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 has monitored 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 included 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 also closely monitored accounting standards and practices to address any differences in national accounting frameworks that are material to the definition and calculation of the leverage ratio. The Dutch government has indicated that Dutch systemically important banks, including Rabobank, should have a leverage ratio of at least 4 percent by 2018. As at 31 December 2016, the leverage ratio of Rabobank was 5.5 percent.

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 tests the short-term resilience of a bank’s liquidity risk profile by ensuring that it has sufficiently high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The second one is referred to as a net stable funding ratio (the “**NSFR**”), which will be introduced on 1 January 2018. The NSFR tests resilience over a longer period by requiring banks to hold a minimum amount of stable sources of funding relative to the liquidity profiles of the assets and the potential contingent liquidity needs arising from off-balance sheet commitments.

Recent Developments

The Basel Committee is currently reviewing the whole regulatory capital framework. In the market this overhaul is referred to as ‘Basel 4’ given the significance of the anticipated reforms. The new market risk framework was published in January 2016. The GHOS, which is the oversight body of the Basel Committee, agreed in January 2016 that the Basel Committee would work to address the problem of excessive variability in risk-weighted assets by the end of 2016. However, more time is needed to finalize some work. A meeting of the GHOS, originally planned for early January 2017, has therefore been postponed and it is yet unclear when the committee will complete the program.

This program is expected to include the following key elements:

- *Removal of internal model approaches for certain risks (such as the removal of the Advance Measurement Approach for operational risk).*
- *Introduction of additional constraints on the use of internal model approaches for credit risk, in particular through the use of input floors. And the revision of the standardized approach for credit risk.*
- *The potential introduction of an output capital floor based on revised standardized approaches which is the main issue of the proposed capital framework.*

European Union Legislation

The CRD IV Directive and CRR

As of 1 January 2014, EC Directive 2006/48 and EC Directive 2006/49 were repealed by the CRD IV Directive. The CRD IV Directive, together with the CRR, implements the Basel III Reforms in the EEA. Both texts were published in the Official Journal of the European Union on 27 June 2013 and became effective on 1 January 2014 (except for capital buffer provisions which became effective on 1 January 2016). The CRD IV Directive was implemented into Dutch law by amendments to the FMSA pursuant to an amendment act (the “**CRD IV/CRR Implementation Act**”) which entered into force on 1 August 2014. The CRR has established a single set of harmonized 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 2022. The harmonized prudential rules include own funds requirements, an obligation to maintain a liquidity coverage buffer (similar to the LCR, although the CRR obligation does not yet include a requirement to meet a ratio), a requirement to ensure that long-term obligations are adequately met under both normal and stressed conditions and the requirement to report on these obligations. The competent supervisory authorities will evaluate whether capital instruments meet the criteria set out in the CRR. The CRR also includes the obligation to report on a bank’s leverage ratio (this requirement is similar to the leverage ratio requirement introduced by Basel III, however, the CRR does not yet include a requirement to meet a minimum ratio).

On 17 January 2014, a regulation on specific provisions set out in the CRD IV Directive and the CRR (*Regeling specifieke bepalingen CRD IV en CRR*) (“**Dutch CRD IV and CRR Regulation**”), as published by the DNB, 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, tier 1 ratio of 6 percent, total capital ratio of 8 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 DNB announced that, pursuant to the CRD IV/CRR Implementation Act, it intends to impose an additional capital buffer requirement for Rabobank. The systematic risk buffer, as set by DNB, is equal to 3 percent of risk-weighted assets and will be phased in between 2016 and 2019.

On 23 November 2016, the European Commission published the EC Capital Proposals (as discussed and defined in the risk factor entitled “Minimum regulatory capital and liquidity requirements”) which comprise certain legislative proposals for amendments to the CRR, the CRD IV Directive, the BRRD, the SRM Regulation and a proposed new directive to facilitate the creation of a new asset class of “non-preferred” senior debt. The EC Capital Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, permission for reducing own funds and eligible liabilities, macroprudential tools, creditor/depositor hierarchy, a new category of “non-preferred” senior debt, the MREL framework and the integration of the TLAC standard into EU legislation. The EC Capital Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change; they are expected to enter into force no earlier than 2019 (or 2017 in the case of the proposal for a new asset class of “non-preferred” senior debt). The final new package of legislation may not include all elements of the EC Capital Proposals and new or amended elements may be introduced throughout the course of the legislative process.

Pursuant to the 2017 SREP (Supervisory Review and Evaluation Process), the ECB has determined that the CET1 Ratio of Rabobank Group should be maintained at a minimum level of 7.5 percent. This 7.5 percent Common Equity Tier 1 Capital requirement for Rabobank Group comprises the minimum Pillar 1 requirement (4.5 percent), the Pillar 2 additional own funds requirement (1.75 percent) and the phasing-in of the capital conservation buffer (1.25 percent). In addition, Rabobank Group is subject to a systemic risk buffer that needs to be applied on top of these Common Equity Tier 1 Capital requirements and will result in a 1.5 percent surcharge on a transitional basis for 2017 (bringing the minimum Common Equity Tier 1 Capital requirement at 1 January 2017 to 9 percent). At the date of this Information Statement, Rabobank Group currently complies with these requirements. The systemic risk buffer is expected to be phased-in up to a level of 3 percent on a fully-loaded basis in 2019. The capital conservation buffer is expected to be phased-in up to a level of 2.5 percent on a fully-loaded basis in 2019.

Bank Recovery and Resolution Directive

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

The BRRD provides competent authorities with early intervention powers and resolution authorities with pre-resolution powers, including the power to write down or convert capital instruments to ensure relevant capital instruments fully absorb losses at the point of non-viability of the issuing institution or group and the power to convert existing instruments of ownership or transfer them to bailed-in creditors. Moreover, when the conditions for resolution are met, resolution authorities can apply a bail-in tool, which comprises a more general power for resolution authorities to write down the claims of unsecured creditors (including holders of the Notes) of a failing institution or to convert unsecured debt claims to equity or other instruments of ownership.

In addition, the BRRD provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks which satisfy the conditions for resolution, which may include (without limitation) the sale of the bank's business, the creation of a bridge bank, 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 or the amount of interest payable or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments. See further the risk factor entitled “*Minimum requirement for own funds and eligible liabilities under the BRRD*”.

In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that, with effect from 1 January 2016 all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. On 23 May 2016, the European Commission adopted MREL RTS on the criteria for determining the MREL under the BRRD. The MREL RTS were published in the EU Official Journal on 3 September 2016. The MREL RTS provide for resolution authorities to allow institutions an appropriate transitional period to reach the applicable MREL requirements.

The required level of MREL for Rabobank Group has yet to be set by the SRB. On the basis of the MREL RTS, it is possible that Rabobank Group may have to issue a significant amount of additional MREL eligible liabilities in order to meet the new requirements within the required timeframes. Moreover, the MREL framework may be subject to substantial change over the coming years. For instance, in the EC Capital Proposals to amend the SRM Regulation, BRRD, CRR, CRD IV Directive, the European Commission has proposed that any systemically important banks in a member state, such as Rabobank, be subject to a firm-specific MREL regime under which they would be required to issue a sufficient amount of own funds and eligible liabilities to absorb expected losses in resolution and to recapitalize the institution or the surviving part thereof

As a result, it is not possible to give any assurances as to the ultimate scope and nature of any resulting obligations, or the impact that they will have on Rabobank Group once implemented. If Rabobank Group were to experience difficulties in raising MREL eligible liabilities, it may have to reduce its lending or investments in other operations.

To complement the European Banking Union (an EU-level banking supervision and resolution system) and the SSM (as defined below), on 15 July 2014 the European Commission adopted the SRM Regulation to establish the SRM. The SRM establishes the SRB 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 SRB is granted the same resolution tools as those set out in the BRRD, including a bail-in tool. The SRM applies directly to banks covered by the SSM, including Rabobank (see also “- *Bank Recovery and Resolution Directive*” above). On the basis of the SRM, the ECB is responsible for recovery planning as set out in the BRRD.

See also the risk factors entitled “*Minimum requirement for own funds and eligible liabilities under the BRRD*”, “*Risks relating to the FSB’s proposals regarding TLAC*”, “*Minimum regulatory capital and liquidity requirements*”.

Supervision

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture combines the existing national authorities, the newly created European Systemic Risk Board and the following three European Authorities: the EBA, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authorities. These institutions have been in place since 1 January 2011.

However, as part of the European Banking Union (responsible for banking policy on the EU level), two further regulations have been enacted: (i) a regulation for the establishment of a single supervisory mechanism (the “**SSM**”) on the basis of which specific tasks relating to the prudential supervision of the most significant banks in the Euro area are conferred to the ECB; and (ii) a regulation amending the regulation which sets up the EBA. Regulation 1024/2013 (the “**SSM Framework Regulation**”), which establishes the SSM, was published in the Official Journal of the European Union on 29 October 2013 and entered into force on 4 November 2013. The SSM provides that the ECB carries out its tasks within a single supervisory mechanism comprised of the ECB and national competent authorities. The ECB and relevant competent authorities have formed joint supervisory teams (“**JST**”) for the supervision of each significant bank or significant banking group within the Euro area. As Rabobank Group qualifies as a significant group under the SSM and the SSM Framework Regulation, with effect from 4 November 2014, the day-to-day supervision of Rabobank Group is now carried out by a JST. The ECB and national competent authorities are subject to a duty of cooperation in good faith, and an obligation to exchange information. Where appropriate, and without prejudice to the responsibility and accountability of the ECB for the tasks conferred on it by the SSM, national competent authorities shall be responsible for assisting the ECB.

In view of the assumption of these supervisory tasks, in 2014 the ECB (together with the national competent authorities) carried out a comprehensive assessment, including a balance sheet assessment, as well as a related asset quality review and stress tests, of the banks in respect of which it took on responsibility for formal supervision. The ECB supervises Rabobank Group's compliance with prudential requirements, including (i) its own funds requirements, LCR, NSFR and the leverage ratio and the reporting and public disclosure of information on these matters, as set out in the CRR and (ii) the requirement to have in place robust governance arrangements, including fit and proper requirements for the persons responsible for the management of a bank, remuneration policies and practices and effective internal capital adequacy assessment processes, as set out in the FMSA. The ECB is also the competent authority which assesses notifications of the acquisition of qualifying holdings in banks and has the power to grant a declaration of no objection for such holdings.

Dutch Regulation

Scope of the FMSA

The ECB is formally the competent authority that supervises the majority of Rabobank Group's activities. The day-to-day supervision of Rabobank Group is carried out by the JST. The AFM supervises primarily the conduct of business. Set forth below is a brief summary of the principal aspects of the FMSA.

Licensing

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

Reporting and investigation

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

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

Solvency

The CRR regulations on solvency supervision entail - in broad terms minimum standards on bank capital adequacy and capital buffers. These regulations also impose limitations on the aggregate amount of claims (including extensions of credit) a bank may have against one debtor or a group of related debtors. Over time, the regulations have become more sophisticated, being derived from the capital measurement guidelines of first Basel II and then Basel III as described under "Basel

Standards” above and as laid down in EU legislation described above under “European Union legislation”. The regulations of the DNB on solvency supervision have been repealed by the Dutch CRD IV and CRR Regulation.

Liquidity

The regulations relating to liquidity supervision require that banks maintain sufficient liquid assets to cover for net outflows. In the determination of net outflows banks are required to follow a prudential approach, taking into account that the call or prepayment occurs at the first possible date.

Structure

The FMSA provides that a bank must obtain a declaration of no-objection before, among other things, (i) acquiring or increasing a qualifying holding in a bank, investment firm or insurer with its statutory seat in a state which is not part of the EEA, if the balance sheet total of that bank, investment firm or insurer at the time of the acquisition or increase amounts to more than 1 percent of the bank’s consolidated balance sheet total, (ii) acquiring or increasing a qualifying holding in an enterprise, not being a bank, investment firm or insurer with its statutory seat in the Netherlands or in a state which is part of the EEA or in a state which is not part of the EEA, if the amount paid for the acquisition or increase, together with the amounts paid for a previous acquisition or increase of a holding in such enterprise, amounts to more than 1 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. Decisions on the abovementioned declarations of no-objection are made by the DNB. As of 1 January 2014, the definition of “qualifying holding” as set out in the CRR applies. “Qualifying holding” in the CRR is defined to mean a direct or indirect holding in an undertaking which represents 10 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 qualifying holding in a Dutch bank, or to exercise any voting power in connection with such holding, only after such person has obtained a declaration of no objection from the ECB.

Governance and administrative organization

The ECB supervises the governance of significant banks and significant banking groups within the Netherlands. This includes the administrative organization of banks, their financial accounting system and internal control. 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 assets and liabilities. Furthermore, the electronic data processing systems, which form the core of the accounting system, must be secured in such a way as to ensure a high degree of security, operational reliability, continuity and adequate, scalable capacity.

Intervention

In addition to the Intervention Act (*Wet bijzondere maatregelen financiële ondernemingen*), and partly amending it, on 26 November 2015 the Act on implementing the European framework for the recovery and resolution of banks and investment firms (*Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen*) came into force, implementing the BRRD. While the Intervention Act was amended following the adoption and implementation of the BRRD and the SRM Regulation, granting to the DNB powers including resolution tools contemplated by the BRRD, the powers of the Minister of Finance have remained. Under the Intervention Act the Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets, liabilities, 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 DNB 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 SRB has additional intervention powers including the power to operate the bail-in tool as set out in the SRM and the BRRD (see “- *Bank Recovery and Resolution Directive*”).

Emergencies

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

U.S. Regulation

Regulation and Supervision in the U.S.

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

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

Under U.S. law, Rabobank 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. As long as Rabobank and Utrecht-America Holdings, Inc. are financial holding companies under U.S. law, Rabobank Group 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 license for a branch of a non-U.S. bank issued under 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.

New York Banking Law authorizes the Superintendent to take possession of the business and property of a New York branch of a non-U.S. bank under certain circumstances, including violations of law, conduct of business in an unsafe manner, impairment of capital, suspension of payment of obligations, or initiation of liquidation proceedings against the non-U.S. bank at its domicile or elsewhere. In liquidating or dealing with a branch's business after taking possession of a branch, only the claims of depositors and other creditors which arose out of transactions with a branch are to be accepted by the Superintendent for payment out of the business and property of the non-U.S. bank in the State of New York (which includes but is not limited to assets, or other property of the New York branch, wherever situated and any assets of the non-U.S. bank located in the State of New York, regardless of whether such assets are assets of the New York branch), without prejudice to the rights of the holders of such claims to be satisfied out of other assets of the non-U.S. bank. After such claims are paid, the Superintendent will turn over the remaining assets, if any, to the non-U.S. bank or its duly appointed liquidator or receiver.

The Dodd-Frank Act

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

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

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

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

On 10 December 2013, five U.S. federal financial regulatory agencies released the final version of the regulations implementing the Volcker Rule. The conformance period for the Volcker Rule generally ended on 21 July 2015, although the Federal Reserve has granted an extension for certain legacy funds until 21 July 2017. Rabobank Group has brought its activities and investments into compliance and implemented a specific compliance program. During the conformance period that ended on 21 July 2015, Rabobank Group analyzed the final rule, assessed how it would affect its relevant businesses and devised and implemented the related compliance strategy. With respect to the extended conformance period for certain legacy funds, Rabobank Group will continue to analyze the final rule, assess how it will affect any relevant businesses and devise and implement an appropriate compliance strategy. Further implementation efforts may be necessary based on subsequent regulatory interpretations, guidelines or examinations.

In addition, Title VII of the Dodd-Frank Act, and the regulations adopted thereunder implementing the statutory requirements of Title VII, provide an extensive framework for the regulation of the derivatives market. While U.S. regulators have adopted many of the regulations governing the derivatives markets as contemplated by the Dodd-Frank Act, the implementation process is still ongoing and regulators continue to review and refine their initial rulemakings through additional interpretations and supplemental rulemakings. Under the Dodd-Frank Act, entities that qualify as swap dealers or major swap participants are required to register with the CFTC, while entities that qualify as security-based swap dealers and/or majority security-based swap participants will be required to register with the SEC. As at the date of this Information Statement, no Rabobank Group entity is registered or required to be registered as a swap dealer, major swap participant, security-based swap dealer or majority security-based swap participant (a **“Registered Entity”**). As a Registered Entity, an entity within Rabobank Group would be subject to additional regulatory requirements with respect to capital and margin requirements for OTC derivative transactions, business conduct standards and other requirements. As a Registered Entity, compliance with such regulatory requirements under Title VII of the Dodd-Frank Act may be costly and have an adverse impact on Rabobank Group. For instance, under the so-called swap “push-out” provisions of the Dodd-Frank Act, certain ABS swaps 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 Entities. The Dodd-Frank Act also requires all swap market participants (notwithstanding any registration requirement) to (i) maintain records and report certain information to swap data repositories in real-time and on an ongoing basis and (ii) clear certain categories of derivatives through a derivatives clearing organization and execute such derivatives on a registered exchange (e.g., a designated contract market or swap execution facility). The Dodd-Frank Act and the rules of the SEC, CFTC and U.S. federal banking regulators promulgated thereunder would also require Rabobank Group to comply with certain initial and variation margin requirements in respect of its OTC derivative contracts (the **“Uncleared Swap Margin Rules”**). Phased-in compliance with the Uncleared Swap Margin Rules began on September 1, 2016. The Uncleared Swap Margin Rules may have an adverse effect on the liquidity of Rabobank Group and/or its ability to continue to invest and/or hedge in the OTC derivatives market.

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

plan may be subject to a range of measures imposed by the Federal Reserve and the FDIC, including more stringent capital, leverage or liquidity requirements; restrictions on growth, activities or operations; and requirements to divest assets or operations, as directed by the Federal Reserve and the FDIC.

Implementation of the Dodd-Frank Act and related final regulations is ongoing and has resulted in significant costs and potential limitations on Rabobank Group's businesses and may have a material adverse effect on Rabobank Group's 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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General information

Rabobank is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, private banking, leasing and real estate services. It serves approximately 8.7 million clients around the world. Rabobank Group is comprised of Coöperatieve Rabobank U.A. (Rabobank) and its consolidated subsidiaries in the Netherlands and abroad. It is committed to making a substantial contribution to welfare and prosperity in the Netherlands and to feeding the world sustainably.

Rabobank puts the interests and ambitions of our customers and members first. With nearly two million members, Rabobank is one of the largest cooperatives in the Netherlands. And our members are more than just customers. They have a voice in deciding the bank's strategic direction.

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The Netherlands

Chamber of Commerce number: 30046259

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Consolidated statement of financial position

Consolidated statement of financial position				
Amounts in millions of euros	Note	31 December 2016	31 December 2015 ¹	1 January 2015 ²
Assets				
Cash and balances at central banks	6	84,405	64,943	43,409
Loans and advances to banks	7	25,444	32,434	45,962
Financial assets held for trading	8	2,585	3,472	4,279
Financial assets designated at fair value	9	1,321	2,196	4,325
Derivatives	10	42,372	48,113	56,489
Loans and advances to customers	11	452,807	465,993	472,037
Available-for-sale financial assets	12	34,580	37,773	39,770
Investments in associates and joint ventures	13	2,417	3,672	3,807
Goodwill and other intangible assets	14	1,089	1,493	2,059
Property and equipment	15	4,590	7,765	7,148
Investment properties	16	293	381	452
Current tax assets		171	193	211
Deferred tax assets	26	2,360	2,390	2,501
Other assets	17	7,878	7,854	8,502
Non-current assets held for sale	18	281	155	327
Total assets		662,593	678,827	691,278
Liabilities				
Deposits from banks	19	22,006	19,038	18,066
Deposits from customers	20	347,712	345,884	336,409
Debt securities in issue	21	159,342	174,991	189,060
Financial liabilities held for trading	22	739	573	1,324
Financial liabilities designated at fair value	23	16,520	16,991	19,744
Derivatives	10	48,024	54,556	66,236
Other liabilities	24	8,432	8,323	8,228
Provisions	25	1,546	993	794
Current tax liabilities		269	203	228
Deferred tax liabilities	26	618	575	473
Subordinated liabilities	28	16,861	15,503	11,928
Total liabilities		622,069	637,630	652,490
Equity				
Reserves and retained earnings	30	25,821	25,623	24,811
<i>Equity instruments issued by Rabobank</i>				
Rabobank Certificates	31	5,948	5,949	5,931
Capital Securities	32	7,636	7,826	6,349
		13,584	13,775	12,280
<i>Non-controlling interests</i>				
<i>Equity instruments issued by subsidiaries</i>				
Capital Securities	32	185	176	181
Trust Preferred Securities III to IV	32	409	1,131	1,043
Other non-controlling interests	33	525	492	473
		1,119	1,799	1,697
Total equity		40,524	41,197	38,788
Total equity and liabilities		662,593	678,827	691,278

1 Prior-year figures adjusted due to changes in presentation and a restatement (see note 2.1).

2 1 January 2015 is equivalent to 31 December 2014 (as published in the 2015 Consolidated financial statements) after the restatement and changes in presentation (see note 2.1).

Consolidated statement of income

Consolidated statement of income			
	<i>For the year ended 31 December</i>		
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>2016</i>	<i>2015¹</i>
Interest income	34	16,438	17,593
Interest expense	34	7,695	8,454
Net interest income	34	8,743	9,139
Fee and commission income	35	2,177	2,127
Fee and commission expense	35	259	235
Net fee and commission income	35	1,918	1,892
Income from investments in associates and joint ventures	36	106	351
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	37	547	603
Gains/ (losses) on available-for-sale financial assets	12	87	148
Other net operating income	38	1,404	881
Income		12,805	13,014
Staff costs	39	4,521	4,786
Other administrative expenses	40	3,635	2,916
Depreciation	41	438	443
Operating expenses		8,594	8,145
Impairment losses on goodwill and investments in associates	13,14	700	623
Loan impairment charges	42	310	1,033
Regulatory levies	43	483	344
Operating profit before tax		2,718	2,869
Income tax	44	694	655
Net profit		2,024	2,214
Of which attributed to Rabobank		749	880
Of which attributed to holders of Rabobank Certificates		387	387
Of which attributed to Capital Securities issued by Rabobank		762	794
Of which attributed to Capital Securities issued by subsidiaries		15	15
Of which attributed to Trust Preferred Securities III to IV		47	63
Of which attributed to other non-controlling interests	33	64	75
Net profit for the year		2,024	2,214

1 Prior-year figures adjusted due to changes in presentation (see note 2.1).

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income			
		<i>For the year ended 31 December</i>	
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>2016</i>	<i>2015</i>
Net profit for the year		2,024	2,214
<i>Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:</i>			
Exchange differences on translation of foreign operations	30	248	31
Changes in the fair value of available-for-sale financial assets	30	24	(75)
Cash flow hedges	30	(31)	(50)
Share of other comprehensive income of associates and joint ventures	30	18	(79)
Other	30	(2)	-
<i>Other comprehensive income not to be transferred to profit or loss, net of tax:</i>			
Remeasurements of post-employee benefit obligations	30	(53)	18
Share of other comprehensive income of associates and joint ventures	30	7	3
Fair value changes due to own credit risk on financial liabilities designated at fair value	30	(365)	-
Other comprehensive income		(154)	(152)
Total comprehensive income		1,870	2,062
Of which attributed to Rabobank		575	738
Of which attributed to holders of Rabobank Certificates		387	387
Of which attributed to Capital Securities issued by Rabobank		762	794
Of which attributed to Capital Securities issued by subsidiaries		15	15
Of which attributed to Trust Preferred Securities III to IV		47	63
Of which attributed to other non-controlling interests		84	65
Total comprehensive income		1,870	2,062

Consolidated statement of changes in equity

Consolidated statement of changes in equity						
Amounts in millions of euros	Note	Reserves and retained earnings	Equity instruments issued by Rabobank	Non-controlling interests		Total
				Equity instruments issued by subsidiaries	Other	
Balance on 1 January 2016		25,623	13,775	1,307	492	41,197
Net profit for the period		1,960	-	-	64	2,024
Other comprehensive income	30	(174)	-	-	20	(154)
Total comprehensive income		1,786	-	-	84	1,870
Payments on Rabobank Certificates		(387)	-	-	-	(387)
Payments on Trust Preferred Securities III to IV		(47)	-	-	-	(47)
Payments on Capital Securities issued by subsidiaries		(15)	-	-	-	(15)
Payments on Capital Securities issued by Rabobank		(829)	-	-	-	(829)
Redemption of Trust Preferred Securities III	32	-	-	(716)	-	(716)
Issue of Capital Securities	32	-	1,250	-	-	1,250
Cost of issue of Capital Securities		-	(9)	-	-	(9)
Redemption of Capital Securities	32	(316)	(1,437)	-	-	(1,753)
Change in Rabobank Certificates during the period		-	(1)	-	-	(1)
Other		6	6	3	(51)	(36)
Balance on 31 December 2016		25,821	13,584	594	525	40,524
Balance on 1 January 2015		24,894	12,280	1,224	473	38,871
Adjustment opening balance ¹		(83)	-	-	-	(83)
Restated amount on 1 January 2015		24,811	12,280	1,224	473	38,788
Net profit for the period		2,139	-	-	75	2,214
Other comprehensive income	30	(142)	-	-	(10)	(152)
Total comprehensive income		1,997	-	-	65	2,062
Payments on Rabobank Certificates		(387)	-	-	-	(387)
Payments on Trust Preferred Securities III to IV		(63)	-	-	-	(63)
Payments on Capital Securities issued by subsidiaries		(15)	-	-	-	(15)
Payments on Capital Securities issued by Rabobank		(787)	-	-	-	(787)
Issue of Capital Securities	31	-	1,500	-	-	1,500
Cost of issue of Capital Securities	32	-	(12)	-	-	(12)
Change in Rabobank Certificates during the period		-	18	-	-	18
Other		67	(11)	83	(46)	93
Balance on 31 December 2015		25,623	13,775	1,307	492	41,197

1 Prior-year figures adjusted due to the restatement (see note 2.1).

Consolidated statement of cash flows

Consolidated statement of cash flows			
	<i>For the year ended 31 December</i>		
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>2016</i>	<i>2015</i>
Cash flows from operating activities			
Operating profit before tax		2,718	2,869
Adjusted for:			
<i>Non-cash items recognised in operating profit before taxation</i>			
Depreciation	41	438	443
Depreciation of operating lease assets and investment properties	15,16	978	1,013
Loan impairment charges	42	310	1,033
Impairment on property and equipment	15	112	-
Result on disposal of property and equipment		(35)	(11)
Income from investments in associates and joint ventures	36	(106)	(351)
Income from disposal of subsidiaries		(242)	(15)
Impairment losses on goodwill and investments in associates	14	700	623
Gains/(losses) on financial assets and liabilities at fair value through profit or loss	37	(547)	(603)
Gains/(losses) on available-for-sale financial assets	12	(87)	(148)
Provisions	25	1,034	542
Capitalised costs self-developed software and other assets		(102)	(150)
<i>Net change in operating assets</i>			
Loans to and deposits from banks	7, 19, 42	9,958	15,734
Financial assets held for trading	8, 37	1,175	971
Derivatives	10	5,740	8,376
Net change in financial assets and liabilities designated at fair value	9, 23	663	(185)
Loans and advances to customers	11, 42	12,712	2,042
Acquisition of available-for-sale financial assets	12	(5,371)	(6,219)
Proceeds from the sale and repayment of available-for-sale financial assets		8,768	8,431
Dividends received from associates and financial assets		140	75
<i>Net change in liabilities relating to operating activities</i>			
Derivatives	10	(6,531)	(11,680)
Financial liabilities held for trading	22	166	(751)
Deposits from customers	20	1,829	11,305
Debt securities in issue	21	(15,649)	(14,069)
Other liabilities	24	(1)	3
Income tax paid		(321)	(371)
Other changes		2,794	(847)
Net cash flow from operating activities		21,243	18,060
Cash flows from investing activities			
Acquisition of associates net of cash and balances at central banks acquired	13	(75)	(37)
Proceeds from disposal of associates net of cash and balances at central banks		238	44
Proceeds from disposal of subsidiaries net of cash and balances at central banks		1,100	-
Acquisition of property and equipment and investment properties	15, 16	(2,262)	(2,513)
Proceeds from the disposal of property and equipment and investment properties		796	813
Net cash flow from investing activities		(203)	(1,693)
Cash flows from financing activities			
Purchase of Rabobank Certificates	31	(357)	(980)
Sale of Rabobank Certificates		356	998
Issue of Capital Securities (including costs)		1,241	1,488
Redemption of Trust Preferred Securities III		(716)	-
Payments on Rabobank Certificates, Trust Preferred Securities III to IV and Capital Securities		(1,128)	(1,252)
Payments on Senior Contingent Notes		(86)	(86)
Redemption of Capital Securities	32	(1,437)	-
Proceeds from the issue of subordinated liabilities		1,417	2,966
Redemption of subordinated liabilities		(63)	(3)
Net cash flow from financing activities		(773)	3,131
Net change in cash and balances at central banks		20,267	19,498
Cash and balances at central banks at the beginning of the year		64,943	43,409
Exchange rate differences on cash and balances at central banks		(805)	2,036
Cash and balances at central banks at the end of the year		84,405	64,943
The cash flows from interest are included in the net cash flow from operating activities			
Interest received		16,587	17,693
Interest paid		7,697	8,702

Notes to the consolidated financial statements

1 Corporate information

As of 1 January 2016, the 106 local Rabobanks and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. were legally merged and the name of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed to Coöperatieve Rabobank U.A. The legal merger has no impact on the consolidated figures as the local Rabobanks have always been consolidated in the Rabobank Group financial statements.

The Consolidated financial statements of Rabobank includes the financial information of Coöperatieve Rabobank U.A. and that of the group companies.

2 Accounting policies

The primary accounting policies used in preparing these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of Rabobank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared on the basis of the accounting policies set out in this section. Unless otherwise stated, assets and liabilities are accounted for on the historical cost basis and all amounts in these financial statements are in millions of euros.

New and amended standards issued by the IASB and adopted by the European Union, that are applicable to the current financial year

Early adoption of a specific part of IFRS 9 on fair value of financial liabilities designated at fair value through profit or loss

According to paragraph 7.1.2 of IFRS 9 ('Financial Instruments'), an entity may early adopt the requirement to present changes in the fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in credit risk in other comprehensive income ('OCI'). Rabobank has elected to early adopt this requirement in IFRS 9 for the own credit adjustment included in the valuation of financial liabilities designated at fair value through profit or loss, which

mainly consists of the structured notes portfolio. Excluding fair value changes resulting from changes in own credit risk from the statement of income means that Rabobank will no longer report profits or losses when the creditworthiness of Rabobank changes. As a result of early adopting this requirement in IFRS 9, the fair value changes resulting from own credit risk are accounted for in OCI in equity (net of tax) as opposed to the statement of income. When financial liabilities designated at fair value through profit or loss are derecognised (for instance due to buy-backs) the cumulative own credit risk adjustment remains in equity and is reclassified from OCI to retained earnings at the end of each reporting period, without being recycled to the statement of income.

The early adoption to report own credit adjustment on financial liabilities designated at fair value through profit or loss in OCI has been applied by Rabobank as from 1 January 2016. Comparative figures have not been restated. Differences have been recorded in the opening balance sheet as at 1 January 2016 as follows:

Impact of early adoption of IFRS 9 at 1 January 2016	
<i>Amounts in millions of euros</i>	
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	
Closing balance as at 31 December 2015	-
Reclassification from retained earnings	62
Opening balance as at 1 January 2016	62
Retained earnings	
Closing balance as at 31 December 2015	25,399
Reclassification of own credit adjustment on financial liabilities designated at fair value	(62)
Opening balance as at 1 January 2016	25,337

In 2016 Rabobank recognised a loss of 365 (net of tax) in OCI relating to fair value changes in financial liabilities designated at fair value through profit or loss resulting from changes in own credit risk. As a result net profit in 2016 would have decreased by 365 if Rabobank would not have elected to early adopt this element of IFRS 9. In 2016 0 has been reclassified from OCI to retained earnings as a result of derecognition of financial liabilities designated at fair value through profit or loss. There were no other changes to the classification and measurement of financial liabilities designated at fair value.

Improvements to International Financial Reporting Standards cycle 2012-2014

On 25 September 2014, the International Accounting Standards Board (IASB), in the context of its periodic improvement process, which is intended to streamline and clarify standards, proceeded to publish the Annual improvements in International Financial Reporting Standards cycle 2012-2014 ('the annual improvements'). The objective of the improvements is to address non-urgent, but necessary issues, discussed by the IASB during the project cycle, on areas of inconsistencies in International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) or ambiguous wording. These improvements became effective on 1 January 2016 and have no impact on profit or equity.

Amendments to IAS 1: Disclosure initiative

The purpose of the amendments was to achieve a more efficient provision of information and to encourage companies to seek professional advice for determining which information needs to be provided in the annual financial statements when they apply IAS 1. This amendment became effective on 1 January 2016 and has no impact on profit or equity.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

On 12 May 2014, the International Accounting Standards Board (IASB) published amendments to IAS 16 Tangible fixed assets and to IAS 38 Intangible assets. These amendments were introduced under the title Clarification of acceptable depreciation methods. As there are various different practices, it needs to be clarified whether it is appropriate to implement methods based on revenues for the calculation of the depreciation of an asset. This amendment became effective on 1 January 2016 and has no impact on profit or equity.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the Consolidation Exception

These are narrow-scope clarifications of guidance, specifically related to investment entities. Because Rabobank is not an investment entity these amendments do not have an effect on the consolidated financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

These amendments offer new guidelines on the administrative processing of an acquisition of an interest in a joint business operation, where this operation of the joint business operation constitutes a company. This amendment became effective on 1 January 2016 and has no impact on profit or equity.

New and amended standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union which do not yet apply in the current financial year

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 Financial Instruments as the replacement for IAS 39 Financial Instruments: Recognition and Measurement. The new standard becomes effective on 1 January 2018 and is endorsed by the EU on 22 November 2016. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments.

Classification and measurement

Financial assets are classified and measured in two ways: how Rabobank manages them, and the type of contractual cash flows in these assets. Both are used to determine whether the financial assets are included at amortised cost, fair value with adjustments in the values thereof processed through other comprehensive income (FVOCI), or through the profit and loss account (FVTPL). In many cases, the classification and measurement will be in line with IAS 39, but may deviate with respect to embedded derivatives and equity instruments. There are almost no changes in the processing of financial liabilities with the exception of certain liabilities at fair value where the results have to be included in other comprehensive income because of changes to Rabobank's own credit risk. Rabobank has elected to early adopt this specific part of IFRS 9 on fair value of financial liabilities designated at fair value through profit or loss.

Impairments - Requirements

The rules governing impairments apply to financial assets at amortised cost and financial assets at Fair Value through Other Comprehensive Income (FVOCI), as well as to lease receivables, certain loan commitments and financial guarantees. At initial recognition, an allowance is taken for the amount of the expected credit losses from possible defaults in the coming 12 months ('12-months expected credit loss' (ECL)). If the credit risk increased significantly since origination (but remains non-credit impaired), an allowance will be required for the amount that equals the expected credit losses stemming from possible defaults during the expected lifetime of the financial asset ('Lifetime ECL'). In the circumstance that the financial instrument becomes credit-impaired the allowance will remain at the Lifetime ECL. However, for these instruments the interest income will be recognised by applying the effective interest rate on the net carrying amount (including the loss allowance). Financial instruments become credit-impaired when one of or more events have occurred that had a detrimental impact on estimated future cash flows.

The expected credit losses on an instrument should be based on an unbiased probability-weighted amount that is determined by evaluating a range of possible outcome and reasonable and should reflect information available on current conditions and forecasts of future economic conditions, such as gross domestic product growth, unemployment rates, interest rates, etc.

Impairments – Differences with current IAS 39 methodology

The IAS 39 impairment methodology is based on an 'incurred loss' model, meaning that an allowance is determined when an instrument is credit impaired, i.e. when a loss event has occurred that had a detrimental impact on estimated future cash flows. This aligns with the Lifetime ECL – Credit Impaired category of IFRS 9. However, within the expected credit loss framework of IFRS 9 the entire portfolio of financial instruments are awarded allowance through the additions of the 12-month ECL category and Lifetime ECL category – Non-Credit Impaired categories. Generally leading to increases in overall provision of levels.

Impairments – Key concepts and their implementation at Rabobank

Two fundamental drivers of the IFRS 9 impairment requirements are a) the methodology for the measurement of 12-Month and Lifetime Expected Credit Losses and b) the criteria used to determine whether a 12-month ECL, Lifetime ECL non-credit impaired, or Lifetime ECL credit impaired should be applied, also referred to as stage determination criteria.

a) Methodology to determine expected credit losses (ECLs)

In order to determine expected credit losses Rabobank will utilize Probability of Default (PD) x Loss Given Default (LGD) x Exposure at Default (EAD) models for the majority of the portfolio in scope. The credit risk models in place for regulatory purposes, Advanced Internal Rating Based Approach (A-IRB) models, will function as a basis for these ECL models as they are engrained in the current (credit) process. However, as these models contain prudential elements, such as conservatism, downturn elements, through the cycle estimates an overlay will be constructed on top of these A-IRB models in order to eliminate any prudential elements and incorporate the elements required by IFRS 9, such as point-in-time estimates, lifetime parameters, etc. Subsequently forecasts of multiple future economic conditions (macro-economic scenarios) will be incorporated into the ECL models and probability weighted in order to determine the eventual expected credit losses. The default definition utilized for accounting purposes is the same as used for regulatory purposes.

b) Stage determination criteria

In order to allocate financial instruments in scope between the categories 12 month-ECL (also named 'Stage 1'), Lifetime ECL Non-Credit Impaired (also named 'Stage 2') and Lifetime ECL Credit Impaired (also named 'Stage 3') a framework has been developed of both qualitative and quantitative factors. As the credit-impaired definition used for IFRS 9 purposes is aligned with the default definition utilized for regulatory purposes, the stage 3 portfolio equals the defaulted portfolio. The criteria for allocating a financial instrument to stage 3 are therefore fully aligned with the criteria for assigning a defaulted status, for example 90 days past due status, or a debtor becoming unlikely to pay its credit obligations without recourse by the bank. In order to allocate financial instruments between stages 1 and 2 criteria are utilized that are currently applied in the credit process, such as days past due status and special asset management status. Also, quantitative criteria are used related to the probability of default, where a financial instrument is allocated to stage 2 when an increase in the weighted average probability of default since origination, exceeds a predefined threshold.

Impairments – Expected impact

With the introduction of IFRS 9, allowance levels are expected to increase due to the addition of Stage 1 and Stage 2 categories which are recognised on financial instruments that did not previously meet the criteria for having an allowance assigned under IAS 39. This subsequently also leads to a decrease in equity (net of income tax). However, the increase in allowance levels due to the addition of Stage 1 and 2 is offset by the release of the current IAS 39 allowance for Incurred But Not Reported (IBNR) losses, which partly compensates the overall increase. Rabobank is currently still in the process of developing ECL models. At this point in time these are not yet completed and validated for the majority of the portfolio it is currently not possible to make a reliable estimate on the quantitative impact of IFRS 9 on profit or equity at adoption date. We expect to disclose a quantitative impact on IFRS 9 in our 2017 Interim Financial Statements.

Impairments – Expected impact - Capital Planning

As IFRS equity, including retained earnings, is the basis for determining Common Equity Tier 1 (CET1) any decrease in IFRS equity is also expected to have a negative impact on Common Equity Tier 1. However, for Advanced-IRB banks the relationship between IFRS Equity and Common Equity Tier 1 is effected by the current regulations on the 'IRB Expected Loss Shortfall'. This IRB shortfall represents the difference between 1) the provisions determined for accounting purposes and 2) the provisions (or expected losses) determined under the IRB approach. Where (1) is lower than (2) a Shortfall exists and

an additional deduction is made from IFRS equity in order to arrive at Common Equity Tier 1. Note, the reason for a IRB Shortfall lies to a large extent in the conservatism applied in the IRB approach, such as applying economic downturn factors to collateral values (also named Loss Given Default Downturn Factor). The decrease in IFRS Equity (due to the introduction of IFRS 9) and the resulting impact that this decrease has on Common Equity Tier 1 is partly compensated by the corresponding lower IRB shortfall deduction. For Rabobank the IRB shortfall is expected to limit the impact on Common Equity Tier 1 – based on the 2016 IRB Shortfall levels and the end 2016 general economic environment.

The regulations regarding the regulatory treatment of accounting provisions, including the phase-in of a negative capital impact, are currently being revisited by the Basel Committee for Banking Supervision.

Hedge accounting - Requirements

Hedge accounting is an option IFRS offers to mitigate P&L swings caused by measurement and classification differences between granted loans and issued debt measured at amortised cost, assets measured on fair value through OCI (hedged items) and relating hedging derivatives measured at fair value through P&L (hedging derivatives).

The assets and liabilities measured at amortised cost are revalued for the fair value changes due to the hedged risk. For assets measured at fair value through OCI the fair value changes due to the hedged risk on the assets recognised in OCI is reclassified to P&L. In a cash flow hedge the fair value changes of the derivative are booked in the cash flow hedge reserve (effective part only).

Hedge accounting – Differences with current IAS 39 methodology

The main differences between IAS 39 and IFRS 9 for micro hedge accounting are that IFRS 9 does not permit voluntary de-designation of the hedge relationship and does not prescribe a specific effectiveness testing range anymore (IAS 39: 80-125%). Additionally IAS 39 does not have a specific accounting solution for hedge accounting with cross-currency swaps (currency basis) when used as hedging instruments, while IFRS 9 does. Under IFRS 9 the currency basis spreads are considered as costs of hedging and fair value changes caused by currency basis spread can be recognised through OCI.

Hedge accounting – Expected impact

At the moment Rabobank is in the process of exploring whether to continue with IAS 39 or to move on to IFRS 9 for the micro hedge accounting to benefit from the specific treatment of currency basis in IFRS 9 per 1 January 2018. We expect to

be able to designate more effective micro hedge accounting relationships with cross currency swaps under IFRS 9 and reduce the P&L volatility caused by currency basis, which will be recorded in OCI.

IFRS 9 does not offer a solution for portfolio hedge accounting and Rabobank will use the option IFRS 9 provides to continue to apply IAS 39 for portfolio hedge accounting.

Application

The rules governing classification, measurement and impairments will be applied retrospectively by amending the opening balance sheet on 1 January 2018. There is no obligation to amend the comparative figures.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The original effective date of IFRS 15 has been delayed by one year and the standard is now effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients. The standard does not apply to financial instruments, insurance contracts or lease contracts. Rabobank has not finalized the investigation of the impact on the financial statements and the practical expedients but the current assessment is that this new standard will not have a significant impact on profit or equity.

New standards issued by the IASB, but not yet endorsed by the European Union

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. Rabobank is currently assessing the impact of this standard.

IFRS 14 Regulatory Deferral Accounts

The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

Other amendments to IFRS

There have been minor amendments to IFRS 2, IFRS 15, IAS 12 and IAS 7.

Although these new requirements are currently being analysed and their impact is not yet known, Rabobank does not expect the implementation of these other standards to have a significant impact on net profit or equity.

Other changes in accounting principles and presentation

Changes in presentation

IAS 32 'Financial Instruments: Presentation' prescribes that a financial asset and a financial liability shall be offset when there is a simultaneous legally enforceable right to set off and an 'intention to settle on a net basis'. Rabobank has both the legally enforceable right (by contract) to set off the amounts under a notional cash pooling arrangement as well as the intention to settle on a net basis. IFRS is principle based and does not prescribe how the intention to settle on a net basis is evidenced. Rabobank applies certain practices to evidence that the requirement of 'intention to settle net' is met. In April 2016, an Agenda Rejection Notice was published by the IFRS Interpretations Committee ('IFRIC') on balance sheet offsetting of notional cash pooling products. The issue relates to the question whether certain cash pooling arrangements would meet the requirements for offsetting under IAS 32. The IFRIC provided further clarification that the transfer of balances into a netting account should occur at the period end to demonstrate an intention to settle on a net basis. As a result of the Agenda Rejection Note, the comparable figures have been adjusted by reversing the netting that took place in 2015. The Loans and advances to customers and Deposits from customers have been increased by EUR 8,291 million per December 2015 and EUR 10,121 million per 1 January 2015. In the second half 2016 Rabobank re-assessed its cashpooling contracts also in light of the IFRIC clarification and the IFRS requirements around unit of accounts. This analysis showed that the contracts qualify for unit of accounts accounting. The amount involved as per 31 December 2016 is EUR 4,989 million.

Structured inventory products have been reclassified from other assets to loans to customers as per 31 December 2015 for an amount of EUR 418 million. This change results in a better alignment with the extent to which the risks and rewards of the underlying commodities are transferred.

The results on sale of group companies are classified as other net operating income. The comparative figures have been adjusted. The income from investments in associates and joint ventures changed from EUR 366 million to EUR 351 million and the other net operating income changed from EUR 866 million to EUR 881 million.

The other fee and commission income and expenses as per 31 December 2015 were each adjusted by EUR 50 million. The net fee and commission income remained unchanged. Insofar as other insights prompted reclassifications, the comparative figures have been adjusted accordingly.

Adjustments in the opening balance of equity as at 1 January 2015

As at 31 December 2015, receivables were overstated by an amount of EUR 110 million that had been reported as income in years prior to 2013. In accordance with IAS 8, Reserves and retained earnings as at 1 January 2015 have been adjusted retrospectively, from EUR 24,894 million to EUR 24,811 million and Loans and advances to customers have been reduced by EUR 110 million and Current tax liabilities have been reduced by EUR 27 million as at 31 December 2015.

Adjustment	
Amounts in millions of euros	1 January 2015
Total equity before adjustment	38,871
Decrease in loans and advances to customers	(110)
Decrease in current tax liabilities	27
Total equity after adjustment	38,788

Going concern

The Executive Board considers it appropriate to adopt the going concern basis of accounting in preparing these consolidated financial statements.

Judgements and estimates

In preparing the consolidated financial statements management applied judgement with respect to estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities on the date of the consolidated financial statements, and the amounts reported for income and expenses during the reporting period.

The accounting principles listed below require critical estimates that are based on assessments and assumptions. Although management estimates are based on the most careful assessment of current circumstances and activities on the basis of available financial data and information, the actual results may deviate from these estimates.

Loan impairment allowance

Rabobank assesses at each reporting period whether an impairment loss should be recorded in the income statement. The impairment methodology for loans and advances results in the recognition of:

- Specific allowances for individual impaired loans;

- Collective allowances for:
 - Retail exposures if it is not economically justified to recognise the loss on an individual basis;
 - Incurred but not reported losses.

The detailed approach for each category is further explained in section 2.15 'Loans and advances to customers and banks'. Loan impairment allowances are recognised where there is objective evidence that not all amounts due under the original terms of the contract may be recoverable. Determining an allowance requires a significant degree of judgement, based on management's evaluation of the risks in the loan portfolio, the current economic circumstances, credit losses in previous years, and developments in financial credits, business sectors, business concentrations and geopolitical factors. Changes in management judgement formulation and further analyses may lead to changes in the magnitude of loan impairment allowances over time. Uncertainty is inherent in determining objective evidence of reduced creditworthiness and in determining the magnitude of the recoverable amounts and these involve assessing a variety of assumptions and factors regarding the creditworthiness of borrowers, the expected future cash flows and the value of collateral. See section 7 'Loans and advances to banks' and section 11 'Loans and advances to customers' for an analysis of the loan impairment allowances on loans to customers and banks.

Fair value of financial assets and liabilities

Information regarding the determination of the fair value of financial assets and liabilities is included in paragraph 4.9 'Fair value of financial assets and liabilities' and paragraph 10 'Derivatives'.

Impairment of goodwill, other intangible assets and investments in associates and joint ventures

Goodwill and other intangible assets are assessed for impairment – at least once a year – by comparing the recoverable value to the carrying amount, while investments in associates and joint ventures are tested for impairment when specific triggers are identified. The determination of the recoverable amount in an impairment assessment of these assets requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, these estimates are considered to be critical. The important assumptions for determining recoverable value of goodwill are set out in Section 14 and for investments in associates and joint ventures are set out in Section 13.

Taxation

Estimates are used when determining the income tax charge and the related current and deferred tax assets and liabilities. Tax treatment of transactions is not always clear or certain and, in a number of countries, prior year tax returns often remain open and subject to tax authority approval for lengthy periods. The tax assets and liabilities reported are based on the best available information, and where applicable, on external advice. Differences between the final outcome and the estimates originally made are accounted for in the current and deferred tax assets and liabilities in the period in which reasonable certainty is obtained.

Other provisions

In applying IAS 37 judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. More information on judgements regarding the provision for SME derivatives and the restructuring provision is included in section 25 Provisions.

The consolidation of structured entities is a critical estimate that requires judgement and is described in section 50 Structured entities.

2.2 Consolidated financial statements

2.2.1 Subsidiaries

The participating interests over which Rabobank has control are its subsidiaries (including structured entities) and these are consolidated. Control is exercised over a participating interest if the investor is entitled to receive variable returns from its involvement in the participating interest and has the ability to influence these returns through its control over the participating interest. The assets, liabilities and profit and loss of these companies are fully consolidated.

Subsidiaries are consolidated as from the date on which Rabobank acquires effective control and subsidiaries are de-consolidated as of the date on which this control is ceded. Transactions, balances and unrealised gains and losses on transactions between and among Rabobank Group and its subsidiaries are eliminated on consolidation.

Joint and several liability (cross-guarantee system)

Under the Dutch Financial Supervision Act (Wet op het financieel toezicht), various legal entities owned by Rabobank are jointly and severally liable under an Internal intra-group mutual keep well arrangement that requires the participating entities to provide the funds necessary should any participant not have sufficient funds to settle its debts.

As at 31 December 2016, the participants are:

- Coöperatieve Rabobank U.A., Amsterdam
- Rabohypotheekbank N.V., Amsterdam
- Raiffeisenhypotheekbank 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

On 1 January 2016, the local Rabobanks and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. entered into a legal merger and the name of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed to Coöperatieve Rabobank U.A.

2.2.2 Investments in associates and joint ventures

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method of accounting. Its share of post-acquisition profits and losses are recognised in the income statement and its share of post-acquisition movements in reserves are recognised directly in other comprehensive income. The cumulative post-acquisition movements are included in the carrying amount of the investment.

Associates are entities over which Rabobank can exercise significant influence and in which it generally holds between 20% and 50% of the voting rights but does not have control. A joint venture is an agreement between one or more parties under which the parties jointly have control and are jointly entitled to the net assets under the agreement. Unrealised profits on transactions between Rabobank and its associates and joint ventures are eliminated in proportion to Rabobank's interest in the respective associates and joint ventures. Unrealised losses are also eliminated unless the transaction indicates that an impairment loss should be recognised on the asset(s) underlying the transaction.

Investments in associates include the goodwill acquired. Where the share of an associate's losses is equal to or exceeds its interest in the associate, losses are recognised only where Rabobank has given undertakings to, or made payments on behalf of, the associate.

2.3 Derivatives and hedging

General

Derivatives 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 or acquired). Derivatives are recognised at fair

value determined on the basis of listed market prices (with mid-prices being used for EUR, USD and GBP derivatives that have a bid-ask range), prices offered by traders, discounted cash flow models and option valuation models based on current market prices and contract prices for the underlying instruments and reflecting the time value of money, yield curves and the volatility of the underlying assets and liabilities. Derivatives are included under assets if their fair value is positive and under liabilities if their fair value is negative. If their risks and characteristics are not closely related to those of the underlying non-derivative host contract and the contract is not classified as at fair value, derivatives that are embedded in other financial instruments are bifurcated and measured separately with unrealised profits and losses being recognised in profit and loss in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'.

Instruments not used for hedging

Realised and unrealised gains and losses on derivatives for trading purposes are recognised at fair value in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'.

Hedging instruments

Derivatives are used for asset and liability management of interest rate risks, credit risks and foreign currency risks. Rabobank makes use of the IAS 39 EU carve-out options, which allow the application of fair value portfolio hedge accounting to certain positions.

At the time of inception, derivatives are designated as one of the following: (1) a hedge of the fair value of an asset, a group of assets or a liability in the statement of financial position (fair value hedge); (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 (3) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied for derivatives designated in this manner provided that certain criteria are met, including the following:

- There must be formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy and the hedge relationship and this must be in place before hedge accounting may be applied;
- The hedge must be expected to be effective, within 80% to 125%, in covering changes in the hedged item's fair value or the cash flows allocable to the hedged risks during the entire reporting period; and
- The hedge must be continuously effective from the moment of its inception.

Changes in the fair value of derivatives that are designated as fair value hedges and are effective in terms of the hedged risks are recognised in the statement of income in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss', together with the corresponding changes in the fair values of the assets or liabilities hedged.

As and when the hedge no longer meets the criteria for hedge accounting (applying the fair value hedge model), the cumulative adjustment to the fair value of a hedged interest-bearing financial instrument is amortised through profit and loss over the relevant interest repricing period.

Hedges of net investments in foreign operations are measured at fair value, with changes in the fair value (to the extent that they are effective) being recognised in other comprehensive income. Changes in the hedged equity instrument resulting from exchange-rate fluctuations are also recognised in other comprehensive income. Gains and losses accumulated in other comprehensive income are reclassified to profit or losses when the equity instrument is disposed of.

Changes in the fair value of derivatives 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 in other comprehensive income (see Section 10). Ineffective elements of the changes in the fair value of derivatives are recognised in the statement of income.

If a forecast transaction or a recognised liability results in the recognition of a non-financial asset or liability, any deferred profits or losses included in other comprehensive income are transferred to the initial carrying amount (cost) of the asset or liability. In all other cases, deferred amounts included in other comprehensive income are taken to the statement of income as income or expense in the periods in which the hedged recognised liability or the forecast transaction was recognised in the statement of income.

Although there are economic hedges under Rabobank's managed risk positions, certain derivative contracts do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading purposes. Interest on derivatives held for economic hedging purposes are shown under interest income, both the receive and pay leg of the derivative. The fair value of derivatives held for trading and hedging purposes is disclosed in Section 10.

2.4 Financial assets and liabilities 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 trading margins or they are financial assets that form part of portfolios characterised by patterns of short-term profit participation. Financial assets held for trading are recognised at fair value based on listed bid prices and all realised and unrealised results therefrom are recognised under 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'. Interest earned on financial assets is recognised as interest income. Dividends received from financial assets held for trading are recognised as 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'.

Financial liabilities held for trading are mainly negative fair values of derivatives and delivery obligations that arise on the short selling of securities. Securities are sold short to realise gains from short-term price fluctuations. The securities needed to settle short sales are acquired through securities lending and repurchasing agreements. Securities sold short are recognised at fair value on the reporting date.

2.5 Other financial assets and liabilities designated at fair value

On initial recognition, certain financial assets (including direct and indirect investments in venture capital and excluding assets held for trading) and certain liabilities are included as 'Financial assets and liabilities at fair value through profit or loss' where any of the following criteria are met:

- This accounting 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; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly affect the cash flows or if it is evident that separate recognition is not required.

Interest earned and due on such assets and liabilities is recognised as interest income and expense, respectively. Other realised and unrealised gains and losses on the revaluation of these financial instruments to fair value are included under 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss' except for fair value changes due to own credit risk of financial liabilities designated at fair value. These fair value changes after tax are presented in other comprehensive income under line item 'Fair value changes due to own credit risk on financial liabilities designated at fair value'.

2.6 Day 1 gains

When using fair value accounting at the inception of a financial instrument, any positive difference between the transaction price and the fair value (referred to as 'day 1 gain') is accounted for immediately under 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss' where the valuation method is based on observable inputs from active markets. In all other cases, the entire day 1 gain is deferred and accounted for as 'Other liabilities'. After initial recognition the deferred day 1 gain is recognised as a gain to the extent it results from a change in a factor (including time effects).

2.7 Available-for-sale financial assets

Financial assets are classified on the date of acquisition, with the classification dependent on the purpose for which the investments are acquired. Financial assets are classified as available for sale if they are intended to be held for an indefinite period of time and could be sold for liquidity purposes or in response to changes in interest rates, exchange rates or share prices.

Available-for-sale financial assets are initially recognised at fair value, including transaction costs, based on quoted bid prices or at values derived from cash flow models. The fair values of unlisted equity instruments are estimated on the basis of appropriate price/earnings ratios, adjusted to reflect the specific circumstances of the respective issuer. Any unrealised gains and losses from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income unless they relate to amortised interest or exchange rate differences on monetary assets, in which case they are taken through profit and loss. As and when such financial assets are disposed of, the adjustments to fair value are transferred to the statement of Income.

Debt instruments are impaired if there are objective indications that the fair value has fallen to such a degree that it is reasonable to assume that the value will not recover to the carrying amount in the foreseeable future. On each reporting date, management determines whether there are objective indications of impairment of available-for-sale assets. Examples of objective evidence of impairment are:

- Significant financial difficulties on the part of the issuer
- Default in making interest or redemption payments
- Disappearance of active markets for the financial asset due to financial difficulties.

In the event of impairment, the cumulative loss is determined as the difference between cost and current fair value, reduced by any previously recognised impairment. This is transferred from the revaluation reserves in other comprehensive

income to the statement of income. If the impairment of a debt instrument subsequently reverses and the reversal can objectively be attributed to an event after the impairment, the impairment is reversed through the statement of income.

Equity instruments are impaired if cost (initial recognition) is unlikely to be recovered in the long term or if there is a significant or prolonged decline in the fair value below its cost. The recoverable amount and/or fair value of investments in unlisted equity instruments are determined using generally accepted valuation methods. The recoverable amount of listed financial assets is determined on the basis of market value. Impairment of equity instruments is never subsequently reversed through the statement of income.

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' or 'Available-for-sale financial assets', as applicable. The liability to the counterparty is included under 'Deposits from banks' or 'Deposits from customers', as applicable.

Financial assets acquired under reverse sale and reverse repurchase agreements are recognised as 'Loans and advances to banks' or 'Loans and advances to customers', as applicable. The difference between the sales and repurchasing prices is recognised as interest income/expense over the term of the agreement using the effective interest method.

2.9 Securitisations and (de)recognition of financial assets and liabilities

Recognition of financial assets and liabilities

Purchases and sales of financial assets and liabilities classified as fair value through profit or loss and available-for-sale financial assets which are required to be delivered within a regulatory-prescribed period or in accordance with market conventions are recognised on the transaction date. Financial instruments carried at amortised cost are recognised on the settlement date.

Securitisations and derecognition of financial assets and liabilities

Rabobank securitises, sells and carries various financial assets. Those assets are sometimes sold to a special purpose entity (SPE) which then issues securities to investors. Rabobank has the option of retaining an interest in these assets in the form of subordinated interest-only strips, subordinated securities, spread accounts, servicing rights, guarantees, put and call options or other constructions.

A financial asset (or a portion thereof) is derecognised where:

- The rights to the cash flows from the asset expire;
- The rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset are transferred;
- A commitment has been made to transfer the cash flows from the asset and a substantial portion of the risks and rewards have been transferred; or
- Not substantially all the risks and rewards are transferred but where control over the asset is not retained.

A financial liability or a part thereof is derecognised if it ceases to exist, i.e. after the contractual obligation has been fulfilled or cancelled or has expired. Continuing involvement is recognised if Rabobank neither retains nor transfers substantially all the risks and rewards and control has retained. The asset is recognised to the extent of Rabobank's continuing involvement in it.

Where a transaction does not meet these 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, Rabobank's contractual rights are not separately recognised as derivatives if recognition of these instruments and the transferred asset, or the liability arising from the transfer, were to result in the double recognition of the same rights and obligations.

Profits and losses on securitisations and sale transactions depend partly on the carrying amounts of the assets transferred. The carrying amounts of these assets are allocated to the interests sold and retained using the relative fair values of these interests on the date of sale. Any gains and losses are recognised through profit and loss at the time of transfer. The fair value of the interests sold and retained is determined on the basis of listed market prices or as the present value of the future expected cash flows based on pricing models that involve a number of assumptions regarding, for instance, credit losses, discount rates, yield curves, payment frequency and other factors.

2.10 Cash and balances at central banks

Cash equivalents are highly liquid short-term assets held to meet current cash obligations rather than for investment or other purposes. These assets have terms of less than 90 days from inception. Cash equivalents are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.11 Offsetting financial assets and liabilities

Where there is legal right to offset recognised amounts 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, financial assets and liabilities are offset and the net amount is recognised in the statement of financial position. This relates mainly to current accounts and derivatives. The offsetting of taxes is addressed in Paragraph 2.24.

2.12 Foreign currency

Foreign entities

Transactions and balances included in the financial statements of individual entities within Rabobank Group are reported in the currency that best reflects the economic reality of the individual entity's underlying operating environment (the functional currency).

The consolidated financial statements are presented in euros, which is the parent company's functional currency. The statements of income and cash flows of foreign operations are translated into Rabobank's presentation currency at the exchange rates prevailing on the transaction dates, which approximate the average exchange rates for the reporting period, and the statements of financial position are translated at the rates prevailing at the end of the reporting period. Exchange differences arising on net investments in foreign operations and on loans and other currency instruments designated as hedges of these investments are recognised in other comprehensive income. On sale of a foreign operation, these translation differences are transferred to the statement of income as part of the profit or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recognised as the assets and liabilities of the foreign entity, and are translated at the rate prevailing at the end of the reporting period.

Foreign-currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Differences arising on the settlement of transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and differences that qualify as net investment hedges are recognised in other comprehensive income. 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 non-monetary available-for-sale items are included in the revaluation reserves for available-for-sale financial assets.

2.13 Interest

Interest income and expense arising on interest-bearing instruments is recognised in the statement of income on an accruals basis using the effective interest method. 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. Impaired loans are written down to their recoverable amounts, and interest income thereon is recognised, based on the discount rate used in the original calculation of the present value of future cash flows (excluding future credit losses) for determining the recoverable amounts. Interest on derivatives held for economic hedging purposes are shown under interest income, both the receive and pay leg of the derivative. This amount is presented as negative interest income because the net interest-risk position of the banking book is a long receiver-position.

2.14 Fees and commissions

Rabobank earns fee and commission income from a diverse range of services it provides to its customers. Commissions earned for the provision of services are generally recognised on an accrual basis. Commission received for negotiating a transaction or for involvement in 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 upon completion of the underlying transaction.

2.15 Loans and advances to customers and loans and advances to banks

Loans and advances to customers and banks are non-derivatives with fixed or definable payments and are not listed on an active market, except for assets that Rabobank classifies as held for trading or that were initially recognised at fair value and for which value adjustments are recognised in the statement of income or as available-for-sale financial assets. Loans and advances to customers and banks are initially recognised at fair value (including transaction costs) and thereafter at amortised cost (including transaction costs).

Loans are subject to either individual or collective impairment analyses. A loan impairment allowance is recognised if there is objective evidence that not all amounts due under the original terms of the contract will be recoverable. The amount of the allowance is the difference between the carrying amount and the recoverable amount (the present value of expected

future cash flows), including any expected interest income and repayments and amounts recoverable under guarantees and securities discounted to present value at the original effective interest rate. For individual impaired loans a specific allowance is determined and for retail exposures a collective assessment is made if it is not economically justified to recognise the loss on an individual basis. In these cases the collective assessment is made based on homogenous groups of loans with a similar risk profile with the purpose of identifying the need to recognise an allowance for loan losses.

Examples of objective evidence for value adjustments are the following:

- 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
- Potential bankruptcy of, or financial reorganisation, within the borrower
- Changes in the borrower's payment history
- Changes in economic circumstances that could cause the borrower to default.

Losses are estimated on the basis of the borrowers' credit ratings and the value of the collateral provided and reflecting the economic environment in which the borrowers operate. The carrying amount of loans is reduced by allowances based on the most-likely-case scenarios, and losses are recognised in the statement of income. The assets and impairment allowances are eliminated as and when the foreclosure process has been completed, the security provided has been realised, virtually no other means of recovery are available and in the event of any formal cancellation of debt. Any amounts subsequently collected are included in 'Loan impairment charges' in the statement of income. Expected future cash flows on renegotiated loans are regularly monitored for ongoing validity.

Non-performing loans are loans that meet at least one of the following criteria:

- Loans that are past due by more than 90 days;
- It is likely that the borrower will default on all or part of the debt (including principal, interest and fees) if the bank were not to enforce its security interests, irrespective of the amount or period of the delay of payments.

As and when prospects for continuity recover and delays on payment have been cleared as previously agreed, the loan is no longer considered impaired and the impairment is reversed.

A general provision is made for impairment in the remaining element of the portfolio which has not been specifically

identified as impaired within the bank's risk systems (IBNR; incurred but not reported). Basel II parameters, adjusted to the IFRS guidelines and to current developments, are used to determine the provision, together with what is known as the Loss Identification Period (LIP), the period between the occurrence of a loss event and the recording of the event in the bank's risk systems. The LIP is expressed in months and varies between portfolios.

Exposures classified as corporate exposures under Capital Requirements Directive CRD IV are measured in accordance with the 'one debtor' principle. This principle requires that the approved limit for a debtor applies to the sum of all exposures (including derivatives, guarantees and the like) of the debtor group into which the debtor has been classified. Debtor groups include all debtors that are part of the economic entity with which the borrower is affiliated, including any majority shareholders of the economic entity. The 'one debtor' principle applies across all entities and group divisions.

2.16 Goodwill and other intangible assets

Goodwill

Goodwill is the amount by which the acquisition price paid for a subsidiary exceeds the fair value on the date on which the share of net assets and contingent liabilities of the entity was acquired. With each acquisition, the other non-controlling interests are recognised at fair value or at its share of the identifiable assets and liabilities of the acquired entity. Tests are performed annually, or more frequently if indications so dictate, to determine whether there has been impairment.

Other intangible assets, including software development costs

Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and that will likely provide economic benefits exceeding the costs for longer than one year are recognised as other intangible assets. Direct costs include the personnel costs of the software development team, financing costs and an appropriate portion of the relevant overhead.

Expenditures that improve the performance of software as compared with their original specifications are added to the original cost of the software. Software development costs are recognised as other intangible assets and amortised on a linear basis over a period not exceeding five years. Costs related to the maintenance of software are recognised as an expense at the time they are incurred.

Other intangible assets also include those identified through business combinations, and they are amortised over their expected useful lives.

Impairment losses on goodwill

Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level of assets that generate largely independent cash inflows. During the fourth quarter of each financial year, or more frequently if there are indications of impairment, goodwill is tested for impairment and any excess of carrying amount over recoverable amount is provided. The recoverable amount is the higher of the value in use and the fair value less selling costs. The value in use of a cash flow generating unit is determined as the present value of the expected future pre-tax cash flows of the cash flow generating unit in question. The key assumptions used in the cash flow model depend on the input data and they reflect various judgemental financial and economic variables, such as risk-free interest rates and premiums reflecting the risk inherent in the entity concerned. Impairments of goodwill are included under 'Impairment losses on goodwill' in the statement of income.

Impairment losses on other intangible assets

At each reporting date, an assessment is made as to whether there are indications of impairment of other intangible assets. If there are such indications, impairment testing is carried out to determine whether the carrying amount of the other intangible assets is fully recoverable. The recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Impairment losses and impairment reversals are included in 'Other administrative expenses' in the statement of income.

2.17 Property and equipment

Property and equipment for own use

Property for own use consists mainly of office buildings and is recognised at cost less accumulated depreciation and impairment, as is equipment for own use. Assets are depreciated to their residual values over the following estimated useful lives:

Property	
- Land	Not depreciated
- Buildings	25 - 40 years
Equipment	
- Computer equipment	1 - 5 years
- Other equipment and vehicles	3 - 8 years

An annual assessment is made as to 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 to

the recoverable amount. Impairment losses and impairment reversals are included under 'Other administrative expenses' in the statement of income. Gains and losses on the disposal of property and equipment are determined on the basis of their carrying amounts and are recognised in operating results.

Repair and maintenance work is charged to the statement of income at the time the costs are incurred. Expenditures to extend the economic life or increase the economic value of land and buildings as compared with their original economic value are capitalised and subsequently depreciated.

2.18 Investment properties

Investment properties, primarily 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 to their residual values over an estimated useful life of 40 years.

2.19 Other assets

Structured inventory products

Rabobank offers several products that relate to financing commodities. Some of these products are recognised as loans with commodities as collateral, others as loans with embedded derivatives and others as commodities. The classification is mainly dependent on the transfer of risk and rewards of the commodity from the client to Rabobank.

Building sites and equalisation funds

Building sites are carried at cost, including allocated interest and additional expenses for purchasing the sites and making them ready for construction or, if lower, the net realisable value. Interest is not recognised in the statement of financial position for land which has not been zoned for a particular purpose if there is no certainty that the land will be built on. Possible downsides that depend on a future change of designated use of the relevant land are not included in the cost of land, but are included in the determination of the net realisable value. The net realisable value of all building sites is reviewed at least once a year or if there are any indications an earlier review. The net realisable value for building sites is the direct realisable value or, if higher, the indirect realisable value. The direct realisable value is the estimated value upon sale less the estimated costs for achieving the sale. The indirect realisable value is the estimated sale price within the context of normal operations less the estimated costs of completion and the estimated costs necessarily incurred to realise the sale, in which respect the expected cash flows are discounted at the weighted average cost of capital. The calculation of the indirect realisable

value is based on an analysis of scenarios that includes as many site-specific aspects and company-specific parameters and conditions as possible. A downward revaluation is recognised if the carrying value exceeds the realisable value.

The equalisation funds relate to building rights purchased from third parties recognised in the statement of financial position, as well as building rights which arose on the sale of building sites to municipal authorities or other parties, and these are stated as the balance of the cost of the sites and the sales proceeds. The equalisation funds, which are stated net of any necessary depreciations, should be recovered from future building projects.

Work in progress

Work in progress concerns sold and unsold commercial property projects, as well as sold and unsold residential projects under construction or in preparation. Work in progress is carried at the costs incurred plus allocated interest or, if lower, the net realisable value. If the project qualifies as an agreement for the construction of real estate commissioned by a third party, the result is also recognised in work in progress according to the stage of completion. Expected losses on projects are immediately deducted from the work in progress. If the buyer has no or only limited influence, but the risk is gradually transferred to the buyer during construction, the result is also recognised in work in progress according to the stage of completion. If there is no such gradual transfer of risk, the result is recognised on the date of completion. Progress instalments invoiced to buyers and principals are deducted from work in progress. If the balance of a project is negative (progress instalments invoiced exceed the costs recognised in the statement of financial position), the balance of that project, including any provision for the project, is transferred to 'Other liabilities'.

The carrying amount of unsold work in progress is annually reviewed for indications of any decline in value. If there is such an indication, the indirect realisable value of the work in progress is estimated; in most cases this is done by means of an internal or external appraisal. The indirect realisable value is the estimated sale price within the context of normal operations less the estimated costs of completion and the estimated costs necessarily incurred to realise the sale. A downward value adjustment is recognised if the carrying value exceeds the expected indirect realisable value, to the extent that this difference must be borne by Rabobank.

Finished properties

Unsold commercial and residential properties developed in-house are carried at cost or, if lower, the net realisable value. The net realisable value of finished properties is reviewed at least once a year or if there are any indications for an earlier

review. For finished properties, the net realisable value is generally equal to the direct realisable value, which is mostly determined by means of an internal or external appraisal. A downward value adjustment is recognised if the carrying value exceeds the expected direct realisable value, to the extent that the difference must be borne by Rabobank.

2.20 Leasing

Rabobank as lessee

Leases relating to property and equipment under which virtually all risks and rewards of ownership vest with Rabobank are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. 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 the deduction of finance charges. The interest components of the finance charges are charged to the statement of income over the term of the lease. A tangible fixed asset acquired under a lease agreement is depreciated over the shorter of the useful life of the asset and the term of the lease.

Leases under which a considerable portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (less any discounts granted by the lessor) are charged to the statement of income on a linear basis over the term of the lease.

Rabobank as lessor

Finance leases

A finance lease is recognised as a receivable under 'Loans and advances to banks' or 'Loans and advances to customers', as applicable, at an amount equal to the net investment in the lease. The net investment in the lease is the present value of the nominal minimum lease payments and the unguaranteed residual value. The difference between the gross investment and the net investment in the lease 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 write-downs and discounts granted to lessees) is recognised under 'Other net operating income' on a linear basis over the term of the lease.

2.21 Provisions

Provisions are recognised for obligations (both legal and constructive) arising as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation and 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 policy, 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. The additions to and releases of provisions are recognised in the statement of income under 'Other administrative expenses'.

Restructuring

Restructuring provisions comprise payments under redundancy schemes and other costs directly attributable to restructuring programmes. These costs are recognised during the period in which the legal or actual payment obligation arises, a detailed plan has been prepared for redundancy pay and there are realistic expectations among the parties concerned that the reorganisation will be implemented.

Tax and legal issues

The provision for tax and legal issues is based on the best estimates available at the end of the reporting period, 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 provisions

Other provisions include provisions for onerous contracts, credit guarantees and obligations under the terms of the deposit guarantee scheme.

2.22 Employee benefits

Rabobank has various pension plans 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 to trustee administered funds determined by periodic actuarial calculations. A defined benefit pension plan is one that incorporates an obligation to pay an agreed amount of pension benefit, which is usually based on several factors such as age, number of years' service and remuneration. A defined contribution plan is one in which fixed contributions are paid to a separate entity (a pension fund) with no further legal or constructive obligation on the part of the employer should the fund have insufficient assets to settle its obligations to employee-members of the plan.

Pension obligations

The obligation under defined benefit pension plans is the present value of the defined benefit pension obligation at the end of the reporting period reduced by the fair value of the 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 as the estimated future outflow of cash funds based on the interest rates of high-quality corporate bonds with terms that approximate those of the corresponding obligation. The majority of pension plans are career-average plans. The costs of these plans (being the net pension charge for the period after deducting employee contributions and interest) are included under 'Staff costs'. Net interest expense/income is determined by applying the discount rate at the beginning of the reporting period to the asset or liability of the defined benefit pension plan.

Actuarial gains and losses arising from events and/or changes in actuarial assumptions are recognised in the statement of comprehensive income.

Defined contribution plans

Under defined contribution plans, contributions are paid into publicly or privately managed pension insurance plans on a compulsory, contractual or voluntary basis. These regular contributions are recognised as expense in the year in which they are due and they are included under 'Staff costs'.

Other post-employment obligations

Some of Rabobank's 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 for 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 pension plans. The obligations are calculated annually by independent actuaries.

Variable remuneration

Variable remuneration payable unconditionally and in cash is recognised in the year in which the employee renders the service. Conditional cash remuneration is included, on a straight line basis, in staff costs in the statement of income over the period of the year in which the employee's services are received and the remaining three years of the vesting period (i.e. over four years). The liability is recognised in 'Other liabilities'. The accounting treatment of payments based on equity instruments is disclosed in Paragraph 2.23.

2.23 Equity instrument-based payments

For certain identified staff, remuneration for services rendered is settled in the form of cash 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 fair value of the equity instruments on the award date and are restated annually to fair value at the time. The costs related to the award of equity instruments during the period of the employee's contract are included in staff costs in the statement of income over the period of the year of award and the remaining three years of the vesting period of the equity instruments (i.e. over four years). The liability is recognised in other liabilities.

2.24 Tax

Current tax receivables and payables are offset where there is a legally enforceable right to offset and where simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset and where they relate to the same tax authority and arise within the same taxable entity.

Provisions are made, using the liability method, for deferred tax liabilities arising on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. These temporary differences arise primarily on depreciation of tangible fixed assets, revaluation of certain financial assets and liabilities (including derivatives), provisions for pensions and other post-employment benefits, provisions for loan losses and other impairment, tax losses and fair value adjustments to net assets acquired in business combinations. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted as 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 losses can be utilised.

Provisions are made 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 is within Rabobank's control 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 jurisdictions in which Rabobank operates and are recognised as an expense in the period in which the profit is realised. The tax effects of loss carry forwards

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 and liabilities are recognised on the revaluation of available-for-sale financial assets and cash flow hedges that are taken directly to other comprehensive income. When realised, they are recognised in the income statement at the same time as the respective deferred gain or loss is recognised.

2.25 Deposits from banks, deposits from customers and debt securities in issue

These borrowings are initially recognised at fair value, being the issue price less directly allocable and non-recurring transaction costs, and thereafter at amortised cost including transaction costs.

Own debt instruments that are repurchased are derecognised, with the difference between the carrying amount and the consideration paid being recognised in the income statement.

2.26 Rabobank Certificates

The proceeds of the issue of Rabobank Certificates are available to Rabobank in perpetuity and are subordinate to all liabilities and to the Trust Preferred Securities and the Capital Securities. As the payment of distributions is wholly discretionary, the proceeds received and dividends paid on them are recognised in equity.

2.27 Trust Preferred Securities and Capital Securities

As there is no formal obligation to (re)pay the principal or to pay a dividend, the Trust Preferred Securities and Capital Securities are recognised as 'Equity' and dividends paid on these instruments are recognised directly in equity.

2.28 Financial guarantees

Financial guarantee contracts require the issuer to compensate the holder for losses incurred when the debtor fails to meet its obligations under the terms of the related debt instrument. The guarantees are initially recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation.

2.29 Segmented information

A segment is a discrete operating component that is subject to risks and returns that differ from those of other segments or operating components and that is viewed and managed as a separate and discrete component for Rabobank's strategic and operating management purposes. Rabobank uses the business segmentation as its primary management and reporting framework, with the geographic segmentation as its secondary framework.

2.30 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the monetary amount (or equivalent) agreed for the acquisition of the business combination plus any direct costs of acquisition. Goodwill represents the difference between the cost of the acquisition and acquirer's share of the fair value of the identifiable assets, liabilities and conditional assets and liabilities acquired. Goodwill is capitalised and recognised as an intangible asset. The non-controlling interest is also determined as the fair value or its share of the identifiable net assets of the company acquired. Direct acquisition costs are charged directly to the statement of income on acquisition.

2.31 Disposal groups classified as held for sale and discontinued operations

Assets that have been classified as held for sale are written down to their fair value, reduced by the estimated costs of sale, where this is lower than the carrying amount. An asset (or group of assets) is classified as held for sale when it is very likely that its economic value will be realised primarily through sale rather than through continued use, the asset (or group of assets) is fully available for sale in its current condition, management has committed itself to a plan to sell the asset, and the sale is expected to be completed within one year of its 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 and recognised outside comprehensive income arising from continuing operations.

2.32 Cash flow statement

Cash and balances at central banks include cash resources, money market deposits and deposits at central banks. The cash flow statement is prepared using the indirect method and provides details of the source of the cash and balances at central banks that became available during the year as well as their application during the year. The net pre-tax cash flow from operating activities is adjusted for non-cash items in the statement of income and for non-cash changes in items in the statement of financial position.

The statement presents separately the cash flows from operating, investing and financing activities. Cash flows from operating activities include net changes in loans and receivables, interbank deposits, deposits from customers and debt securities in issue. Investment activities include acquisitions, disposals and repayment of financial investments and acquisitions and disposals of subsidiaries and property and equipment. Financing activities include issues and repayments

of Rabobank Certificates, Trust Preferred Securities, Capital Securities, Senior Contingent Notes and subordinated liabilities.

The difference between the net change presented in the statement of cash flows and the change in cash and balances at central banks included in the statement of financial position is due to exchange differences.

3 Solvency and capital management

Rabobank aims to maintain a proper level of solvency. For this purpose a number of solvency ratios are utilised. The principal ratios are the common equity tier 1 ratio (CET1), the tier 1 ratio, the total capital ratio and the equity capital ratio. Rabobank uses its own internal objectives that extend beyond the minimum requirements of the supervisors. It takes market expectations and developments in legislation and regulations into account. Rabobank manages its solvency position based on policy documents. The solvency position and the objectives are periodically reviewed by the Risk Management Committee and the Asset Liability Committee of the Executive Board and the Supervisory Board.

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, are applied by Rabobank.

Rabobank must comply with a number of minimum solvency positions as stipulated under law. The solvency position is determined on the basis of ratios. These ratios compare the qualifying capital (total capital ratio), the tier 1 capital (tier 1 ratio) and the core capital (common equity tier 1 ratio) with the total of the risk-adjusted assets. Effective 1 January 2014, the minimum required percentages are determined on the basis of CRD IV/CRR. The legal buffers below are applicable as from 2016. These buffers will gradually increase until the year 2019. Rabobank is already allowing for these changes in its capital planning. The table below shows the minimum legal buffers based on the planned final situation under CRD IV/CRR.

Minimum capital buffer				
		<i>CET 1</i>	<i>Tier 1</i>	<i>Total capital</i>
Pillar 1		4.5%	6.0%	8.0%
Pillar 2		1.75%	1.75%	1.75%
Capital conservation buffer ¹	2016-2019	2.5%	2.5%	2.5%
Systemic risk buffer ¹	2016-2019	3.0%	3.0%	3.0%
Countercyclical buffer ¹	2016-2019			0% - 2.5%

Risk-weighted assets are determined based on separate and distinct methods for each of the credit, operational and market risks. For credit risk purposes, the risk-weighted assets are determined in several ways dependent on the nature of the asset. For the majority of assets the risk weighting is determined by 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 firstly on the basis of internal conversion factors and the resulting equivalent amounts are then also assigned risk-weightings. For operational risk purposes, an Advanced Measurement Approach model is used to determine the amount of risk-weighted assets. In the market risk approach, the general market risk is hedged, as are the risks of open positions in foreign currencies, debt and equity instruments and commodities. The transitional CRR provisions have been reflected in the ratios set out below.

Rabobank Group's ratios		
<i>in millions of euros</i>	2016	2015
Retained earnings	25,709	25,482 ²
Expected dividends	(60)	(126)
Rabobank Certificates	5,948	5,949
Part of non-controlling interests treated as qualifying capital	25	23
Reserves	112	224
Deductions	(3,302)	(5,539)
Transition guidance	1,186	2,741
Common Equity Tier 1 capital	29,618	28,754
Capital Securities	2,728	1,488
Grandfathered instruments	5,462	6,373
Non-controlling interests	5	5
Deductions	(91)	(76)
Transition guidance	(643)	(1,492)
Tier 1 capital	37,079	35,052
Part of subordinated liabilities treated as qualifying capital	16,094	15,078
Non-controlling interests	7	6
Deductions	(99)	(85)
Transition guidance	(208)	(596)
Qualifying capital	52,873	49,455
Risk-weighted assets	211,226	213,092
Common Equity Tier 1 ratio	14.0%	13.5%
Tier 1 ratio	17.6%	16.4%
Total capital ratio	25.0%	23.2%
Equity capital ratio ³	15.0%	14.7%

1 These buffers will phase in during the years 2016-2019.

The countercyclical buffer is capped at a maximum of 2.5%. In most countries, including the Netherlands, the countercyclical buffer for 2016 has been set at 0%.

2 Differs from the amount of retained earnings as reported in note 30 due to the prior year adjustment of 83 in the 2015 IFRS equity opening balance (see note 2.1)

3 The equity/capital ratio is calculated by comparing the items retained earnings and Rabobank Certificates to the risk-weighted assets.

The deductions consist mostly of goodwill, other intangible fixed assets, deferred tax liabilities which depend on future profit, 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 in the 'Transition guidance', as these adjustments are being phased in over the period 2014-2018. The 'Transition guidance' consists mainly of goodwill, other intangible non-current assets, deferred tax liabilities depending on future profits (i.e. non-temporary differences) and the IRB shortfall for credit-risk adjustments.

The additional tier 1 instruments issued by Rabobank prior to 2015 do not comply with the new CRR requirements. They are being 'grandfathered'. This means that these instruments will be phased out of solvency ratios, in line with the regulatory requirements.

4 Risk exposure on financial instruments

4.1 Risk organisation

Rabobank Group manages risks at various levels within the organisation. At the highest level, the Executive Board (under the supervision of the Supervisory Board) determines the risk strategy it will pursue, the risk appetite, the policy framework as well as the limits. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of Rabobank Group. The Chief Risk Officer, as Member of the Executive Board, is responsible for the risk management policy within Rabobank Group.

Risk appetite

Identifying and managing risks for its organisation is an ongoing process at Rabobank. For this purpose an integrated risk management strategy is applied. 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 profitability, maintain solid balance-sheet ratios and protect its 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 derivatives. As part of the services it offers, Rabobank takes deposits from customers at varying terms and at both fixed and variable interest rates. Rabobank attempts to earn interest income by investing these funds in high-value assets as well as by making loans to commercial and retail borrowers. Rabobank also aims to increase these margins through a portfolio approach of short-

term funds at lower interest rates and the allocation to loans for longer periods at higher interest rates, maintaining sufficient cash resources in hand to meet obligations as they fall due. Rabobank improves its interest income by achieving rental margins after deduction of provisions and by issuing loans with a variety of credit ratings and inherent risk profiles. Not only is Rabobank exposed to credit risk on the on-balance sheet loans, it is also exposed to credit risk on the off-balance sheet guarantees it provides, such as letters of credit, letters of performance and other guarantee documents.

4.3 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 tradeable 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 also a key factor when granting loans. A multi-level committee structure is put in place to make decisions on major loan applications. The competent committee is chosen on the basis of the size of the loan. Decisions on the largest loans are made by the highest level committee, the Central Credit Committee Rabobank Group (CCCRG).

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 of the resulting items are tested against the limits every day.

Once a loan has been granted, it is continually subject to credit management as part of which new information, financial and other, is reviewed. The credit limits are adjusted where necessary. Rabobank obtains collateral or guarantees for the majority of loans.

4.3.1 Lending

Rabobank has a significant market share in lending to private individuals; these loans account for 47% of private sector lending. These loans have a low risk profile as evidenced by the losses actually incurred, of 3 basis points (excluding one-offs) in 2016. In 2016, the proportion of the private sector lending allocable to the food and agricultural sectors was 24%. At year-end 2016, the proportion of private sector lending allocable to trade, industry and services was 29%. The loans to trade, industry and services and loans to the food and agricultural sectors are 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>	2016		2015	
Total loans and advances to customers	452,807		465,993	
Of which:				
government clients	3,329		3,372	
reverse repurchase transactions and securities borrowing	16,321		19,737	
interest rate hedges (hedge accounting)	8,606		8,957	
Loans to private sector clients	424,551		433,927	
<i>This can be broken down geographically as follows:</i>				
The Netherlands	304,723	72%	321,798	74%
Rest of Europe	28,895	7%	27,185	6%
North America	45,985	11%	42,241	10%
Latin America	13,680	3%	12,741	3%
Asia	9,624	2%	9,502	2%
Australia	21,315	5%	20,116	5%
Africa	329	0%	344	0%
Total	424,551	100%	433,927	100%
<i>Breakdown of loans by business sector</i>				
Private individuals	201,234	47%	207,834	48%
Trade, industry and services (TIS)	121,336	29%	127,690	29%
Food & agri	101,981	24%	98,403	23%
Total	424,551	100%	433,927	100%

<i>Trade, industry and services loan portfolio analysed by industry</i>		
<i>in millions of euros</i>	2016	2015
Lessors of real estate	20,670	24,082
Finance and insurance (except banks)	12,291	16,672
Wholesale	12,747	11,691
Activities related to real estate	5,340	5,221
Manufacturing	9,180	8,116
Transport and warehousing	6,729	7,421
Construction	5,014	5,792
Healthcare and social assistance	6,069	6,062
Professional, scientific and technical services	10,065	9,941
Retail (non-food)	4,520	4,657
Utilities	2,896	3,017
Information and communication	981	900
Arts, entertainment and leisure	1,164	1,441
Other TIS	23,670	22,677
Total loans granted to TIS	121,336	127,690

<i>Food & agri loan portfolio analysed by sector</i>		
<i>in millions of euros</i>	2016	2015
Grain and oil seeds	19,540	18,735
Animal protein	15,728	16,261
Dairy	22,713	22,174
Fruit and vegetables	10,628	10,932
Farm inputs	10,061	8,085
Food retail	4,527	3,926
Beverages	3,852	2,685
Flowers	1,682	1,732
Sugar	2,811	2,671
Miscellaneous crop farming	1,194	2,071
Other food & agri	9,245	9,131
Total loans granted to food & agri	101,981	98,403

4.3.2 Derivatives

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 offsetting, the net open position is monitored and reported. This credit risk is managed as part of the general lending limits for clients. Where needed, Rabobank obtains collateral or other safeguards to mitigate 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 under law.

4.3.3 Collateral and credit management

Rabobank's credit risk exposure is partly mitigated 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 has guidelines in place 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 derivatives to manage credit risks and it further mitigates 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 offsetting of assets and liabilities included in the statement of financial position because transactions are usually settled gross. The credit risk is limited by master netting arrangements, but only 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 from derivatives to which offsetting arrangements apply is highly sensitive to the closure of new transactions, the expiry 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 offsets which have not been applied in the consolidated balance sheet (Other offsetting). The other offsets consist of securities Rabobank has received from reverse repurchase transactions and securities Rabobank has provided in relation to loans for repurchase transactions.

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>
On 31 December 2016						
Loans and advances to banks	26,129	(685)	25,444	-	(13,817)	11,627
Derivatives	115,541	(73,169)	42,372	(29,950)	-	12,422
Loans and advances to customers	466,990	(14,183)	452,807	-	(16,114)	436,693
Other assets	8,253	(375)	7,878	-	-	7,878
Total	616,913	(88,412)	528,501	(29,950)	(29,931)	468,620
Deposits from banks	24,541	(2,535)	22,006	-	(401)	21,605
Deposits from customers	356,847	(9,135)	347,712	-	(215)	347,497
Derivatives and financial liabilities held for trading	124,391	(76,367)	48,024	(29,950)	-	18,074
Other liabilities	8,807	(375)	8,432	-	-	8,432
Total	514,586	(88,412)	426,174	(29,950)	(616)	395,608
On 31 December 2015						
Loans and advances to banks	33,107	(673)	32,434	-	(18,888)	13,546
Derivatives	108,741	(60,628)	48,113	(36,047)	-	12,066
Loans and advances to customers	476,981	(10,988)	465,993	-	(18,965)	447,028
Other assets	8,234	(380)	7,854	-	-	7,854
Total	627,063	(72,669)	554,394	(36,047)	(37,853)	480,494
Deposits from banks	21,336	(2,298)	19,038	-	(589)	18,449
Deposits from customers	350,314	(4,430)	345,884	-	(486)	345,398
Derivatives	120,117	(65,561)	54,556	(36,047)	-	18,509
Other liabilities	8,703	(380)	8,323	-	-	8,323
Total	500,470	(72,669)	427,801	(36,047)	(1,075)	390,679

The table on the next page sets out the maximum credit risk to which Rabobank is exposed on the reporting date in respect of the various categories of risk, 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 stated deviate from the carrying amounts because the outstanding equity instruments are not included in the maximum credit risk.

in millions of euros	Maximum gross credit risk		Credit risk reduction	
	2016	2015	2016	2015
Cash and balances at central banks	84,405	64,943	0%	0%
Loans and advances to banks	25,444	32,434	48%	51%
Derivatives	42,372	48,113	88%	88%
Loans and advances to customers	452,807	465,993	75%	75%
Available-for-sale financial assets	33,745	36,838	0%	0%
Subtotal	638,773	648,321	61%	63%
Credit related off balance sheet commitments	62,760	62,056	18%	18%
Total	701,533	710,377	57%	59%

4.3.4 Off-balance-sheet financial instruments

The guarantees and standby letters of credit that Rabobank provides to third parties in the event of a client being unable to fulfil its obligations to these third parties, are also 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 fixed amount and subject to specific conditions. As these transactions are secured by the delivery of the underlying goods to which they relate, the risk exposure of such an instrument is less than that of a direct loan.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions and are included in credit related contingent liabilities. Rabobank is exposed to credit risk when it promises to grant loans. The amount of any losses is likely to be less than the total of the unused commitments because the commitments are made subject to the clients meeting certain loan conditions. Rabobank monitors

the term to the expiry of loan commitments because long-term commitments generally involve higher risk than short-term commitments.

4.3.5 Credit quality of financial assets

In its financing approval process, Rabobank Group uses the Rabobank Risk Rating, which reflects the risk of failure or the probability of default (PD) of the loan relation over a period of one year. The table below shows the loan quality of the loan-related balance sheet items after deduction of the impairment allowance. The loan-quality categories are determined on the basis of the internal Rabobank Risk Rating. The Rabobank Risk Rating consists of 21 performance ratings (R0-R20) and four default ratings (D1-D4). The performance ratings assess the probability of default within a period of one year and the rating is determined, in principle, on a cyclically neutral basis. D1-D4 ratings refer to default classifications. D1 represents 90 days' past due (depending on local conditions this may be extended to more than 90 days); D2 indicates high probability that the debtor is unable to pay; D3 indicates that the debtor's assets will most likely need to be liquidated due to default; and D4 indicates bankruptcy status. The default ratings make up the total impaired exposure. The 'vulnerable' category consists of performance ratings which are not (yet) classified as impaired. The other financial assets with a counterparty risk (e.g. cash and balances at central banks, available for sale assets) are of good quality as the exposure is with central banks or consist of quoted government bonds.

Credit quality of financial assets					
in millions of euros	(Virtually) no risk	Adequate to good	Vulnerable	Impaired	Total
On 31 December 2016					
Loans and advances to banks	18,257	7,113	73	1	25,444
Loans and advances to customers					
Loans to government clients	2,370	801	59	4	3,234
Loans to private clients:					
- overdrafts	1,229	18,150	514	762	20,655
- mortgages	40,257	162,491	2,319	1,056	206,123
- leases	606	17,819	1,223	204	19,852
- reverse repurchase transactions and securities borrowing agreements	7,605	8,463	-	-	16,068
- corporate loans	8,176	157,852	4,709	7,936	178,673
- other	299	7,427	58	-	7,784
Total	78,799	380,116	8,955	9,963	477,833
On 31 December 2015					
Loans and advances to banks	25,249	7,133	50	2	32,434
Loans and advances to customers					
Loans to government clients	2,428	815	49	8	3,300
Loans to private clients:					
- overdrafts	5,407	22,430	596	1,020	29,453
- mortgages	39,880	167,049	3,579	1,658	212,166
- leases	652	23,118	1,579	376	25,725
- reverse repurchase transactions and securities borrowing agreements	4,367	14,560	-	-	18,927
- corporate loans	7,636	149,844	2,742	7,491	167,713
- other	3,655	4,204	45	23	7,927
Total	89,274	389,153	8,640	10,578	497,645

The table below gives an age analysis of expired (pastdue) but non-impaired financial assets.

Age analysis					
<i>in millions of euros</i>	< 30 days	30 to 60 days	61 to 90 days	> 90 days	Total
On 31 December 2016					
Loans and advances to banks	54	19	-	-	73
Loans and advances to customers					
Loans to government clients	42	9	4	4	59
Loans to private clients:					
- overdrafts	477	20	11	6	514
- mortgages	1,644	327	158	190	2,319
- leases	811	220	48	144	1,223
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	4,093	169	121	326	4,709
- other	36	10	2	10	58
Total	7,157	774	344	680	8,955
On 31 December 2015					
Loans and advances to banks	44	6	-	-	50
Loans and advances to customers					
Loans to government clients	41	5	1	2	49
Loans to private clients:					
- overdrafts	516	38	15	27	596
- mortgages	2,766	407	187	219	3,579
- leases	1,163	245	84	87	1,579
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	1,828	213	138	563	2,742
- other	37	8	-	-	45
Total	6,395	922	425	898	8,640

4.3.6 Forbearance

Rabobank has a policy for monitoring its forbearance portfolio every quarter. 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 serviceability. A modification 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 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 is 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 falls, by definition, under the supervision of the Special Asset Management department. Lastly, items in the forbearance category must be reported for up to two years after their recovery from 'non-performing' to 'performing'. This period of two years is referred to as 'Forborne under probation'. For the accounting policy regarding derecognition of financial assets please refer to section 2.9 'Securitisations and (de)recognition of financial assets and liabilities'.

4.4 Currency risk in the banking environment

Currency risk is the risk that the bank's financial result and/or economic value will be negatively affected by changes in exchange rates.

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 on the basis of Value at Risk (VaR) limits set by the Executive Board. In the banking environment, there is a currency risk in the banking books and a translation risk.

Currency risk in the banking books is the risk that manifests itself at the moment receivables and liabilities are not covered, due to which currency fluctuations may have a negative impact on the financial results of the bank. Rabobank's policy is to fully hedge the material currency risk on the banking books. Translation risk becomes evident when the bank's consolidated balance sheet and results are prepared, whereby all items in foreign currencies must be valued in euros. This makes the financial data sensitive to exchange rate fluctuations. Translation risk manifests itself in two different ways within Rabobank:

- Exchange rate fluctuations can potentially affect the value of consolidated entities of which the functional currencies are not euros.
- Exchange rate fluctuations may affect the solvency ratios of Rabobank as a result of differences in the exchange rate composition of the capital and the risk-weighted assets.

Translation risk and currency risks in the banking books are monitored and managed on the basis of a policy which serves the prime purpose of protecting the Common Equity Tier 1 ratio against the adverse effects of exchange rate volatility.

4.5 Interest rate risk in the banking environment

'Interest rate risk in the banking environment' refers to the risk that the financial results and/or the economic value of the banking book are adversely affected by changes in market interest rates.

Interest rate risk at Rabobank arises as a result of repricing and maturity mismatches between loans and funding, and optionality in client products. Customer behaviour is an important determining factor with respect to interest rate risk in the banking environment. The modelling of customer behaviour is therefore one of the core elements of the interest rate risk framework. There are behavioural models in place for mortgage prepayments, savings accounts and current accounts. Movements in interest rates may also affect the creditworthiness of customers. Higher interest rates might for example lead to higher borrowing costs and, hence, have a negative impact on the creditworthiness of a customer. Any such effects are however regarded as credit risk rather than interest rate risk.

Rabobank accepts a certain amount of interest rate risk in the banking environment; this is a fundamental part of banking. But at the same time the bank also aims to avoid unexpected material fluctuations in the financial result and the economic value as a result of interest rate fluctuations. The Executive Board, overseen by the Supervisory Board, therefore annually

approves the interest rate risk appetite and the corresponding interest rate risk limits.

At group level, Rabobank's interest rate risk is managed by the Asset and Liability Committee Rabobank Group chaired by the Chief Financial Officer. The Treasury is responsible for implementing the decisions of this committee, while Risk Management is responsible for measuring and reporting the interest rate risk position.

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 together with the present value of the off-balance-sheet items. Through the use of hedge accounting and because a large proportion of the balance sheet is carried at amortised cost (in IFRS terms) and (except from the inherent counterparty risk) is therefore not exposed to value changes, the effects of the value changes on IFRS capital will largely impact only interest income.

As part of its interest rate risk policy, Rabobank uses the following two key indicators for managing and controlling interest rate risk:

- Equity at risk, duration of equity; and
- Income at risk; the sensitivity of net interest income to gradual increases or decreases in interest rates during the coming 12 months.

Paragraphs 4.5.1 and 4.5.2 provide further details on 'Income at risk' and 'Equity at risk' developments.

4.5.1 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.

Throughout 2016, Rabobank's interest income was vulnerable to a decrease in interest rates. On 31 December 2016, the Income at Risk amounted to EUR 82 million. Compared to the end of 2015, the Income at Risk was at a higher level the whole of 2016. This is related to the change in the downward shock assumption.

Per January 2016 the Income at Risk methodology was updated to accommodate interest rate scenarios to go negative until a floor of -0.5%, while in 2015 these downward scenarios were floored at 0%. For the EUR and USD interest rates this meant that the applied maximum shocks enlarged from -2 to -10 basis points and -20 to -75 basis points respectively. In the last quarter of 2016 the increasing USD rates made room for a larger downward shock (i.e. -125 basis points) and consequently also led to an additional increase in the Income at Risk.

In 2016 the EUR swap curve showed a downward parallel shift with a flattening tendency: the 3M Euribor rate and the 10 year swap rate dropped from -13bp to -32bp and 92bp to 54bp respectively. In general, a low interest rate environment accompanied by a flattening of the curve, is challenging for the profitability of the bank, especially the retail business in case of unchanging margins.

Income at Risk		
<i>in millions of euros</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
EUR interest rate	10 bp decline	2 bp decline
	82	19

4.5.2 Equity at Risk

The equity at risk (EatR) 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. Additional limits apply for the basis point value (BPV) of equity and the delta profile (BPV per term point) for equity.

In the first half of 2016, the EatR decreased from 2.4% to 1.1% due to the fall in market interest rates and model adjustments regarding mortgage prepayments and on-demand savings deposits. During the course of 2016, the upward pressure on the EatR, caused by mortgage extensions and customers' shift in preference towards longer fixed interest periods, was largely hedged by entering into payer swaps leading to an EatR of 1.4% by year end.

Equity at Risk		
	<i>31 December 2016</i>	<i>31 December 2015</i>
	1.4%	2.4%

4.6 Market risk in the trading environment

Market Risk arises from the risk of losses on trading book positions affected by movements in interest rates, equities, credit spreads, currencies and commodities. These movements have an impact on the value of the trading portfolios and could lead to losses. Risk positions acquired from clients can either be redistributed to other clients or managed through risk transformation (hedging). The trading desks are also acting as a market-maker for secondary markets (by providing liquidity and pricing) in interest rate derivatives and debt, including Rabobank Bonds and Rabobank Certificates.

Market risk in the trading environment is monitored daily within the market risk framework, which is put in place to measure, monitor and manage market risk in the trading books. An important part of the framework is an appropriate system of limits and trading controls. The relevant risk appetite limits are translated into limits and trading controls at book level and are monitored on a daily basis by the market risk departments. Due to Rabobank's strategy of client risk redistribution, risk transformation (hedging) and the low secondary market activity, the real market risk exposure of the trading portfolio is well within the risk appetite boundaries. If limits are breached, remedial actions will be stipulated which decrease the chance of large actual losses. The risk position is reported to senior management and discussed in the various risk management committees each month.

At consolidated level, the market risk appetite is represented by the Value at Risk (VaR), Interest Rate Delta and Event risk. The VaR indicates the maximum loss for a given confidence level and horizon under 'normal' market conditions, based on one year of historical market movements. Daily risk management uses a confidence level of 97.5% and a horizon of 1 day. Under this method, VaR is calculated on the basis of historical market movements and the positions taken. The table below presents the composition of the VaR. The VaR is divided into a number of components. A diversity advantage is achieved in this case by the opposing positions of various books which partially cancel each other out. In 2016, the VaR fluctuated between EUR 3.5 million and EUR 6.9 million, the average being EUR 4.4 million. The VaR amounted to EUR 4.3 million on 31 December 2016. VaR has moved during the year with some fluctuations being driven by client related deals and volatility in the financial markets.

VaR (1 day, 97.5%)							
<i>in millions of euros</i>	<i>Interest</i>	<i>Credit</i>	<i>Currencies</i>	<i>Shares</i>	<i>Commodities</i>	<i>Diversification</i>	<i>Total</i>
2016 - 31 December	4.5	0.6	0.4	0.0	0.2	(1.5)	4.2
2016 - average	4.1	1.1	0.2	0.2	0.2	n/a	4.4
2016 - highest	6.3	1.7	0.7	0.7	0.8	n/a	6.9
2016 - lowest	3.3	0.6	0.1	0.0	0.1	n/a	3.5
2015 - 31 December	4.3	1.2	0.4	0.4	0.1	(1.3)	5.1
2015 - average	4.2	1.3	0.2	0.7	0.3	n/a	4.8
2015 - highest	8.0	2.0	0.6	1.0	0.7	n/a	8.7
2015 - lowest	2.5	0.7	0.1	0.2	0.2	n/a	2.5

In addition to the VaR, there are several other key risk indicators. The interest rate delta is a measure of the change in the value of positions if there is a parallel increase in the yield curve of 1 basis point (i.e. 0.01 percentage point). The interest rate delta table below shows the sensitivity to changes in the yield curves for the major currencies. At 31 December 2016, the interest rate delta for trading books was EUR 0.3 million positive. The interest rate delta remained well within the set limit during the reporting period.

Interest rate delta		
<i>in millions of euros</i>	<i>2016</i>	<i>2015</i>
Euro	0.1	(1.2)
US dollar	0.1	(0.4)
British pound	0.1	0.1
Other	0.0	0.1
Total	0.3	(1.4)

Rabobank uses stress testing to complement the VaR. It is instrumental in gauging the impact of extreme, yet plausible predefined moves in market risk factors on the P&L of individual trading and investment portfolios. These moves are reflected in scenarios which capture risk drivers such as tenor basis swap spreads, interest rates, foreign exchange, credit spreads, volatility and interest rate curve rotation. Depending on the scenario, individual risk factors or multiple risk factor categories will be stressed at the same time.

The event risk, which is measured by performing sensitivity analyses and stress tests was EUR 105 million on 31 December 2016, well within the set limit. It fluctuated between EUR 103 million and EUR 159 million with an average of EUR 125 million. Rabobank's event risk is largely determined by the tenor basis swap position, which comes from non-client facing positions of a more strategic nature which are classified as permitted proprietary trading activities outside the US under the Volcker Rule.

4.7 Liquidity risk

Liquidity risk is the risk that the bank will not be able to meet all of its payment and repayment obligations on time, as well as the risk that the bank will not be able to fund increases in assets at a reasonable price, if at all. This could happen if, for instance, customers or professional counterparties suddenly withdraw more funds than expected which cannot be absorbed by the bank's cash resources, by selling or pledging assets in the market or by borrowing funds from third parties. Rabobank considers an adequate liquidity position and retaining the confidence of both professional market parties and retail customers to be crucial in ensuring unimpeded access to the public money and capital markets.

The liquidity risk policy focuses on financing assets using stable funding, i.e., funds entrusted by customers and long-term wholesale funding. Liquidity risk is managed on the basis of 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 and outgoing cash flows can be expected during the next twelve months. Limits have been set for these outgoing cash flows, including for each currency and each location. Detailed plans (the contingency funding plans) have been drawn up for contingency funding to ensure the bank is prepared for potential crisis situations. Periodic operational tests are performed for these plans.

The second pillar is used to maintain a substantial high-quality buffer of liquid assets. In addition to credit balances held at central banks, these assets can be used to be pledged to central banks, in repo transactions, or to be sold directly in the market to generate liquidity immediately. The size of the liquidity buffer is attuned to the risk Rabobank is exposed to in its balance sheet. In addition Rabobank has securitised a portion of the mortgage portfolio internally, which means it can be pledged to the central bank, thereby serving as an additional liquidity buffer. Since this concerns retained securitisations, it is not reflected in the consolidated balance sheet.

The third pillar for managing liquidity risk consists of a good credit rating, high capital levels and prudent funding policies. Rabobank takes various measures to avoid becoming overly dependent on a single source of funding. These include balanced diversification of financing sources with respect to maturity, currencies, investors, geography and markets, a high degree of unsecured funding and therefore limited asset encumbrance, and an active and consistent investor-relations policy play a major role.

Furthermore, scenario analyses are performed each month to determine the potential consequences of a wide range of stress scenarios. The analyses cover market-specific scenarios, Rabobank-specific scenarios and a combination of both.

Monthly reports on the Group's overall liquidity position 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 the undiscounted liabilities grouped according to the remaining liquidity period from the reporting date to the expected contract repayment date. The total amounts do not correspond exactly with the amounts in the consolidated statement of financial position because this table is based on undiscounted contractual cash flows relating to both principal and future interest payments. Derivatives have not been analysed on the basis of the contractual due date, because they are not essential for the management of liquidity risk or for reporting to senior management.

Contractual 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>
On 31 December 2016						
Liabilities						
Deposits from banks	4,376	10,293	2,451	4,021	1,104	22,245
Deposits from customers	252,907	44,693	14,141	14,646	23,742	350,129
Debt securities in issue	-	33,370	38,687	68,561	32,012	172,630
Other liabilities (excluding employee benefits)	1,104	3,975	951	656	67	6,753
Financial liabilities held for trading	-	739	-	-	-	739
Financial liabilities designated at fair value	95	628	2,735	4,635	23,006	31,099
Subordinated liabilities	-	-	-	2,344	22,913	25,257
Total financial liabilities	258,482	93,698	58,965	94,863	102,844	608,852
Financial guarantees	11,595	-	-	-	-	11,595
Loan commitments	44,889	-	-	-	-	44,889
On 31 December 2015						
Liabilities						
Deposits from banks	2,911	9,465	2,521	3,492	795	19,184
Deposits from customers	254,264	46,182	12,534	13,290	23,848	350,118
Debt securities in issue	117	32,480	48,941	67,701	40,518	189,757
Other liabilities (excluding employee benefits)	1,471	3,741	1,060	614	48	6,934
Financial liabilities held for trading	-	573	-	-	-	573
Financial liabilities designated at fair value	59	615	2,434	4,696	21,088	28,892
Subordinated liabilities	-	50	10	2,435	21,524	24,019
Total financial liabilities	258,822	93,106	67,500	92,228	107,821	619,477
Financial guarantees	10,402	-	-	-	-	10,402
Loan commitments	46,674	-	-	-	-	46,674

The table below shows assets and liabilities grouped according to the period remaining from the reporting date to the contractual repayment date. These amounts correspond with the amounts included in the consolidated statement of financial position.

Current and non-current financial instruments						
<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>
On 31 December 2016						
Financial assets						
Cash and balances at central banks	83,032	1,362	11	-	-	84,405
Loans and advances to banks	4,442	18,882	1,295	556	269	25,444
Financial assets held for trading	1	958	128	818	680	2,585
Financial assets designated at fair value	-	341	89	290	601	1,321
Derivatives	8	4,500	3,033	9,798	25,033	42,372
Loans and advances to customers	20,459	42,397	40,350	92,451	257,150	452,807
Available-for-sale financial assets	43	3,361	3,313	18,456	9,407	34,580
Other assets (excluding employee benefits)	771	4,261	1,536	1,087	216	7,871
Total financial assets	108,756	76,062	49,755	123,456	293,356	651,385
Financial liabilities						
Deposits from banks	4,442	10,217	2,408	3,892	1,047	22,006
Deposits from customers	250,255	47,040	13,966	14,013	22,438	347,712
Debt securities in issue	-	33,287	37,817	61,587	26,651	159,342
Derivatives	-	5,468	3,646	9,786	29,124	48,024
Financial liabilities held for trading	-	739	-	-	-	739
Other liabilities (excluding employee benefits)	1,102	5,011	1,254	659	91	8,117
Financial liabilities designated at fair value	95	623	2,683	4,032	9,087	16,520
Subordinated liabilities	-	-	-	2,012	14,849	16,861
Total financial liabilities	255,894	102,385	61,774	95,981	103,287	619,321
Net balance	(147,138)	(26,323)	(12,019)	27,475	190,069	32,064
On 31 December 2015						
Financial assets						
Cash and balances at central banks	63,650	1,284	9	-	-	64,943
Loans and advances to banks	4,532	24,234	1,878	1,300	490	32,434
Financial assets held for trading	144	397	539	1,669	723	3,472
Financial assets designated at fair value	8	307	33	848	1,000	2,196
Derivatives	6	3,071	2,870	11,226	30,940	48,113
Loans and advances to customers	28,351	50,550	37,948	89,345	259,799	465,993
Available-for-sale financial assets	49	2,385	3,344	19,636	12,359	37,773
Other assets (excluding employee benefits)	1,030	3,765	1,669	1,113	270	7,847
Total financial assets	97,770	85,993	48,290	125,137	305,581	662,771
Financial liabilities						
Deposits from banks	2,911	9,459	2,492	3,415	761	19,038
Deposits from customers	252,485	46,108	12,322	12,550	22,419	345,884
Debt securities in issue	117	32,390	48,306	60,720	33,458	174,991
Derivatives	13	3,613	3,392	11,795	35,743	54,556
Financial liabilities held for trading	-	573	-	-	-	573
Other liabilities (excluding employee benefits)	1,363	4,623	1,343	590	48	7,967
Financial liabilities designated at fair value	62	542	2,380	4,464	9,543	16,991
Subordinated liabilities	-	48	10	2,008	13,437	15,503
Total financial liabilities	256,951	97,356	70,245	95,542	115,409	635,503
Net balance	(159,181)	(11,363)	(21,955)	29,595	190,172	27,268

The overview presented above, has been composed on the basis of contractual information and does not represent the actual behaviour of these financial instruments. However, this is taken into account for the day-to-day management of the liquidity risk. Customer savings are an example. Under contract, these are payable on demand. Experience has shown that this is a very stable source of long-term financing that Rabobank has at its disposal. The regulations of the supervisory authority also factor this in. On 31 December 2016, on the basis of the liquidity criteria set by the Dutch Central Bank (DNB), Rabobank had a substantial liquidity surplus. The average liquidity surplus during 2016 was 32% (2015: 23%) of the total 1-month liquidity requirement. On 31 December 2016, the surplus was 30% (2015: 25%). The European Commission Delegated Act 'Liquidity Coverage Ratio' (DA LCR) became a regulatory requirement as of October 1st 2015. With 130% as per 31 December 2016, Rabobank complies with the minimum 100% requirement as set by the Dutch Central Bank (DNB). The liquidity requirements to meet payments under financial guarantees are considerably lower than the amount of the liabilities because Rabobank does not generally expect that third parties to such arrangements will draw funds. The total outstanding amount in contractual obligations to provide credit does not necessarily represent the future cash resource needs of Rabobank because many of these obligations will lapse or terminate without financing being required.

4.8 Operational risk

Rabobank defines operational risk as the risk of losses being incurred as a result of inadequate or dysfunctional internal processes, people and systems or as a result of external trends and developments, including legal and reputational risks. In measuring and managing operational risk, Rabobank operates within the parameters of the most advanced Basel II approach, the Advanced Measurement Approach, and follows the 'three lines of defence model' as prescribed by the EBA. The bank's operational risk policy is based on the principle that the primary responsibility for managing operational risk lies with the first line 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, assess, mitigate and monitor the various types of operational risk. The operational risk measurement supports those responsible for operational risk prioritisation and deployment of people and resources. Within Rabobank Group, the departments involved in the primary processes of the bank form the 'first line of defence'. They are fully responsible for day-to-day risk acceptance and for integrated risk management and mitigation within the approved risk appetite. The Compliance, Legal and Risk (CLR) functions together constitute the 'second line of defence'.

The second line functions have a monitoring role with regard to all types of operational risk and they monitor the way in which 'the first line of defence' manages these risks. In addition and independently from the first line, they report on the risk profile and appetite breaches to senior management and the Executive Board. Internal Audit forms the 'third line of defence'. At group level, the Risk Management Committee (RMC) is responsible for formulating policy and setting parameters. Compliance, Legal and Risk also report quarterly to the RMC on changes in operational risks at group level. Delegated risk management committees have been established within the group's entities. Their responsibilities include monitoring all operational risks at entity level (amongst others: Conduct risk, continuity risk, Information Security risk, Fraud risk including the legal and reputational impact thereof).

The annual risk management cycle consists of a group-wide Scenario programme and Risk Self-Assessment that identifies the more material operational risks of Rabobank Group. After assessment, if and when risks fall outside the defined risk appetite, mitigating measures are taken by first line and monitored by second line.

4.9 Fair value of financial assets and liabilities

The following table shows the fair value of financial instruments, recognised at amortised cost on the basis of 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. For fair value measurement Rabobank assumes that the transaction to sell the asset or transfer the liability is conducted in the principal market for the asset or liability. Alternatively, in the most advantageous market if there is no principal market. Market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. For financial instruments for which no market prices are available, the fair values shown in the following table have been estimated using the present value or the results of other estimation and valuation methods, based on the market conditions on 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 balances at central banks.

The fair value of cash and balances at central banks is assumed to be almost equal to their carrying amount. This assumption is used for highly liquid investments and also for the short-term component of all other financial assets and liabilities.

Loans and advances to banks.

Loans and advances to banks also includes interbank placings and items to be collected. The fair values of floating rate placings, that are re-priced regularly and do not vary significantly in terms of credit risk, 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 on the basis of appropriate money market interest rates for debts with comparable credit risks and terms to maturity.

Financial assets and derivatives held for trading.

Financial assets held for trading are carried at fair value based on available quoted prices in an active market. If quoted prices in an active market are not available, the fair value is estimated on the basis of discounted cash flow models and option valuation models.

Derivatives are recognised at fair value determined on the basis of listed market prices (with mid-prices being used for EUR, USD and GBP derivatives that have a bid-ask range), prices offered by traders, discounted cash flow models and option valuation models based on current market prices and contract prices for the underlying instruments and reflecting the time value of money, yield curves and the volatility of the underlying assets and liabilities.

For OTC derivatives credit valuation adjustments (CVA) are made to reflect expected credit losses related to the non-performance risk of a given counterparty. A CVA is determined per counterparty and is dependent on expected future exposure taking into account collateral, netting agreements and other relevant contractual factors, default probability and recovery rates. The CVA calculation is based on available market data including credit default swap (CDS) spreads. Where CDS spreads are not available relevant proxies are used. A debit valuation adjustment (DVA) is made to include own credit in the valuation of OTC derivatives. The calculation of DVA is consistent with the CVA framework and is calculated using the Rabobank CDS spread. Another factor that is taken into account are the funding valuation adjustments (FVA). FVA concerns the valuation difference between transactions hedged by securities and transactions not hedged by securities. Collateralised transactions are valued by means of a discounting curve, based on the overnight index spread. Non-collateralised transactions are valued by means of a discounting curve, based on Euribor/Libor plus a spread which reflects the market conditions.

Financial assets designated at fair value.

These financial assets are carried at fair value based on quoted prices on an active market 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 and advances to customers.

The fair value of loans and advances to customers is estimated by discounting expected future cash flows using current market rates for similar loans, taking into account the creditworthiness of the counterparty. For the fair valuation of residential mortgage loans, the contractual cash flows are adjusted for the prepayment rate of the portfolio. For variable-interest loans that are re-priced regularly and do not vary significantly in terms of credit risk, the fair value approximates the carrying amount.

Available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value based on listed market prices. If quoted prices on an active market are not available, the fair value is estimated on the basis of discounted cash flow models and option valuation models.

Deposits from banks.

Loans and advances to banks also includes interbank placings, items to be collected and deposits. The fair values of floating rate placings, that are re-priced regularly and do not vary significantly in terms of credit risk, 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 on the basis of valid money market interest rates for debts with comparable credit risks and terms to maturity.

Deposits from customers.

Deposits from customers includes current accounts and deposits. The fair value of savings and current account balances that have no specific termination date are assumed to be the amount payable on demand on the reporting date i.e. their carrying amount on that date. The fair value of these deposits is estimated from the present value of the cash flows on the basis of current bid rates for interest for similar arrangements and terms to maturity and that match the items to be measured. The carrying amount of variable-interest deposits is a good approximation of their fair value on the reporting date.

Financial liabilities held for trading.

The fair value of financial liabilities held for trading is based on available quoted prices on an active market. If quoted prices on an active market are not available, the fair value is estimated on the basis of valuation models.

Financial liabilities designated at fair value.

The fair value option is used to eliminate the accounting mismatch and valuation asymmetry between these instruments and the hedging derivatives which would occur if these instruments would have been accounted for at amortised cost. The financial liabilities designated at fair value include structured notes and structured deposits which are managed and reported on a fair value basis together with the hedging derivatives. The fair value of these liabilities is determined by discounting contractual cashflows using credit adjusted yield curves based on available market data in the secondary

market as well as appropriate CDS spreads. All other market risk parameters are valued consistently with derivatives used to hedge the market risk in these liabilities. Changes in the fair value that are attributable to changes in own credit risk are reported in 'Other comprehensive income'. The change in fair value that is attributable to changes in own credit risk is calculated by deducting on a note by note basis the current fair value of the structured notes portfolio at the reporting date from the fair value recalculated based on the prevailing credit curve at the time of origination, with all other pricing components unchanged. This calculation reflects the amount that can be attributed to the change in the own credit risk of Rabobank since the origination of these structured notes.

Debt securities in issue.

The fair value of these instruments is calculated using quoted prices on an active market. For debt securities for which no quoted prices on an active market are available, a discounted cash flow model is used on the basis of credit adjusted yield curves appropriate for the term to maturity.

in millions of euros	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances at central banks	84,405	84,405	64,943	64,943
Loans and advances to banks	25,444	25,368	32,434	32,553
Loans and advances to customers	452,807	465,278	465,993	473,612
Liabilities				
Deposits from banks	22,006	22,042	19,038	19,077
Deposits from customers	347,712	353,227	345,884	350,519
Debt securities in issue	159,342	163,622	174,991	178,477
Subordinated liabilities	16,861	18,256	15,503	16,558

The above stated figures represent the best possible estimates by management on the basis of a range of methods and assumptions. If a quoted price on an active market is available, this is the best estimate of fair value.

If no quoted prices on an active market are available for fixed-term securities, equity instruments, derivatives and commodity instruments, Rabobank bases the expected fair value on the present value of the future cash flows, discounted at market rates which correspond to the credit ratings and terms to maturity of the investments. A model-based price can also be used to determine fair value.

Rabobank follows a policy of having 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. These factors include the time value of money, volatility, underlying options, credit quality of the counterparty and other factors. The valuation process has been designed in such a way that market prices that are available on a periodic basis are systematically used. This systematic valuation process has proved its worth during the credit crisis. Modifications to assumptions might affect the fair value of financial assets and liabilities held for trading and non-trading purposes.

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:

- Level 1: Quoted prices on 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.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 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 level at the end of each reporting period.

<i>in millions of euros</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
On 31 December 2016				
Assets carried at amortised cost in the statement of financial position				
Cash and balances at central banks	84,379	26	-	84,405
Loans and advances to banks	-	24,554	814	25,368
Loans and advances to customers	263	121,231	343,784	465,278
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	2,011	485	89	2,585
Financial assets designated at fair value	48	759	514	1,321
Derivatives	18	41,819	535	42,372
Available-for-sale financial assets	29,693	4,347	540	34,580
Non-current assets held for sale and discontinued operations	-	-	281	281
Liabilities carried at amortised cost in the statement of financial position				
Deposits from banks	-	14,672	7,370	22,042
Deposits from customers	6,487	59,826	286,914	353,227
Debt securities in issue	1,476	135,078	27,068	163,622
Subordinated liabilities	-	18,256	-	18,256
Liabilities carried at fair value in the statement of financial position				
Derivatives	21	47,479	524	48,024
Financial liabilities held for trading	739	-	-	739
Financial liabilities designated at fair value	9	16,498	13	16,520
On 31 December 2015				
Assets carried at amortised cost in the statement of financial position				
Cash and balances at central banks	64,929	9	5	64,943
Loans and advances to banks	-	31,634	919	32,553
Loans and advances to customers	-	133,323	340,289	473,612
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	2,385	961	126	3,472
Financial assets designated at fair value	24	1,187	985	2,196
Derivatives	39	47,309	765	48,113
Available-for-sale financial assets	33,068	4,111	594	37,773
Non-current assets held for sale and discontinued operations	-	-	155	155
Liabilities carried at amortised cost in the statement of financial position				
Deposits from banks	-	18,209	868	19,077
Deposits from customers	5,017	85,782	259,720	350,519
Debt securities in issue	1,593	152,351	24,533	178,477
Subordinated liabilities	-	16,558	-	16,558
Liabilities carried at fair value in the statement of financial position				
Derivatives	26	53,842	688	54,556
Financial liabilities held for trading	552	21	-	573
Financial liabilities designated at fair value	-	16,967	24	16,991

The potential effect before taxation, if more positive reasonable assumptions are used for the valuation of the financial instruments in level 3 on the income statement, is 70 (2015: 166) and on equity 7 (2015: 50). The potential effect before taxation, if more negative reasonable assumptions are used for the valuation of financial instruments in level 3 on the income statement, is -70 (2015: -167) and on equity -7 (2015: -50).

Level 3 of the financial assets at fair value includes private equity interests. Private equity interests amount to 488. A significant unobservable input for the valuation of these interests is the multiplier which is applied to the EBITDA. The average weighted multiplier is 6.0, with a bandwidth of -1 and +1 of the multiplier.

<i>in millions of euros</i>	<i>Balance on 1 January 2016</i>	<i>Fair value changes incorporated in profit or loss</i>	<i>Fair value changes incorporated in OCI</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to or from level 3</i>	<i>Balance on 31 December 2016</i>
Assets								
Financial assets held for trading	126	(11)	-	3	(34)	-	5	89
Financial assets designated at fair value	985	(20)	-	98	(575)	-	26	514
Derivatives	765	420	-	-	-	(650)	-	535
Available-for-sale financial assets	594	18	(51)	280	(299)	(2)	-	540
Liabilities								
Derivatives	688	527	-	-	(2)	(700)	11	524
Financial liabilities designated at fair value	24	(1)	-	-	(10)	-	-	13

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 Level 3. The fair value adjustments in Level 3 which are included in equity are accounted for in the revaluation reserves for available-for-sale financial assets.

In 2016 there were no significant transfers between level 1 and level 2.

<i>in millions of euros</i>	<i>Balance on 1 January 2015</i>	<i>Fair value changes incorporated in profit or loss</i>	<i>Fair value changes incorporated in OCI</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to or from level 3</i>	<i>Balance on 31 December 2015</i>
Assets								
Financial assets held for trading	129	-	-	-	(23)	-	20	126
Financial assets designated at fair value	1,733	180	-	47	(974)	(1)	-	985
Derivatives	1,123	440	-	-	-	(833)	35	765
Available-for-sale financial assets	991	143	(52)	49	(420)	(81)	(36)	594
Liabilities								
Derivatives	1,082	470	-	-	(1)	(838)	(25)	688
Financial liabilities designated at fair value	46	2	-	-	(22)	(2)	-	24

The amount in total gains or losses recognised in the income statement for the period relating to the assets and liabilities held in Level 3 until the end of the reporting period is given in the following table.

Fair value changes for financial instruments in level 3 recognised in profit or loss			
<i>in millions of euros</i>	<i>Instruments held at the end of reporting period</i>	<i>Instruments not held anymore at the end of reporting period</i>	<i>Total</i>
On 31 December 2016			
Assets			
Financial assets held for trading	(10)	(1)	(11)
Financial assets designated at fair value	(37)	17	(20)
Derivatives	229	191	420
Available-for-sale financial assets	(1)	19	18
Liabilities			
Derivatives	238	289	527
Financial liabilities designated at fair value	(1)	-	(1)
On 31 December 2015			
Assets			
Financial assets held for trading	1	(1)	-
Financial assets designated at fair value	168	12	180
Derivatives	95	345	440
Available-for-sale financial assets	28	115	143
Liabilities			
Derivatives	119	351	470
Financial liabilities designated at fair value	3	(1)	2

Recognition of Day 1 gains

When using fair value accounting at the inception of a financial instrument, any positive difference between the transaction price and the fair value (referred to as 'day 1 gains') is accounted for in the statement of income where the valuation method is based on observable inputs from active markets. In all other cases, the entire day 1 gain is deferred and after initial recognition the deferred day 1 gain is recognised as a gain to the extent it results from a change in a factor (including time effects). The table below summarises the changes of the deferred day 1 gains during the year:

Provision for Day 1 gains		
<i>in millions of euros</i>	<i>2016</i>	<i>2015</i>
Opening balance	3	6
Additions	-	-
Amortisation	(3)	(2)
Changes	-	(1)
Closing balance	-	3

4.10 Legal and arbitration proceedings

Rabobank Group is active in a legal and regulatory environment that exposes it to substantial risk of litigation. As a result, Rabobank Group is involved in legal cases, arbitrations and regulatory proceedings in the Netherlands and in other countries, including the United States. The most relevant legal and regulatory claims which could give rise to liability on the part of Rabobank Group are described below. If it appears necessary on the basis of the applicable reporting criteria, provisions are made based on current information; similar types of case are grouped together and some cases may also consist of a number of claims. The estimated loss for each individual case (for which it is possible to make a realistic estimate) is not reported, because Rabobank Group feels that information of this type could be detrimental to the outcome of individual cases.

When determining which of the claims is more likely than not (i.e., with a likelihood of over fifty percent) to lead to an outflow of funds, Rabobank Group takes several factors into account. These include (but are not limited to) the type of claim and the underlying facts; the procedural process and history of each case; rulings from legal and arbitration bodies; Rabobank Group's experience and that of third parties in similar cases (if known); previous settlement discussions; third-party settlements in similar cases (where known); available indemnities; and the advice and opinions of legal advisers and other experts.

The estimated potential losses, and the existing provisions, are based on the information available at the time and are for the main part subject to judgements and a number of different assumptions, variables and known and unknown uncertainties. These uncertainties may include the inaccuracy or incompleteness of the information available to Rabobank Group (especially in the early stages of a case). In addition, assumptions made by Rabobank Group about the future rulings of legal or other instances or the likely actions or attitudes of supervisory bodies or the parties opposing Rabobank Group may turn out to be incorrect. Furthermore, estimates of potential losses relating to the legal disputes are often impossible to process using statistical or other quantitative analysis instruments that are generally used to make judgements and estimates. They are then subject to a still greater level of uncertainty than many other areas where the group needs to make judgements and estimates.

The group of cases for which Rabobank Group determines that the risk of future outflows of funds is higher than fifty percent varies over time, as do the number of cases for which the bank can estimate the potential loss. In practice the end results could turn out considerably higher or lower than the estimates of potential losses in those cases where an estimate was made. Rabobank Group can also sustain losses from legal

risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognised. For those cases where (a) the possibility of an outflow of funds is less likely than not but also not remote or (b) the possibility of an outflow of funds is more likely than not but the potential loss cannot be estimated, a contingent liability is shown.

Rabobank Group may settle legal cases or regulatory proceedings or investigations before any fine is imposed or liability is determined. Reasons for settling could include (i) the wish to avoid costs and/or management effort at this level, (ii) to avoid other adverse business consequences and/or (iii) pre-empt the regulatory or reputational consequences of continuing with disputes relating to liability, even if Rabobank Group believes it has good arguments in its defence. Furthermore, Rabobank Group may, for the same reasons, compensate third parties for their losses, even in situations where Rabobank Group does not believe that it is legally required to do so.

Interest rate derivatives

Rabobank concludes interest rate derivatives, such as interest rate swaps, with Dutch business customers who wish to reduce the interest rate risk associated with variable (e.g., Euribor-indexed) loans. Such an interest rate swap protects customers from rising variable interest rates and helps businesses to keep their interest payments at an acceptable level. In March 2016, the Dutch Minister of Finance appointed an independent committee, which on 5 July 2016, published a recovery framework (the Recovery Framework) on the reassessment of Dutch SME interest rate derivatives. Rabobank announced its decision to take part in the Recovery Framework on 7 July 2016. The final version of the Recovery Framework was published by the independent committee on 19 December 2016. Implementation of the Recovery Framework is expected to be finalised in 2017.

Rabobank is involved in civil proceedings in the Netherlands relating to interest rate derivatives concluded with Dutch business customers. The majority of these concern individual cases. In addition, there is a collective action regarding interest rate derivatives pending before the Court of Appeal. These actions concern allegations relating to alleged misconduct in connection with Rabobank's Euribor submissions (as described below) and / or allegations of misinforming clients with respect to interest rate derivatives. Rabobank will defend itself against all these claims. Furthermore, there are pending complaints and proceedings against Rabobank regarding interest rate derivatives brought before Kifid (Dutch Financial Services Complaints Authority, which, in January 2015, opened a conflict resolution procedure for SME businesses with interest rate derivatives).

With respect to the (re-)assessment of the interest rate derivatives of its Dutch SME business customers, Rabobank has recognised a provision of 699. The main uncertainties in the calculations of the provision stem from assumptions regarding the scoping of clients. Furthermore, the calculations regarding technical recovery are based on a portfolio approach instead of individual contract calculations.

Fortis

In 2011, the Dutch Investors Association (VEB) issued a summons against the company formerly known as Fortis N.V. (currently trading as Ageas N.V.), the underwriters involved – including Rabobank – and the former directors of Fortis N.V. The VEB 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 VEB states that the impact and risks of the subprime crisis for Fortis and its liquidity position were misrepresented in the prospectus and has requested a declaratory judgement stating that the defendants acted illegitimately and must therefore be held liable for the loss allegedly suffered by investors in Fortis. Rabobank maintains the view that the aforementioned loss of EUR 18 billion has not been properly substantiated. The proceedings concern a settlement of collective loss, which means that the court will only rule on the question of whether the defendants (including Rabobank) are liable. Rabobank has been defending itself against the claim and a final hearing was scheduled to start on 14 March 2016. That day, however, Ageas announced a settlement of EUR 1.2 billion with claimant organisations VEB, Deminor, Stichting FortisEffect and Stichting Investor Claims Against Fortis (SICAF) with respect to all disputes and claims relating to various events in 2007 and 2008 in respect of the former Fortis group (including the VEB claim described above).

On 23 May 2016, the parties to the settlement requested the Amsterdam Court of Appeal to declare the settlement binding for all eligible Fortis shareholders (in accordance with the Dutch Law on the Collective Resolution of Mass Damages ('Wet Collectieve Afwikkeling Massaschade'). The legal proceedings relating to the above VEB claim have been suspended until this specific procedure is finalised. There are two basic potential scenarios: (1) In case the Court of Appeal declares the settlement binding, investors may choose to opt out of the settlement during an opt-out period of three to six months. After this period (and provided that the settlement is not annulled because the opt-out ratio exceeds a certain limit), distributions of payments will start. The release of Rabobank (and other underwriters) is subject to satisfaction of the compensation obligations towards the eligible Fortis shareholders. It is expected that it will take at least 18 months from the Court of Appeal judgement on the binding nature of the settlement before the first payments will

be made. Investors that choose to opt out of the settlement may still claim damages from Ageas and the defendants (including Rabobank) on an individual basis.

(2) If the Court of Appeal does not declare the settlement binding for all eligible Fortis shareholders or if Ageas exercises its right to annul the settlement in case the opt-out ratio exceeds a certain limit, the proceedings against the VEB described above, in principle will resume as before the suspension.

On 9 February 2017, mass claim litigant ConsumentenClaim announced that it has filed an objection to having the settlement declared binding with the Court of Appeal. Rabobank Group considers the Fortis case to be a contingent liability. No provision has been made.

Libor/Euribor

Rabobank has received a number of requests in recent years from regulators in various countries to issue documents and other information in relation to various issues, including issues related to its interest rate benchmark submissions. Rabobank is cooperating, and will continue to cooperate, with the regulators and authorities involved in these global investigations. On 29 October 2013, Rabobank entered into settlement agreements with various authorities in relation to their investigations into the historical Libor and Euribor submission processes of Rabobank. Additional information is available on the bank's corporate website. All amounts payable under these settlement agreements were fully paid and accounted for by Rabobank in 2013. Additionally, some of these settlement agreements required Rabobank to: (i) improve measures or to continue their implementation; and (ii) to cooperate on a continuous basis with ongoing investigations into the conduct of Rabobank and of its current and former employees in respect of the inappropriate conduct relating to interest rate benchmark submissions. Rabobank continues to comply with all its obligations under these settlement agreements. Rabobank, along with a large number of other panel banks and inter-dealer brokers, has been named as a defendant in a number of putative 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, British Pound Sterling (GBP) Libor, Japanese Yen (JPY) Libor, Tibor (note: Rabobank was never a member of the TIBOR panel) and Euribor. In 2014, an Argentinian consumer protection organisation brought an alleged class action suit against Rabobank in Argentina in relation to USD Libor. Rabobank has also been summoned to appear before various Dutch courts in civil proceedings relating to Euribor. Furthermore, various individuals and entities (including two Dutch collective claim foundations of which one was already mentioned above in the paragraph 'Interest Rate Derivatives in the Dutch SME Segment')

have made a number of allegations relating to Euribor and/or other benchmarks in letters to and legal proceedings against Rabobank and/or an Irish subsidiary.

Since the alleged class action suits and civil proceedings listed above, which have been brought before the courts in the US or elsewhere, are intrinsically subject to uncertainties, it is difficult to predict their outcomes. Rabobank takes the stance that it has substantive and convincing legal and factual defences against these claims. Rabobank has the intention to continue to defend itself against these claims.

Rabobank Group considers the Libor / Euribor case to be a contingent liability. No provision has been made.

BSA/AML

In 2015, Rabobank concluded a written agreement with the Federal Reserve Bank of New York and the New York State Department of Financial Services. Under this agreement, Rabobank is required to, among other things, improve the BSA/AML (Bank Secrecy Act/Anti-Money Laundering) framework for its NY branch and oversight for the US region.

In December 2013, via Consent Order, the US Office of the Comptroller of the Currency (OCC) commenced a civil enforcement action against Rabobank, National Association (RNA) in connection with issues related to RNA's BSA/AML compliance programme. RNA is almost entirely owned by Rabobank and engages in retail banking in California. The Consent Order and related actions are still pending. In 2014, the US Department of Justice (DOJ) advised Rabobank that it was investigating RNA for possible violations of the Bank Secrecy Act and related regulations and statutes. RNA has provided documentation and other information in response to various DOJ requests; the DOJ has also conducted interviews of both current and former employees. The investigation is on-going. Recently the Financial Crimes Enforcement Network (FinCEN) of the Department of the Treasury served a notice of Investigation on RNA. Rabobank understands that FinCEN is investigating essentially the same issues that are the subject of the OCC matter noted above.

Both Rabobank and RNA are cooperating with all of these investigations and believe that these investigations will come to a conclusion in 2017.

Also recently, a criminal complaint was filed with the Dutch Public Prosecutor (DPP) against Rabobank, two group entities and the persons factually in charge of these entities asking for a criminal investigation in relation to the matters related to the DOJ investigation. Rabobank understands that the DPP has received the complaint and awaits the DPP's response to it. Rabobank Group considers the BSA/AML case to be a contingent liability. No provision has been made.

Other cases

Rabobank Group is subject to other legal proceedings for which a provision was recognised. These cases are individually less significant in size and are therefore not further described. The total provision for those cases combined amounts to 89. On top of the contingent liability cases described above for which an assessment regarding a possible outflow is not yet possible, Rabobank Group has identified a number of other, less relevant cases in terms of size as a contingent liability. Because these cases are less significant, Rabobank has chosen not to describe these in detail. The principal amount claimed for those contingent liability cases combined amounts to 61.

5 Business segments

The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means that the segments are reviewed as part of the strategic management of Rabobank and are used for the purpose of making business decisions with different risks and returns.

Rabobank distinguishes five major business segments: domestic retail banking; wholesale banking and international rural and retail banking; leasing; real estate; and other segments. Domestic retail banking mainly encompasses the activities of the local Rabobanks, Obvion and Roparco. Wholesale banking and international rural and retail banking supports the Rabobank Group in becoming the market leader in the Netherlands and focuses on the Food & Agri sectors at international level. This segment develops corporate banking activities on a regional basis and in addition controls globally operating divisions such as Treasury, Markets, Acquisition

Finance, Global Corporate Clients, Export Finance & Project Finance, Trade & Commodity Finance and Financial Institutions Group. The segment also actively involves International Direct Retail Banking and Rabo Private Equity. International rural and retail banking operations is part of the Rabobank label, with the exception of ACC Loan Management. In the leasing segment – DLL – is responsible for leasing activities and offers a wide range of leasing, trading and consumer finance products in the Dutch home market. Manufacturers, vendors and distributors are globally supported in their sales with products relevant to asset financing. In 2016 DLL sold the car leasing business Athlon to Mercedes-Benz financial services. Rabobank recognised a gain on the sale of 251 which is presented in the income statement as 'Other net operating income'. As a result total assets have decreased with 4.3 billion euro.

Real estate mainly encompasses the activities of the Rabo Real Estate Group and FGH Bank. The core activities are the development of housing, financing and asset management. In the Dutch market, Rabo Real Estate Group operates through its BPD and Bouwfonds Investment Management brands. The other segments within Rabobank includes various sub-segments of which no single segment can be listed separately. This segment mainly includes the financial results of associates (in particular Achmea B.V.) and head office operations. There are no customers who represent more than a 10% share in the total revenues of Rabobank.

Transactions between the various business segments are conducted under regular commercial terms. Other than from operating activities, there is no other material comprehensive income between the business segments. The financial reporting principles used for the segments are identical to those described in the 'Accounting policies' Section.

Amounts in millions of euros	Domestic retail banking	Wholesale banking and international rural and retail banking	Leasing	Real estate	Other segments	Consolidation effects	Total
For the year ended 31 December 2016							
Net interest income	5,467	1,974	1,086	293	(77)	-	8,743
Net fee and commission income	1,334	538	90	16	(27)	(33)	1,918
Other income	58	1,097	816	379	71	(277)	2,144
Income	6,859	3,609	1,992	688	(33)	(310)	12,805
Staff costs	1,798	1,137	616	215	(76)	831	4,521
Other administrative expenses	3,113	1,023	285	142	245	(1,173)	3,635
Depreciation	117	94	31	4	50	142	438
Operating expenses	5,028	2,254	932	361	219	(200)	8,594
Impairment losses on goodwill and investments in associates	-	-	-	-	700	-	700
Loan impairment charges	25	255	101	(75)	4	-	310
Regulatory levies	279	151	22	13	18	-	483
Operating profit before tax	1,527	949	937	389	(974)	(110)	2,718
Taxation	400	305	197	101	(281)	(28)	694
Net profit	1,127	644	740	288	(693)	(82)	2,024
Cost/income ratio excluding regulatory levies (in %) ¹	73.3	62.5	46.8	52.5	n/a	n/a	67.1
Cost/income ratio including regulatory levies (in %) ²	77.4	66.6	47.9	54.4	n/a	n/a	70.9
Loan impairment charges (in basis points of average private sector loan portfolio) ³	1	26	30	(54)	n/a	n/a	7
Business segment assets	315,470	438,251	39,350	14,958	115,089	(262,942)	660,176
Investments in associates	17	397	24	182	1,797	-	2,417
Total assets	315,487	438,648	39,374	15,140	116,886	(262,942)	662,593
Business segment liabilities	285,564	426,846	34,984	12,671	117,316	(255,312)	622,069
Total liabilities	285,564	426,846	34,984	12,671	117,316	(255,312)	622,069
Investments in property and equipment	59	51	2,044	3	91	-	2,248
Impairment of tangible and intangible assets	112	4	1	-	(1)	-	116
Goodwill	322	136	77	-	2	-	537
Private sector loan portfolio	275,770	105,192	31,772	11,332	485	-	424,551

in millions of euros	Domestic retail banking	Wholesale banking and international rural and retail banking	Leasing	Real estate	Other segments	Consolidation effects	Total
Loan impairment allowances loans and advances to customers							
Balance on 1 January 2016	3,963	2,898	322	1,175	33	-	8,391
Loan impairment charges from loans and advances to customers	91	307	145	(73)	4	-	474
Write-down of defaulted loans during the year	(932)	(203)	(165)	(240)	(7)	-	(1,547)
Interest and other adjustments	125	33	15	12	(15)	-	170
Balance on 31 December 2016	3,246	3,035	317	874	15	-	7,487
Specific allowance	2,176	2,679	128	863	-	-	5,846
Collective allowance	650	11	95	-	-	-	756
IBNR	420	345	94	11	15	-	885
Total	3,246	3,035	317	874	15	-	7,487

1 Operating expenses divided by Income

2 Operating expenses plus regulatory levies divided by Income

3 Loan impairment charges divided by 12-month average private sector loan portfolio

Amounts in millions of euros	Domestic retail banking	Wholesale banking and international retail and retail banking	Leasing	Real estate	Other segments	Consolidation effects	Total
For the year ended 31 December 2015							
Net interest income	5,661	2,270	1,094	348	(234)	-	9,139
Net fee and commission income	1,321	513	57	29	(16)	(12)	1,892
Other income	18	653	568	302	662	(220)	1,983
Income	7,000	3,436	1,719	679	412	(232)	13,014
Staff costs	2,134	1,123	601	196	(38)	770	4,786
Other administrative expenses	2,470	1,101	277	124	102	(1,158)	2,916
Depreciation	116	107	38	7	47	128	443
Operating expenses	4,720	2,331	916	327	111	(260)	8,145
Impairment losses on goodwill and investments in associates	-	612	10	1	-	-	623
Loan impairment charges	343	526	85	90	(11)	-	1,033
Regulatory levies	171	139	19	15	-	-	344
Operating profit before tax	1,766	(172)	689	246	312	28	2,869
Taxation	445	161	191	65	(213)	6	655
Net profit	1,321	(333)	498	181	525	22	2,214
Cost/income ratio excluding regulatory levies (in %) ¹	67.4	67.8	53.3	48.2	n/a	n/a	62.6
Cost/income ratio including regulatory levies (in %) ²	69.9	71.9	54.4	50.4	n/a	n/a	65.2
Loan impairment charges (in basis points of average private sector loan portfolio) ³	12	53	25	56	n/a	n/a	24
Business segment assets	327,909	494,210	40,091	21,939	116,694	(325,688)	675,155
Investments in associates	16	487	32	197	2,940	-	3,672
Total assets	327,925	494,697	40,123	22,136	119,634	(325,688)	678,827
Business segment liabilities	298,883	482,273	35,411	19,865	111,244	(310,046)	637,630
Total liabilities	298,883	482,273	35,411	19,865	111,244	(310,046)	637,630
Investments in property and equipment	90	56	2,124	2	237	-	2,509
Impairment of tangible and intangible assets	-	631	10	1	11	-	653
Goodwill	322	131	448	2	2	-	905
Private sector loan portfolio	284,496	104,014	29,655	15,287	475	-	433,927

in millions of euros	Domestic retail banking	Wholesale banking and international retail and retail banking	Leasing	Real estate	Other segments	Consolidation effects	Total
Loan impairment allowances loans and advances to customers							
Balance on 1 January 2015	4,836	2,816	378	1,270	48	-	9,348
Loan impairment charges from loans and advances to customers	377	509	120	91	(10)	-	1,087
Write-down of defaulted loans during the year	(1,440)	(478)	(167)	(218)	(4)	-	(2,307)
Interest and other adjustments	190	52	(9)	32	(2)	-	263
Balance on 31 December 2015	3,963	2,899	322	1,175	32	-	8,391
Specific allowance	2,615	2,631	151	1,092	32	-	6,521
Collective allowance	884	30	83	-	-	-	997
IBNR	464	238	88	83	-	-	873
Total	3,963	2,899	322	1,175	32	-	8,391

1 Operating expenses divided by Income

2 Operating expenses plus regulatory levies divided by Income

3 Loan impairment charges divided by 12-month average private sector loan portfolio

Geographic information (country-by-country reporting)

Rabobank operates in seven main geographical areas. The country of domicile of Rabobank is the Netherlands. The information below is reported by distinguishable components of Rabobank that provide products and/or services within a particular economic environment within specific geographical locations/areas. The allocation is based on the location of the individual subsidiary from which the transactions are initiated. The prior year table has been changed due to further guidance of the OECD/G20 Base Erosion and Profit Shifting Project on country-by-country reporting and now represents the revenue and the gross numbers before consolidation. Revenue is defined as total income as presented in the statement of income plus interest expense and fee and commission expense.

Per 31 December 2016

in millions of euros								
Geographic location	Country	Name of subsidiary	Type of operations	Revenues	Average number of internal employees in FTE	Operating profit before tax	Income tax	Government subsidies received
The Netherlands	The Netherlands	Rabobank, DLL, Obvion, Friesland Zekerheden Maatschappij NV, Rabohypotheekbank, Rabo Real Estate Group	Domestic retail banking, Wholesale banking and international retail banking, Leasing, Real estate	24,601	31,627	1,128	187	-
Other Eurozone countries	France	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	246	553	86	31	-
	Belgium	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	176	201	28	8	-
	Germany	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	332	664	92	32	-
	Italy	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	81	146	33	6	-
	Luxembourg	DLL, Rabo Real Estate Group	Leasing, Real estate	2	-	-	-	-
	Ireland	DLL, Rabobank, ACC Loan Management	Leasing, Wholesale banking and international retail banking	812	319	265	26	-
	Finland	DLL	Leasing	5	7	2	-	-
	Austria	DLL	Leasing	2	2	1	-	-
	Portugal	DLL	Leasing	6	13	1	-	-
	Spain	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	58	140	21	11	-
Rest of Europe (non-Eurozone)	United Kingdom	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	586	648	85	22	-
	Norway	DLL	Leasing	22	31	7	2	-
	Sweden	DLL	Leasing	48	127	7	3	-
	Denmark	DLL, Rabo Real Estate Group	Leasing, Real estate	17	23	8	1	-
	Switzerland	DLL	Leasing	4	6	1	-	-
	Russia	DLL	Leasing	23	55	8	2	-
	Poland	DLL	Leasing	28	100	10	2	-
	Czech Republic	Rabo Real Estate Group	Real estate	-	1	-	-	-
	Hungary	DLL	Leasing	7	35	3	-	-
	Romania	DLL	Leasing	-	2	-	-	-
	Turkey	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	32	59	14	3	-
North America	United States	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	2,849	4,002	431	183	-
	Canada	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	183	213	53	14	-

in millions of euros

Geographic location	Country	Name of subsidiary	Type of operations	Revenues	Average number of internal employees in FTE	Operating profit before tax	Income tax	Government subsidies received
Latin America	Mexico	DLL	Leasing	16	60	3	1	-
	Cayman Islands	Rabobank	Wholesale banking and international retail banking	-	-	-	-	-
	Curacao	Rabobank	Wholesale banking and international retail banking	7	1	1	1	-
	Brazil	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	607	679	153	58	-
	Chile	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	77	247	(12)	16	-
	Argentina	DLL	Leasing	3	36	(4)	1	-
Asia	India	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	59	161	(20)	(9)	-
	Singapore	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	135	205	(15)	(2)	-
	Indonesia	Rabobank	Wholesale banking and international retail banking	94	797	2	-	-
	Malaysia	Rabobank	Wholesale banking and international retail banking	4	4	1	-	-
	China	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	311	356	27	9	-
	South Korea	DLL	Leasing	8	25	(2)	-	-
	Japan	DLL	Leasing	-	1	-	-	-
Australia	Australia	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	1,204	983	200	57	-
	New Zealand	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	592	313	100	29	-
Other	Mauritius, Kenya	Rabobank	Wholesale banking and international retail banking	-	1	-	-	-
			Consolidation effects	(12,478)	-	-	-	-
				20,759	42,843	2,718	694	-

Per 31 December 2015

in millions of euros

Geographic location	Country	Name of subsidiary	Type of operations	Revenues	Average number of internal employees in FTE	Operating profit before tax	Income tax	Government subsidies received
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-	25,425	35,041	2,100	224	-
Other Eurozone countries	France	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	192	612	73	28	-
	Belgium	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	201	295	29	7	-
	Germany	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	319	699	101	27	-
	Italy	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	65	165	24	9	-

<i>in millions of euros</i>								
<i>Geographic location</i>	<i>Country</i>	<i>Name of subsidiary</i>	<i>Type of operations</i>	<i>Revenues</i>	<i>Average number of internal employees in FTE</i>	<i>Operating profit before tax</i>	<i>Income tax</i>	<i>Government subsidies received</i>
	Luxembourg	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	2	12	-	-	-
	Ireland	DLL, Rabobank, ACC Loan Management	Leasing, Wholesale banking and international retail banking	804	435	39	4	-
	Finland	DLL	Leasing	2	6	2	-	-
	Austria	DLL	Leasing	2	2	1	-	-
	Portugal	DLL	Leasing	3	18	1	-	-
	Spain	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	49	165	20	6	-
Rest of Europe (non-Eurozone)	United Kingdom	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	502	666	26	7	-
	Norway	DLL	Leasing	13	31	6	2	-
	Sweden	DLL	Leasing	35	123	7	2	-
	Denmark	DLL, Rabo Real Estate Group	Leasing, Real estate	11	24	5	(1)	-
	Switzerland	DLL	Leasing	2	6	1	-	-
	Russia	DLL	Leasing	14	55	6	1	-
	Poland	DLL, Rabobank, Bank BGZ	Leasing, Wholesale banking and international retail banking	19	121	8	3	-
	Czech Republic	Rabo Real Estate Group	Real estate	(1)	1	(1)	-	-
	Hungary	DLL	Leasing	6	31	2	-	-
	Romania	DLL	Leasing	-	2	-	-	-
	Turkey	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	26	54	10	3	-
North America	United States	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	2,340	3,989	(112)	189	-
	Canada	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	174	212	56	14	-
Latin America	Mexico	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	14	58	5	2	-
	Cayman Islands	Rabobank	Wholesale banking and international retail banking	-	-	-	-	-
	Curacao	Rabobank	Wholesale banking and international retail banking	161	13	53	2	-
	Brazil	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	546	683	156	53	-
	Chile	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	82	304	(51)	(15)	-
	Argentina	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	2	37	(7)	-	-
Asia	India	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	45	126	8	6	-
	Singapore	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	124	199	28	3	-
	Indonesia	Rabobank	Wholesale banking and international retail banking	95	1,112	(15)	1	-
	Malaysia	Rabobank	Wholesale banking and international retail banking	4	2	2	-	-
	China	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	295	353	4	(3)	-
	South Korea	DLL	Leasing	6	24	-	-	-

<i>in millions of euros</i>								
<i>Geographic location</i>	<i>Country</i>	<i>Name of subsidiary</i>	<i>Type of operations</i>	<i>Revenues</i>	<i>Average number of internal employees in FTE</i>	<i>Operating profit before tax</i>	<i>Income tax</i>	<i>Government subsidies received</i>
	Japan	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	-	1	-	-	-
Australia	Australia	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	1,240	967	168	49	-
	New Zealand	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	634	311	113	32	-
Other	Mauritius	Rabobank	Wholesale banking and international retail banking	3	1	1	-	-
Consolidation effects				(11,753)				
				21,703	46,956	2,869	655	-

<i>in millions of euros</i>	<i>Additions to property and equipment and intangible assets</i>	<i>Additions to property and equipment and intangible assets</i>
	<i>On 31 December 2016</i>	<i>On 31 December 2015</i>
The Netherlands	1,020	1,588
Other Eurozone countries	827	944
Rest of Europe (non-Eurozone)	239	101
North America	251	230
Latin America	1	-
Asia	4	7
Australia	64	77
Total	2,406	2,947

6 Cash and balances at central banks

<i>in millions of euros</i>	2016	2015
Cash	653	861
Deposits at central banks other than mandatory reserve deposits	83,266	63,686
	83,919	64,547
Mandatory reserve deposits at central banks	486	396
Total cash and balances at central banks	84,405	64,943

The average minimum reserve to be held for the Netherlands for the month of December 2016 was 3,135 (December 2015: 3,109).

7 Loans and advances to banks

<i>in millions of euros</i>	2016	2015
Deposits with other banks	10,412	11,220
Reverse repurchase transactions and securities borrowing agreements	13,398	18,495
Loans	1,435	2,494
Other	169	126
Gross due from other banks	25,414	32,335
Less: loan impairment allowance loan and advances to banks	(18)	(16)
	25,396	32,319
Reclassified assets	48	115
Total loans and advances to banks	25,444	32,434
Loan impairment allowance loans and advances to banks		
Balance on 1 January	16	26
Loan impairment charges loans and advances to banks	-	(10)
Write-down of defaulted loans during the year	-	-
Other changes	2	-
Balance on 31 December	18	16

The loan impairment charges of the loans and advances to banks are included in the income statement under 'Loan impairment charges'. The gross carrying amount of 'Loans and advances to banks' whose value adjustments were established on an individual basis is 18 (2015: 18).

8 Financial assets held for trading

<i>in millions of euros</i>	2016	2015
Purchased loans	272	520
Short-term government securities	-	19
Government bonds	603	1,073
Other debt securities	1,123	1,637
Equity instruments	587	223
Total	2,585	3,472

9 Financial assets designated at fair value

<i>in millions of euros</i>	2016	2015
Other debt securities	32	791
Purchased loans	854	1,006
Venture capital (equity instrument)	314	270
Other equity instruments	121	129
Total	1,321	2,196

The change in the current year in the fair value of the loans designated as being at fair value with adjustments in the income statement that is allocable to the changes in the credit risk amounts to 1 (2015: 5). The cumulative change is -28 (2015: -29). Any changes in fair value are calculated by discounting future cash flows. When setting the discount rate, account is taken of expected losses, liquidity mark-ups and the risk margin. No use is made of credit derivatives to hedge the purchased loans designated at fair value.

10 Derivatives

Derivatives are used at Rabobank for the purpose of mitigating at least a portion of the risks arising from the bank's various operations. Examples of this include interest rate swaps used to hedge interest rate risks arising from the difference in maturities 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 protect its net interest income within the risk appetite framework. Additionally to hedging purposes derivatives are also contracted for the bank's customers.

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 prevailing 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. Since 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, mainly via a central counterparty clearing house, the credit risk is low. The credit risk exposure for Rabobank is represented by 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 in 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.

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 in certain currency swaps, no transfer of the principal amount takes place.

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 only exposed to credit risks as an option holder and only up to the carrying amount, which is equivalent to the fair value.

Credit default swaps (CDSs) are instruments by means of which the seller of a CDS undertakes to pay an amount to the buyer. This amount is 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 largely expressed in basis points, with the size of the fee depending on the credit spread of the reference asset.

10.2 Derivatives issued or held for trading

The derivatives held or issued for trading are those used to hedge economic risks but which do not qualify as hedge accounting instruments and derivatives that corporate customers have contracted with Rabobank to hedge interest rate and currency risks. The exposures from derivatives with corporate customers are normally hedged by entering into reverse positions with one or more professional counterparties, within trading limits set.

10.3 Derivatives held as hedges

Rabobank contracts various financial derivatives that serve to hedge economic risks, including interest rate and currency risks, which qualify as a fair value hedge, cash flow hedge or net investment hedge.

Fair value hedges

The main components of the fair value hedge at Rabobank 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, such as mortgages, available-for-sale debt securities and issued debt securities. The net fair value of these interest rate swaps on 31 December 2016 was -6,921 (2015: -9,374). The net fair value of the cross-currency swaps on 31 December 2016 was 2,050 (2015: 2,190). Rabobank tests the hedge effectiveness on the basis of statistical regression analysis models, both prospectively and retrospectively. At year-end 2016, the hedge relations were highly effective within the range set by IAS 39.

The IFRS ineffectiveness for the year ended 31 December 2016 was 118 (2015: 130). The result on the hedging instrument amounted to -850 (2015: 1,466), with the result from the hedged position, allocable to the hedged risk, amounting to 968 (2015: -1,336).

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.

Rabobank tests the hedge effectiveness on the basis of statistical regression analysis models, both prospectively and retrospectively. At year-end 2016 and 2015, the hedge relations were highly effective within the range set by IAS 39. On 31 December 2016, the net fair value of the cross-currency interest rate swaps, classified as cash flow hedges was -594 (2015: -707).

In 2016, Rabobank accounted for an amount of -87 (2015: 659) after taxation in other comprehensive income as effective changes in the fair value of derivatives in cash flow hedges. In 2016, an amount of 56 (2015: -709) after taxation of cash flow hedge reserves was reclassified to the income statement. On 31 December 2016, the cash flow hedge reserves as part of equity totalled -70 (2015: -39) after taxation. 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 income. The cash flow hedge reserve relates to a large number of derivatives and hedged positions with different terms. The maximum term is 25 years, with the largest concentrations exceeding five years. The IFRS ineffectiveness for the year ended 31 December 2016 was 148 (2015: 181).

Net investment hedges

Rabobank uses foreign forward-exchange contracts to hedge a portion of the currency translation risk of net investments in foreign operations. The net fair value of these foreign forward-exchange contracts on 31 December 2016 was 20 (2015: 4). On 31 December 2016, forward contracts with a nominal amount of 1,230 (2015: 657) were designated as net investment hedges. These resulted in exchange gains and losses of -6 for the year (2015: -6), which are deferred in equity. A total of 24 was made in withdrawals from equity during the reporting year (2015: 22). For the year ended 31 December 2016, 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 and therefore the exposure of Rabobank to credit or exchange risks. The nominal value is the amount of the asset, reference rate or index underlying a derivative financial instrument, which represents 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, but is not a measure of risk exposure. Some derivatives are standardised in terms of notional amount or settlement date and are specifically designed for trading on active markets (stock exchanges). Other derivatives are specifically constructed for individual clients and not for trading on an exchange, even though they can be traded at prices negotiated between 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 if all counterparties were to 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 if Rabobank defaults. The totals of the positive and negative fair values are disclosed separately in the statement of financial position. Derivatives 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 derivatives 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 following table shows the notional amounts and the positive and negative fair values of derivative contracts held by Rabobank.

in millions of euros	Notional amounts	Fair values	
		Assets	Liabilities
Balance on 31 December 2016			
Derivatives held for trading	3,036,696	37,438	37,645
Derivatives held as hedges	133,517	4,934	10,379
Total derivative financial assets/liabilities	3,170,213	42,372	48,024
Derivatives held for trading			
Currency derivatives			
Unlisted tradeable contracts (OTC)			
Currency swaps	405,251	6,986	9,191
Currency options - purchased and sold	5,438	95	63
Listed tradeable contracts	3,333	10	12
Currency futures	64	1	10
Total currency derivatives	414,086	7,092	9,276
Interest rate derivatives			
Unlisted tradeable contracts (OTC)			
Interest rate swaps	2,472,881	26,751	24,630
OTC interest rate options	81,784	3,388	3,435
Total OTC contracts	2,554,665	30,139	28,065
Listed tradeable contracts			
Interest rate swaps	62,078	1	0
Total interest rate derivatives	2,616,743	30,140	28,065
Credit derivatives			
Credit default swaps	2,663	1	4
Total return swaps	522	30	7
Total credit derivatives	3,185	31	11
Equity instruments/index derivatives			
Unlisted tradeable contracts (OTC)			
Options - purchased and sold	163	23	6
Total equity instruments/index derivatives	163	23	6
Other derivatives	2,518	153	287
Total derivative financial assets/liabilities held for trading	3,036,695	37,439	37,645
Derivatives held as hedges			
Derivatives designated as fair value hedges			
Currency swaps and cross-currency interest rate swaps	75,783	2,063	13
Interest rate swaps	48,654	1,903	8,824
Derivatives designated as cash flow hedges			
Currency swaps and cross-currency interest rate swaps	7,850	948	1,542
Derivatives classified as net investment hedges			
Currency futures contracts	1,230	20	-
Total derivative financial assets/liabilities designated as hedges	133,517	4,934	10,379

in millions of euros	Notional amounts	Fair values	
		Assets	Liabilities
Balance on 31 December 2015			
Derivatives held for trading	2,819,875	43,152	41,708
Derivatives held as hedges	148,307	4,961	12,848
Total derivative financial assets/liabilities	2,968,182	48,113	54,556
Derivatives held for trading			
Currency derivatives			
Unlisted tradeable contracts (OTC)			
Currency swaps	395,309	5,028	7,626
Currency options - purchased and sold	5,812	87	56
Listed tradeable contracts	4,062	39	27
Currency futures	3	-	-
Total currency derivatives	405,186	5,154	7,709
Interest rate derivatives			
Unlisted tradeable contracts (OTC)			
Interest rate swaps	2,236,520	33,238	29,370
Interest rate options	101,210	4,135	4,143
Total OTC contracts	2,337,730	37,373	33,513
Listed tradeable contracts			
Interest rate swaps	67,932	1	1
Total interest rate derivatives	2,405,662	37,374	33,514
Credit derivatives			
Credit default swaps	2,782	1	5
Total return swaps	558	1	10
Total credit derivatives	3,340	2	15
Equity instruments/index derivatives			
Unlisted tradeable contracts (OTC)			
Options - purchased and sold	2,793	162	127
Listed tradeable contracts			
Options - purchased and sold	1,239	95	47
Total equity instruments/index derivatives	4,032	257	174
Other derivatives	1,655	365	296
Total derivative financial assets/liabilities held for trading	2,819,875	43,152	41,708
Derivatives held as hedges			
Derivatives designated as fair value hedges			
Currency swaps and cross-currency interest rate swaps	84,006	2,231	41
Interest rate swaps	47,687	1,787	11,161
Derivatives designated as cash flow hedges			
Currency swaps and cross-currency interest rate swaps	15,957	939	1,646
Derivatives classified as net investment hedges			
Currency futures contracts	657	4	-
Total derivative financial assets/liabilities designated as hedges	148,307	4,961	12,848

11 Loans and advances to customers

<i>in millions of euros</i>	2016	2015 ¹
Loans initiated by Rabobank:		
Loans to government clients:		
- leases	284	227
- other	2,957	3,083
Loans to private clients:		
- overdrafts	21,677	30,758
- mortgages	206,450	212,685
- leases	19,984	25,923
- reverse repurchase transactions and securities borrowing agreements	16,068	18,927
- corporate loans	184,647	173,789
- other	7,809	8,210
Gross loans and advances to customers	459,876	473,620
Less: loan impairment allowance loans and advances to customers	(7,487)	(8,391)
	452,389	465,211
Reclassified assets	418	782
Total loans and advances to customers	452,807	465,993
Loan impairment allowance loans and advances to customers		
Balance on 1 January	8,391	9,348
Loan impairment charges from loans and advances to customers	474	1,087
Write-down of defaulted loans during the year	(1,548)	(2,307)
Interest and other changes	170	263
Total loan impairment allowance loans and advances to customers	7,487	8,391
Specific allowance	5,846	6,521
Collective allowance	756	997
IBNR	885	873
Total loan impairment allowance loans and advances to customers	7,487	8,391
Gross carrying amount of loans whose value adjustments were established on an individual basis	16,564	18,094

1 Prior-year figures adjusted due to changes in presentation and the restatement (see note 2.1).

In 2016, Rabobank sold loans as part of its strategy and normal business operations. Mortgage loans of EUR 1.5 billion were sold to insurance companies. FGH Bank sold real estate loans for an amount of EUR 0.2 billion and Obvion reduced its balance sheet with EUR 1.4 billion through a sale of Dutch mortgages. Rabobank acquired financial and non-financial assets during the year by taking possession of collateral with an estimated value of 61 (2015: 62). It is the policy of Rabobank to sell these assets in the reasonably foreseeable future. Yields are allocated to repay the outstanding amount.

Reclassified assets

In 2008, 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 and advances to customers' and 'Loans and advances to banks'.

Rabobank has identified assets to which this amendment applies, whereby the intention has clearly shifted from holding the securities for the near future as opposed to selling or trading them in the short term. The reclassifications were effected as of 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>	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets held for trading reclassified to loans	41	37	183	174
Available-for-sale financial assets reclassified to loans	425	437	714	678
Total financial assets reclassified to loans	466	474	897	852

If the reclassification had not been made, net profit for the assets held for trading would have been 3 higher (2015: 2 higher). The change in the equity position in 2016 would have been 33 more positive (2015: 43 more negative) if the reclassification of the available-for-sale financial assets had not been carried out.

Following reclassification, the reclassified financial assets made the following contribution to operating profit before taxation:

	For the year ended 31 December	
	2016	2015
Net income	(2)	3
Loan impairment charges	-	-
Operating profit before taxation on reclassified financial assets held for trading	(2)	3
Net income	9	16
Loan impairment charges	-	2
Operating profit before taxation on reclassified available-for-sale financial assets	9	18

Finance leases

Loans and advances to customers also includes receivables from finance leases, which can be broken down as follows:

<i>in millions of euros</i>	2016	2015
Receivables from gross investment in finance leases		
Not exceeding 1 year	7,561	8,872
Longer than 1 year but less than 5 years	13,773	18,775
Longer than 5 years	653	1,183
Total receivables from gross investment in finance leases	21,987	28,830
Unearned deferred finance income from finance leases	1,944	2,967
Net investment in finance leases	20,043	25,863
Not exceeding 1 year	7,321	8,575
Longer than 1 year but less than 5 years	12,180	16,443
Longer than 5 years	542	845
Net investment in finance leases	20,043	25,863

On 31 December 2016, the loan impairment allowance for finance leases amounted to 225 (2015: 287). The unguaranteed residual values accruing to the lessor amounted to 1,884 (2015: 1,705). The contingent lease payments recognised as income in 2016 were nil (2015: nil).

The finance leases mainly relate to the lease of equipment and cars, as well as factoring products.

12 Available-for-sale financial assets

<i>in millions of euros</i>	2016	2015
Short-term government papers	1,602	1,191
Government bonds	27,010	30,053
Other debt securities	5,133	5,594
Equity instruments	835	935
Total available-for-sale financial assets	34,580	37,773

The impairment of available-for-sale financial assets amounted to 0 (2015: 160) and is recognised in the income statement under 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'.

<i>in millions of euros</i>	2016	2015
Gains/(losses) on available-for-sale financial assets	87	148

The changes in available-for-sale financial assets can be broken down as follows:

<i>in millions of euros</i>	2016	2015
Opening balance	37,773	39,770
Foreign exchange differences	395	703
Additions	5,371	6,219
Disposals (sale and repayment)	(8,768)	(8,431)
Fair value changes	(155)	(335)
Other changes	(36)	(153)
Closing balance	34,580	37,773

13 Investments in associates and joint ventures

The carrying amount of the investments in associates and joint ventures is 2,417 (2015: 3,672).

<i>in millions of euros</i>	2016	2015
Opening balance	3,672	3,807
Foreign exchange differences	3	(33)
Purchases	75	37
Sales	(350)	(44)
Share of profit of associates	44	351
Dividends paid out (and capital repayments)	(101)	(384)
Transferred to held for sale	(187)	-
Revaluation	27	(76)
Impairment	(700)	-
Other	(66)	14
Total investments in associates and joint ventures	2,417	3,672

13.1 Investments in associates

The main associate in terms of the size of the capital interest held by Rabobank is:

<i>On 31 December 2016</i>	Shareholding	Voting rights
The Netherlands		
Achmea B.V.	29%	29%

Achmea is a strategic partner of Rabobank for insurance products and Interpolis, a subsidiary of the Achmea Group, works closely with the local Rabobanks. Achmea's head office is located in Zeist, the Netherlands. No listed market price is available for the interest in Achmea. The interest in Achmea is valued according to the equity method. In 2016, Rabobank received dividend from Achmea for an amount of 43 (2015: nil).

The outlook for the future profitability of Achmea deteriorated during 2016, taken into account the recent developments in the health insurance market and the financial results over the first half year of 2016. These elements, in combination with the deteriorating business environment of Dutch insurers over the last years, gave triggers of potential impairments for the investment in Achmea. The test to establish whether these potential

impairments had occurred, resulted in a downward adjustments of the carrying value of the investment in Achmea of 700 which was recognised in the income statement as 'Impairment losses on goodwill and investments in associates'. Achmea B.V. is part of the operating segment 'Other segments'.

The recoverable amount is based on the estimated value in use and is a level 3 valuation according to the fair value hierarchy. To determine the value in use for Achmea, Rabobank has undertaken a review of the expected cash flows that Achmea generates for Rabobank discounted at a pre-tax discount rate of 10.49%.

<i>Achmea</i>	2016	2015
Cash and balances at central banks	2,171	2,117
Investments	65,235	63,605
Banking credit portfolio	13,679	14,866
Other assets	11,930	12,851
Total assets	93,015	93,439
Insurance related provisions	61,345	61,061
Loans and funds borrowed	6,994	7,603
Other liabilities	14,894	14,495
Total liabilities	83,233	83,159
Revenues	23,966	23,225
Net profit	(382)	386
Other comprehensive income	109	(250)
Total comprehensive income	(273)	136

<i>Reconciliation carrying amount of interest in Achmea</i>	2016	2015
Total equity Achmea	9,782	10,280
Minus: hybrid capital	1,350	1,350
Minus: preference shares and accrued dividend	350	350
Shareholder's equity	8,082	8,580
Share of Rabobank	29.21%	29.21%
	2,360	2,506
Impairment	(700)	-
Carrying amount	1,660	2,506

<i>Other associates</i>	2016	2015
Result from continuing operations	175	260
Result from discontinued operations after taxation	-	-
Net profit	175	260
Other comprehensive income	(4)	(11)
Total comprehensive income	171	249

equensWorldline SE

On 30 September 2016 Equens SE (Equens) en Wordline completed the transaction that was presented on 3 November 2015. Rabobank's shareholding (classified as an investment in associate) of 15.15% in Equens was reduced to a shareholding of 5.8% in equensWorldline SE (classified as an available-for-sale financial asset). Rabobank realized a gain of 62 which is included in 'Income from investments in associates and joint ventures'.

Arise B.V.

On 27 July 2016 Rabobank entered into a partnership with Norfund and FMO to reaffirm their long-term commitment to Africa's future development, growth potential and the local financial sector. The partners have irrevocably agreed to transfer their stakes in several financial service providers (FSPs) in Sub-Saharan Africa to Arise B.V.. On 31 December 2016 Rabobank holds almost 25% of the shares in Arise, which is considered to be an investment in an associate. The current associate investments, of our stakes in several financial service providers (FSPs) in Sub-Saharan Africa, are classified as held for sale in accordance with IFRS 5 for an amount of 187.

Any dividends and other distributions from holding the current associate investments from 1 January 2016 (but excluding 2015 distributions), classified as held for sale, are for the account of Arise B.V.. The irrevocable obligation to deliver the shares is included under the associated investments, offsetting the equity value of the investment in Arise B.V..

13.2 Investments in joint ventures

Virtually all joint ventures are investments of Rabo Real Estate Group. Their total carrying amount is -36 (2015: -39). Joint ventures are recognised in accordance with the equity method.

Rabo Real Estate Group often has partnerships for the development of integrated residential areas, commercial real estate and the implementation of fund and asset management activities. 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'.

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 comparable structure. In the case of a CV-BV, the risk of a partner is generally limited to the issued capital and partners are only entitled to the net assets of the entity. In the case of general partnerships ('VOF'), each party bears, in principle, unlimited liability and has, in principle, a proportional right to the assets and obligations for the liabilities of the entity. On the basis of the legal form, a CV-BV structure qualifies as a 'joint venture', whereas a VOF structure qualifies as a 'joint operation'. It is important to note that the contractual terms and other relevant facts and circumstances may result in a different classification.

As a separate legal structure is established for each project, projects have different participating partners and individual projects are not of a substantial size, Rabo Real Estate Group did not have material joint arrangements in 2015 and 2016.

Result from joint ventures	2016	2015
Profit or loss from continuing operations	9	(5)
Post-tax profit or loss from discontinued operations	-	-
Net profit	9	(5)
Other comprehensive income	-	-
Total comprehensive income	9	(5)

Contingent assets and liabilities

Rabobank Real Estate Group entered into commitments on 31 December 2016 with regard to real estate projects, commitments with third parties (including subcontractors and architects) for the amount of 27 (2015: 17).

14 Goodwill and other intangible assets

<i>in millions of euros</i>	Goodwill	Software developed in-house	Other intangible assets	Total
Year ended 31 December 2016				
Opening balance	905	428	160	1,493
Foreign exchange differences	1	(1)	2	2
Additions	1	105	52	158
Disposals	-	(1)	(7)	(8)
Changes due to sale of Athlon	(367)	-	-	(367)
Other	(3)	6	-	3
Amortisation	-	(113)	(75)	(188)
Impairments	-	(4)	-	(4)
Closing balance	537	420	132	1,089
Cost	1,227	1,465	564	3,256
Accumulated amortisation and impairments	(690)	(1,045)	(432)	(2,167)
Net carrying amount	537	420	132	1,089
Year ended 31 December 2015				
Opening balance	1,454	421	184	2,059
Foreign exchange differences	79	1	4	84
Additions	4	380	54	438
Disposals	-	(239)	(12)	(251)
Other	(9)	11	7	9
Amortisation	-	(116)	(77)	(193)
Impairments	(623)	(30)	-	(653)
Closing balance	905	428	160	1,493
Cost	1,571	1,450	646	3,667
Accumulated amortisation and impairments	(666)	(1,022)	(486)	(2,174)
Net carrying amount	905	428	160	1,493

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 this purpose, the best estimate of the value in use determined on the basis of cash flow forecasts is used first, as taken from annual medium-term plans drawn up as part of the annual planning cycle. The plans reflect the management's

best estimates of market conditions, market restrictions, discount rates (before taxation), growth in operations, etc. 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, etc. The valuation models are tested and include the development of the activities since the acquisition, the most recent income and expenses forecasts drawn up by management, as well as updated forecasts, assessments of discount rates, final values of growth rates, etc. 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 carrying amount of the goodwill allocated to RNA in the wholesale banking segment is 136 (2015: 131). The recoverable amount is based on the value in use and determined using cash flow forecasts. The principal assumptions used are a growth rate of after tax earnings expected in the near term of 12.8% (2015: average of 7.5%), the discount rate of 13% (2015: 14%) and the multiplier used for calculating the present value of the discounted cash flows after the forecast period of 16 (2015: 16). As the recoverable amount exceeds the carrying amount, it was concluded that the goodwill allocated to RNA was not impaired.

A change of 0.5% in the discount rate does not cause the carrying amount to exceed the recoverable amount.

The goodwill allocated to one of the cash-generating units in the domestic retail segment is significant in comparison with the goodwill's total carrying amount. The carrying amount of this goodwill is 322 (2015: 322) and the cash-generating unit is the collective of local Rabobanks. The recoverable amount is based on the value in use. The value in use is determined using cash flows expected in the near future based on financial forecasts. As the recoverable amount substantially exceeded the carrying amount, it was concluded that the goodwill allocated to this cash-generating unit was not impaired. An increase in the discount rate of 10% or a reduction in the future cashflows of 10% are considered to be a maximum of possible changes in key assumptions. Such a change does not cause the carrying amount to exceed the recoverable amount and would not result in an impairment.

No impairment of goodwill was recognised in 2016 (2015: 623). Impairments of software developed in-house and other intangible assets are not individually material. The total impairments of software developed in-house was 4 (2015: 30). This was mainly caused by the fact that the software is (partly) 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 2016			
Opening balance	1,945	5,820	7,765
Foreign exchange differences	3	20	23
Purchases	88	2,160	2,248
Disposals	(61)	(656)	(717)
Transfer to held for sale	-	-	-
Changes due to sale of Athlon	-	(3,475)	(3,475)
Impairments	(112)	-	(112)
Depreciation	(109)	(141)	(250)
Depreciation of operating lease assets	-	(969)	(969)
Other	(27)	104	77
Closing balance	1,727	2,863	4,590
Cost	3,140	4,846	7,986
Accumulated depreciation and impairments	(1,413)	(1,983)	(3,396)
Net carrying amount	1,727	2,863	4,590
Year ended 31 December 2015			
Opening balance	1,969	5,179	7,148
Foreign exchange differences	14	105	119
Purchases	109	2,400	2,509
Disposals	(47)	(722)	(769)
Impairments	-	-	-
Depreciation	(109)	(141)	(250)
Depreciation of operating lease assets	-	(1,002)	(1,002)
Other	9	1	10
Closing balance	1,945	5,820	7,765
Cost	3,292	9,285	12,577
Accumulated depreciation and impairments	(1,347)	(3,465)	(4,812)
Net carrying amount	1,945	5,820	7,765

The impairments recognised per 31 december 2016 relate to property for own use of the local Rabobanks. Vacancy of property as a result of the restructuring (decreasing usage of square meters) triggered impairments calculations and resulted in impairment losses for a total amount of 112.

16 Investment properties

<i>in millions of euros</i>	<i>2016</i>	<i>2015</i>
Opening balance	381	452
Purchases	14	4
Sales	(79)	(44)
Transfer to held for sale	(48)	-
Depreciation	(9)	(11)
Impairments	19	(25)
Other	15	5
Closing balance	293	381
Cost	627	774
Accumulated depreciation and impairments	(334)	(393)
Net carrying amount	293	381

The fair value of the investment properties amounts to 303 (2015: approximates the carrying amount). External valuations of investment properties were performed by duly certified external parties in accordance with RICS valuation standards or other equivalent standards. Investment properties are valued, for the determination of fair value, on the basis of the methodologies which are most appropriate for that property. This includes the discounted cash flow valuation method and the capitalisation method based on net initial yields for comparable transactions.

Valuations	<i>2016</i>	<i>2015</i>
External valuations	100%	100%
Internal valuations	0%	0%

Most investment property is unique. There is often no active market for similar properties in the same location and condition. Appraisals of the different types of investment properties are based on a large number of parameters, which are derived from current contracts and market information as much as possible. A certain degree of judgement and estimation cannot be avoided. As a result, all investment property has been designated as level 3 in line with the fair value classification under IFRS 13. When determining the fair value of investment property, the parameters used include the following, depending on the type of property: current and expected future market rent per m², current and expected future vacancy rates, location of the property, the marketability of the property, the average discount rate, the development budget, and any credit risks.

17 Other assets

<i>in millions of euros</i>	<i>Note</i>	<i>2016</i>	<i>2015</i>
Receivables and prepayments		1,833	2,217
Accrued interest		1,351	1,500
Precious metals, goods and warehouse receipts		1,172	901
Real estate projects		1,963	2,291
Accrued income		672	379
Employee benefits	25	7	7
Other assets		880	559
Total other assets		7,878	7,854

Real estate projects		
<i>in millions of euros</i>	<i>2016</i>	<i>2015</i>
Building sites and equalisation funds	1,104	1,206
Work in progress	816	761
Finished goods	43	324
Total real estate projects	1,963	2,291

In 2016, the net realisable value of all current land operations, sites not subject to a zoning plan and equalisation funds was calculated and compared with the carrying amount. This resulted in a transfer to provisions of a total of 7 (2015: -2).

<i>in millions of euros</i>	Balance on 1 January 2016	Additions/release	Withdrawals/ other changes	Balance on 31 December 2016
Movements in provisions for real estate projects				
Building sites and equalisation funds	633	7	(47)	593
Work in progress	153	(9)	(11)	133
Completed developments	4	4	-	8
Total	790	2	(58)	734
<i>in millions of euros</i>				
Movements in provisions for real estate projects				
Building sites and equalisation funds	669	(2)	(34)	633
Work in progress	116	5	32	153
Completed developments	60	(21)	(35)	4
Total	845	(18)	(37)	790

Work in progress		
<i>in millions of euros</i>	2016	2015
Residential property in preparation and under construction	660	686
Commercial property in development and under construction	85	108
Instalments invoiced in advance – residential property	(255)	(276)
Instalments invoiced in advance – commercial property	68	(30)
Total work in progress	558	488

18 Non-current assets held for sale

Total non-current assets held for sale amount to 281 (2015: 155) and mainly comprise of stakes in several financial service providers (FSPs) in Sub-Saharan Africa that will be transferred to Arise B.V. for an amount of 187. More information on Arise B.V. is disclosed in section 13.1 Investments in associates. The other non-current assets held for sale amount to 94 (2015: 155) and comprise of various types of real estate in the segments Domestic retail banking and Real estate. The book value is expected to be realised through sale rather than through continued operation. The real estate classified as held for sale are mostly unique objects. There is often no active market for similar real estate at the same location and in the same condition. A large number of parameters are used for the valuations of the various types of property investments, where possible based on existing contracts and market data. A certain level of assessment and estimation is unavoidable. It is for this reason that all non-current assets classified as 'held for sale' are classified in level 3.

19 Deposits from banks

<i>in millions of euros</i>	2016	2015
Demand deposits	905	2,040
Fixed-term deposits	20,619	16,146
Repurchase agreements	418	581
Miscellaneous liabilities to other banks	64	271
Total deposits from banks	22,006	19,038

20 Deposits from customers

<i>in millions of euros</i>	2016	2015
Current accounts	76,757	77,966
Deposits with agreed maturity	82,909	96,363
Deposits redeemable at notice	175,943	162,083
Repurchase agreements	212	488
Fiduciary deposits	11,857	8,377
Other deposits from customers	34	607
Total deposits from customers	347,712	345,884

Deposits from customers also includes balances at central banks amounting to EUR 23 billion (2015: EUR 23 billion).

21 Debt securities in issue

<i>in millions of euros</i>	2016	2015
Certificates of deposit	33,948	38,554
Commercial paper	11,848	14,399
Bonds	102,713	113,415
Other debt securities	10,833	8,623
Total debt securities in issue	159,342	174,991

22 Financial liabilities held for trading

Financial liabilities held for trading are mainly negative fair values of derivatives and delivery obligations that arise on the short selling of securities. Securities are sold short to realise gains from short-term price fluctuations. The securities needed to settle short sales are acquired through securities lending and repurchasing agreements. The fair value of the shares and bonds sold short are amount to 739 (2015: 573).

23 Financial liabilities designated at fair value

<i>in millions of euros</i>	2016	2015
Structured notes	12,608	13,057
Other debt securities	38	353
Deposits	3,874	3,581
Total financial liabilities designated at fair value	16,520	16,991

The cumulative change in fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in the own credit risk of Rabobank amounts to 405 before taxes (2015: -83). Alignment of the calculation of OCA with IFRS 9 definitions has led to another disclosed cumulative change for 2015 which was previously reported at 1,041. The main difference is caused by the previous inclusion of first day profits. In 2016 an amount of 0 has been reclassified from OCI to retained earnings as a result of derecognition of financial liabilities designated at fair value through profit or loss.

The carrying value of the structured notes is 6,236 (2015: 5,104) lower than the amount Rabobank is contractually obliged to repay to the holders of the structured notes.

The change in fair value that is attributable to changes in own credit risk is calculated by deducting on a note by note basis the current fair value of the structured notes portfolio at the reporting date from the fair value recalculated based on the prevailing credit curve at the time of origination, with all other pricing components unchanged. This calculation reflects the amount that can be attributed to the change in the own credit risk of Rabobank since the origination of these structured notes.

24 Other liabilities

<i>in millions of euros</i>	Note	2016	2015
Payables		5,582	6,232
Accrued interest		2,541	2,543
Employee benefits	27	315	356
Other		(6)	(811)
Provision for day 1 gains		-	3
Total other liabilities		8,432	8,323

25 Provisions

<i>in millions of euros</i>	2016	2015
Restructuring provision	461	354
Provision for legal issues	770	347
Provision for tax issues	36	65
Other provisions	279	227
Total provisions	1,546	993

<i>in millions of euros</i>	Restructuring provision	Provision for legal issues	Provision for tax issues	Other provisions	Total
Opening balance on 1 January 2016	354	347	65	227	993
Additions	594	583	1	126	1,304
Withdrawals	(408)	(44)	-	(50)	(502)
Releases	(79)	(116)	(30)	(24)	(249)
Closing balance on 31 December 2016	461	770	36	279	1,546
Opening balance on 1 January 2015	315	211	56	212	794
Additions	285	218	13	102	618
Withdrawals	(207)	(80)	-	(56)	(343)
Releases	(39)	(2)	(4)	(31)	(76)
Closing balance on 31 December 2015	354	347	65	227	993

In the additions of the restructuring provision, an amount of 403 (2015: 183) is included for the reorganisation programme of the local Rabobanks. This reorganisation provision consists of future payments relating to redundancy pay and other costs directly attributable to the reorganisation programme.

These expenses are included when a redundancy scheme is drawn up and communicated to stakeholders. The expected outflow of funds will occur in 2017 and 2018.

An addition of 514 in the provision for legal issues was made in 2016 after Rabobank adopted the SME interest rate derivatives recovery framework. For additional information, please refer to Paragraph 4.10, 'Legal and arbitration proceedings'.

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 relating to these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable.

The item 'Other' includes provisions for onerous contracts and credit guarantees.

Maturities of Rabobank Group (excluding provisions for employee benefits and loan impairment allowances)

<i>in millions of euros</i>	<i>Up to one year</i>	<i>1 - 5 years</i>	<i>Longer than 5 years</i>	<i>Total</i>
On 31 December 2016	1,371	175	-	1,546
On 31 December 2015	861	131	1	993

26 Deferred taxes

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% (2015: 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 1,628 (2015: 1,648). 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.

On 31 December 2016, Rabobank expects that sufficient taxable profits would be generated within the applicable periods.

<i>in millions of euros</i>	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>	<i>Deferred tax charges</i>	<i>Tax on other comprehensive income</i>
<i>For the year ended 31 December 2016</i>				
Pensions and other post-employment benefits	53	(2)	(2)	2
Loan impairment allowance	403	(15)	(147)	-
Financial liabilities designated at fair value	-	-	(229)	-
Provisions	39	(10)	(3)	-
Hedging of interest rate risk	(14)	-	114	-
Carry forward losses	1,104	(21)	499	-
Goodwill and other intangible assets	19	2	(5)	-
Revaluation reserves for available-for-sale financial assets	(129)	1	-	(20)
Revaluation reserves – Cash flow hedges	20	-	-	10
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	101	-	-	122
Property and equipment, including leases	100	617	(98)	-
Other temporary differences	664	46	45	-
Total	2,360	618	174	114

<i>in millions of euros</i>	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>	<i>Deferred tax charges</i>	<i>Tax on other comprehensive income</i>
<i>For the year ended 31 December 2015</i>				
Pensions and other post-employment benefits	55	-	7	9
Loan impairment allowance	255	(17)	122	-
Financial liabilities designated at fair value	(250)	-	42	-
Provisions	41	(1)	(10)	-
Hedging of interest rate risk	100	-	83	-
Carry forward losses	1,559	(76)	(52)	-
Goodwill and other intangible assets	14	-	(13)	-
Revaluation reserves for available-for-sale financial assets	(107)	2	-	2
Revaluation reserves – Cash flow hedges	10	-	-	16
Property and equipment, including leases	77	706	64	-
Other temporary differences	636	(39)	(122)	-
Total	2,390	575	121	27

27 Employee benefits

<i>in millions of euros</i>	2016	2015
Employee benefits – assets	(7)	(7)
Employee benefits – liabilities	315	356
Total employee benefits	308	349
Pension plans	158	110
Other employee benefits	150	239
Total employee benefits	308	349

27.1 Pension plans

Rabobank has placed its Dutch pension plan with Rabobank Pension Fund. The scheme is a collective defined contribution plan with a pensionable age of 67 and a target accrual percentage of 2. 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 plan with a conditional indexation. Rabobank complies with all its pension obligations by paying the annual pension premium. Rabobank therefore has no more financial liabilities with regard to underlying membership years and already accrued pension rights. In the context of the risks transferred, Rabobank made a one-off payment in 2013 to the 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 200 (2015: 250).

The new pension plan qualifies as a defined contribution plan under IAS 19. Rabobank's obligation is limited to the premium payments owed, less previously made payments. As of 31 December 2016, a few small plans still qualify as defined benefit pension plans. These are career-average defined benefit pension plans, administered by a fund or otherwise that are related to the remuneration of employees upon retirement and which mostly pay annual pensions. Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. The assets related to the plans maintained in a fund are held independently of Rabobank assets in separate funds managed by trustees. The obligations are valued each year by independent actuaries based on the method prescribed by the IFRS. The most recent actuarial valuations were performed at the end of 2016. The tables relating to the weighted averages of the main actuarial assumptions and the future premium payments in 2016 relate to the pension plan of Friesland Bank and ACC Loan management. The table showing investments in plan assets are based on the pension plan of ACC Loan Management.

<i>In millions of euros</i>	2016	2015
Defined benefit obligation	758	679
Fair value of plan assets	600	569
Net defined benefit obligation	158	110

Movements in plan assets and liabilities:

<i>in millions of euros</i>	2016	2015
Defined benefit obligation		
Opening balance on 1 January	679	673
Exchange rate differences	(16)	9
Interest cost	17	18
Current service cost	-	6
Contributions paid by employees	-	-
Benefits paid	(25)	(22)
Pension plan amendment	-	-
Curtailments	-	-
Other	-	8
Experience adjustments	(3)	-
Actuarial gains and losses arising from changes in demographic assumptions	4	2
Actuarial gains and losses arising from changes in financial assumptions	102	(15)
Defined benefit obligation on 31 December	758	679
Fair value of plan assets		
Opening balance	569	557
Exchange rate differences	(13)	5
Interest income	14	15
Contributions paid by employer	10	7
Contributions paid by employees	-	-
Benefits paid	(25)	(22)
Administrative costs	-	(2)
Other	(4)	1
Experience adjustments	(2)	-
Remeasurements arising from changes in financial assumptions plan assets	51	8
Fair value of plan assets on 31 December	600	569

The costs recognised in profit and loss are shown in the table below.

<i>In millions of euros</i>	2016	2015
Interest cost on liabilities	17	18
Interest income on plan assets	(14)	(15)
Current service cost	-	6
Pension plan amendment	-	-
Losses/(gains) on curtailments, settlements and costs	-	1
Total cost of defined benefit pension plans	3	10

Main actuarial assumptions

The main actuarial assumptions for the valuation of the defined benefit obligation as at 31 December are the discount rate, the salary increases, the price inflation. Recent mortality tables have also been used for the valuation of the respective plans. The weighted averages of the actuarial financial assumptions are shown in the table below (in % per year):

	2016	2015
Discount rate	1.7%	2.5%
Salary increases	1.7%	1.6%
Price inflation	1.7%	1.6%

Sensitivity analysis

Rabobank is exposed to risks regarding their defined benefit plans related to the assumptions disclosed in the table below. The sensitivity analysis of these most significant assumptions has been determined based on changes of the assumptions occurring at the end of the reporting period that are deemed reasonably possible.

In millions of euros	Change in assumption	Effect on defined benefit obligation of increase		Effect on defined benefit obligation of decrease	
		2016	2015	2016	2015
Discount rate	0.25%	(25)	(21)	27	23
Salary increases	0.25%	18	14	(17)	(14)
Price inflation	0.25%	9	8	(7)	(8)
Mortality	1 year	21	17	(20)	(17)

Asset-liability matching strategy

The assets that would provide the closest match to the cashflows of the ACC Loan management defined benefit plan are a combination of fixed interest and index-linked bonds. Below is a comparison of the asset allocation at 31 December against the scheme's target asset allocation. The assets are all quoted in an active market.

	Asset allocation		Target asset allocation	
	2016	2015	2016	2015
Shares and alternatives	10%	10%	10%	10%
Interest-bearing securities	47%	45%	45%	45%
Alternatives	41%	41%	42.5%	40%
Other	2%	4%	2.5%	5%
Total	100%	100%	100%	100%

The alternatives are investments such as commodities, absolute return investments and hedge funds.

Estimated contribution

The estimated contributions to pension plans for 2017 are approximately 6 (2016: 6).

27.2 Other employee benefits

Other employee benefits mainly comprise liabilities for future long-service awards for an amount of 35 (2015: 95).

28 Subordinated liabilities

in millions of euros	2016	2015
Rabobank	16,847	15,479
Other	14	24
Total subordinated liabilities	16,861	15,503

In the following table details of the issues of subordinated liabilities are shown:

Subordinated liabilities				
Notional (in millions)	Currency	Coupon	Year of issuance	Year of maturity
1,500	USD	3.75%	2016	2026
225	AUD	5.00%	2015	2025, early repayment 2020
475	AUD	Variable	2015	2025, early repayment possible 2020
1,500	USD	4.375%	2015	2025
1,250	USD	5.25%	2015	2045
1,000	GBP	4.625%	2014	2029
2,000	EUR	2.50%	2014	2026, early repayment possible in 2019
50,800	JPY	1.429%	2014	2024
1,000	EUR	3.875%	2013	2023
1,750	USD	4.625%	2013	2023
1,250	USD	5.75%	2013	2043
1,000	EUR	4.125%	2012	2022
500	GBP	5.25%	2012	2027
1,500	USD	3.95%	2012	2022
1,000	EUR	3.75%	2010	2020
1,000	EUR	5.875%	2009	2019

29 Contingent liabilities

Credit related off balance sheet commitments

Loan commitments 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. With regard to the credit risk exposure from loan commitments, Rabobank is potentially exposed to losses amounting to the unused portion of the authorised funds. The total expected loss is lower than the total of the unused funds. This is because loan commitments 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 enters into credit arrangements in the form of credit facilities made available to safeguard clients' liquidity requirements, but which have not yet been drawn upon.

<i>In millions of euros</i>	2016	2015
Financial guarantees	11,595	10,402
Loan commitments	44,889	46,674
Letters of credit	6,276	4,980
Credit related off balance sheet commitments	62,760	62,056

The contractual commitments relating to the acquisition, construction and development of work in progress and investment properties amounts to 735 (2015: 678).

Contingent liabilities related to litigation

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. The maximum amount of non-remote contingent liabilities relating to claims is 61. For additional information, please refer to Paragraph 4.10, 'Legal and arbitration proceedings'.

Contingent liabilities related to income tax

The European Commission has addressed questions to the Dutch government about article 29a of the Dutch Corporate Income Tax Code. If the European Commission would decide to start a formal investigation and ultimately would conclude that this is a case of state aid, Rabobank may have to repay tax benefits it enjoyed from 2015 onwards.

Article 29a of the Dutch Corporate Income Tax Code was included in the Dutch Corporate Income Tax Code so that capital instruments issued by credit institutions and which are covered by EU regulation 575/2013 would be considered tax deductible. In this context, Rabobank issued Capital Securities in January 2015 and in April 2016, amounting respectively to EUR 1.5 billion at a fixed interest rate of 5.5%, and EUR 1.25 billion at a fixed interest rate of 6.625%. The contingent liability related to this matter amounts to 54.

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>	2016	2015
Not later than 1 year	145	103
Later than 1 year but not later than 5 years	332	308
Later than 5 years	375	185
Total liabilities relating to operating leases	852	596

The expected future minimum lease payments receivable from sub-leases are 0 (2015: 3). The operating lease expenses are 98 (2015: 73). 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>	2016	2015
Not later than 1 year	796	1,340
Later than 1 year but not later than 5 years	1,551	2,050
Later than 5 years	83	38
Total payments receivable from operating leases	2,430	3,428

No contingent lease payments were recognised as assets during the current year.

30 Reserves and retained earnings

<i>in millions of euros</i>	2016	2015 ¹
Foreign currency translation reserves	203	(76)
Revaluation reserves – Available-for-sale financial assets	571	512
Revaluation reserve – Cash flow hedges	(70)	(39)
Revaluation reserve – Other	-	2
Revaluation reserve – Assets held for sale	(70)	-
Remeasurement reserve – Pensions	(219)	(175)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	(303)	-
Retained earnings	25,709	25,399
Total reserves and retained earnings at year-end	25,821	25,623

1 Prior-year figures adjusted due to the restatement (see note 2.1).

Changes in the reserves were as follows:

<i>in millions of euros</i>	2016	2015 ¹
Foreign currency translation reserves		
Opening balance	(76)	(94)
Exchange rate differences emerging during the year	393	108
Changes at associates and joint ventures	(19)	(23)
Transferred to profit or loss	(165)	(67)
Transferred to Revaluation reserve – Assets held for sale	70	-
Closing balance	203	(76)
Revaluation reserves – Available-for-sale financial assets		
Opening balance	512	643
Foreign exchange differences	(4)	(1)
Changes at associates and joint ventures	39	(56)
Fair value changes	76	(124)
Amortisation of reclassified assets	2	6
Transferred to profit or loss	(41)	44
Transferred to Revaluation reserve – Assets held for sale	(4)	-
Other	(9)	-
Closing balance	571	512
Revaluation reserve – Cash flow hedges		
Opening balance	(39)	11
Fair value changes	(87)	659
Transferred to profit or loss	56	(709)
Closing balance	(70)	(39)
Revaluation reserve – Other		
Opening balance	2	2
Fair value changes	(2)	-
Closing balance	-	2
Revaluation reserve – Assets held for sale		
Opening balance	-	-
Transfers from revaluation reserves	(68)	-
Changes at associates and joint ventures	(2)	-
Closing balance	(70)	-
Remeasurement reserve – Pensions		
Opening balance	(175)	(196)
Changes at associates and joint ventures	7	3
Remeasurements defined benefit plans	(53)	18
Transferred to Revaluation reserve – Assets held for sale	2	-
Closing balance	(219)	(175)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value		
Opening balance	-	-
Adjustment opening balance	62	-
Fair value changes	(365)	-
Realisation at derecognition	-	-
Closing balance	(303)	-
Retained earnings		
Opening balance	25,399	24,445
Adjustment opening balance ²	(62)	-
Net profit	1,960	2,139
Payments on equity instruments	(1,278)	(1,252)
Redemption of Capital Securities	(316)	-
Other	6	67
Closing balance	25,709	25,399
Total reserves and retained earnings	25,821	25,623

31 Rabobank Certificates

Rabobank Certificates represent participation rights issued by Rabobank via the foundation Stichting Administratie Kantoor Rabobank Certificaten and belong to the Common Equity Tier 1 capital of Rabobank. The Rabobank Certificates have been listed on Euronext Amsterdam since 27 January 2014.

The initial opening price on 27 January 2014 amounted to 105.00% (EUR 26.25). On 31 December 2016, the trading price amounted to 114.18% (EUR 28.55). At year-end 2016, the total number of certificates was 237,961,365 with a nominal value of EUR 25 each.

The distribution paid per certificate in 2016 was EUR 1,625 (2015: EUR 1,625). The Executive Board is entitled not to pay the distribution. Unpaid distributions will not be paid at a later date. The amounts listed in the table below are based on the nominal value of EUR 25 per Rabobank Certificate. 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>	2016	2015
Changes during the year:		
Opening balance	5,949	5,931
Change in Rabobank Certificates during the period	(1)	18
Closing balance	5,948	5,949

32 Capital Securities and Trust Preferred Securities III to IV

Capital Securities and Trust Preferred Securities III to IV can be broken down as follows:

<i>in millions of euros</i>	2016	2015
Capital Securities issued by Rabobank	7,636	7,826
Capital securities issued by subsidiaries	185	176
Trust Preferred Securities III to IV	409	1,131
Total Capital Securities and Trust Preferred Securities III to IV	8,230	9,133

- 1 Prior-year figures adjusted due to the restatement (see note 2.1).
- 2 Opening balance 2016 adjusted due to early adoption of IFRS 9 on fair value of financial liabilities designated at fair value. Prior-year figures adjusted due to the restatement (see both note 2.1)

Capital Securities

All Capital Securities are perpetual and have no expiry date. The distribution on Capital Securities per issue is as follows:

Capital securities issued by Rabobank

Issue of EUR 1,250 million

The coupon is 6.625% per year and is made payable every six months in arrears as of the issue date (26 April 2016), for the first time on 29 June 2016. The Capital Securities are perpetual and first redeemable on 29 June 2021. As of 29 June 2021, and subject to Capital Securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the 5-year euro swap rate + 6.697%. The coupon is fully discretionary.

Issue of EUR 1,500 million

The coupon is 5.5% per year and is made payable every six months in arrears as of the issue date (22 January 2015), for the first time on 29 June 2015. The Capital Securities are perpetual and first redeemable on 29 June 2020. As of 29 July 2020, and subject to Capital Securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the 5-year euro swap rate + 5.25%. The coupon is fully discretionary.

Issue of USD 2,000 million

The coupon 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, but without a step-up, based on the US Treasury Benchmark Rate plus a 7.49% mark-up. The coupon is fully discretionary.

Issue of EUR 500 million

The coupon 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 of 27 February 2019, the coupon will be made payable every quarter based on the three-month Euribor plus an annual 7.50% mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

Issue of USD 2,868 million

The coupon 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. As of 30 June 2019, the coupon will

be made payable every quarter based on the three-month USD Libor plus an annual 10.868% mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

Issue of GBP 250 million

The coupon 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 of 10 June 2038, the coupon will be made payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

Issue of CHF 350 million

The coupon 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 of 27 June 2018, the coupon 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. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

Issue of ILS 323 million

The coupon 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 of 14 July 2018, the coupon 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. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

Issue of NZD 900 million

The coupon 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 of 8 October 2017, the coupon will be made payable every quarter based on the 90-day bank bill swap interest rate plus an equivalent mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

Capital securities issued by Rabobank which were redeemed during the year

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. As of 26 July 2016, and subject to Capital Securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the US Treasury Benchmark Rate plus a 6.425% mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply. This issue was redeemed on the earliest redemption date of 26 July 2016.

The level of profit made by Rabobank may influence the distribution on the Capital Securities. Should Rabobank become insolvent, the Capital Securities are subordinate to the rights of all other (current and future) creditors of Rabobank, unless the rights of those other creditors are substantively determined otherwise.

Capital securities issued by subsidiaries

Issue of NZD 280 million

Rabo Capital Securities Limited has issued capital securities, the coupon of which equals the five-year swap interest rate plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As of the issue date (27 May 2009), the coupon is made payable every quarter in arrears, for the first time on 18 June 2009 (short first interest period). As of 18 June 2014, the coupon will be made payable every quarter based on the five-year swap interest plus an annual 3.75% mark-up. As of 18 June 2019, the coupon will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

Trust Preferred Securities III to IV

In 2004, the following tranches of non-cumulative Trust Preferred Securities were issued.

- Rabobank Capital Funding Trust III, Delaware, a group company of Rabobank, issued 1.5 million non-cumulative Trust Preferred Securities. The coupon is 5.254% up to and including 21 October 2016. For the period 21 October 2016 to 31 December 2016 inclusive, the coupon is equal to the interpolated USD Libor rate for the period, plus 1.5900%. The coupon is payable at the issuer's discretion. Thereafter, the distribution is equal to the three-month USD Libor rate plus 1.5900%. The total proceeds from this issue amounted

to USD 1,500 million. This issue was redeemed on the earliest redemption date of 21 October 2016.

- Rabobank Capital Funding Trust IV, Delaware, a group company of Rabobank, issued 350,000 non-cumulative Trust Preferred Securities. The coupon is 5.556% up to and including 31 December 2019. Thereafter, the coupon is equal to the six-month GBP Libor rate plus 1.4600%. The coupon is payable at the issuer's discretion.

The total proceeds from this issue amounted to GBP 350 million. As of 31 December 2019, these Trust Preferred Securities can be repurchased on each distribution date (which is once every half-year).

Trust Preferred Securities		
<i>in millions of euros</i>	2016	2015
Changes during the year:		
Opening balance	1,131	1,043
Redemption	(716)	-
Exchange rate differences and other	(6)	88
Closing balance	409	1,131

33 Other non-controlling interests

This item relates to shares held by non-controlling interests in Rabobank subsidiaries.

<i>In millions of euros</i>	2016	2015
Opening balance	492	473
Net profit	64	75
Exchange rate differences	20	(10)
Entities included in consolidation/ deconsolidated	(1)	8
Dividends	(50)	(61)
Other	-	7
Closing balance	525	492

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 segment Leasing.

De Lage Landen Participacoes Limitada is based in Porto Alegre, Brazil, and Rabobank has a capital and voting right interest of 72.88%. The non-controlling interests with regard to this entity amount to 79 (2015: 65). The following financial data apply:

De Lage Landen Participacoes Limitada	2016	2015
Revenues	70	82
Net profit	26	25
Other comprehensive income	-	-
Total comprehensive income	26	25
Profit attributable to non-controlling interests	9	12
Dividends paid to non-controlling interests	20	13
Financial assets	1,322	1,088
Other assets	118	82
Financial liabilities	1,095	931
Other liabilities	38	32

AGCO Finance SNC is located in Beauvais, France, and Rabobank has a capital and voting right interest of 51.0%. The non-controlling interests with regard to this entity amount to 89 (2015: 78). The following financial data apply:

AGCO Finance SNC	2016	2015
Revenues	41	39
Net profit	20	20
Other comprehensive income	-	-
Total comprehensive income	20	20
Profit attributable to non-controlling interests	10	10
Dividends paid to non-controlling interests	9	7
Financial assets	1,333	1,311
Other assets	51	41
Financial liabilities	1,182	1,179
Other liabilities	18	13

34 Net interest income

in millions of euros	2016	2015
Interest income		
Cash and balances at central banks	190	103
Loans and advances to banks	293	338
Financial assets held for trading	45	75
Financial assets designated at fair value	25	52
Loans and advances to customers	16,207	17,271
Available-for-sale financial assets	861	938
Derivatives held as economic hedges	(1,345)	(1,266)
Interest income on financial liabilities with a negative interest rate	74	16
Other	88	66
Total interest income	16,438	17,593
Interest expense		
Due to banks	422	452
Financial liabilities held for trading	10	17
Due to customers	2,445	3,033
Debt securities in issue	3,467	3,796
Other liabilities	727	603
Financial liabilities designated at fair value	362	466
Interest expense on financial assets with a negative interest rate	249	72
Other	13	15
Total interest expense	7,695	8,454
Net interest income	8,743	9,139

Capitalised interest attributable to qualifying assets amounted to 20 (2015: 21). The average interest rate applied in determining interest charges to be capitalized ranges between 1.0% and 5.5% (2015: between 1.0% and 5.5%). The interest income on impaired financial assets accrued is 201 (2015: 85).

35 Net fee and commission income

in millions of euros	2016	2015
Fee and commission income		
Asset management	25	44
Insurance commissions	259	325
Lending	581	545
Purchase and sale of other financial assets and handling fees	391	326
Payment services	734	740
Custodial fees and securities services	2	7
Other commission income	185	140
Total fee and commission income	2,177	2,127
Fee and commission expense		
Purchase and sale of other financial assets	16	8
Payment services	23	35
Custodial fees and securities services	10	11
Handling fees	50	35
Other commission expense	160	146
Total fee and commission expense	259	235
Net fee and commission income	1,918	1,892

36 Income from investments in associates and joint ventures

in millions of euros	2016	2015
Rabobank share of profit of associates and joint ventures	44	351
Result on disposal of investments in associates and joint ventures	62	-
Income from investments in associates and joint ventures	106	351

37 Gains/ (losses) on financial assets and liabilities at fair value through profit or loss

in millions of euros	2016	2015
Gains/ (losses) on financial assets and liabilities held for trading and from derivatives held or issued for trading	288	164
Gains/ (losses) on other financial assets designated at fair value through profit or loss	19	30
Gains/ (losses) on other financial liabilities designated at fair value through profit or loss and derivatives used to hedge the interest rate risk of those financial liabilities	240	569
Impairments	-	(160)
Total gains/ (losses) on financial assets and liabilities at fair value through profit or loss	547	603

Gains/ (losses) on other financial liabilities designated at fair value through profit or loss and derivatives used to hedge the interest rate risk of those financial liabilities mainly relates to fair value changes of the structured notes portfolio attributable to changes in i) market interest rates and ii) day-one gains that are directly recognised in profit or loss for an amount of 263. The results related to fair value changes of the structured notes due to changes in market interest rates are largely offset by the fair value changes of the derivatives used to hedge this interest rate risk. In 2015, a gain of 367 is included in 'Gains/ (losses) on other financial liabilities designated at fair value through profit or loss and derivatives used to hedge the interest rate risk of other financial liabilities designated at fair value' as the change in the fair value of the financial liabilities designated at fair value, that is attributable to changes in the credit risk of Rabobank itself.

<i>In millions of euros</i>	2016	2015
Gains/ (losses) on interest rate instruments	166	639
Gains/ (losses) on equity instruments	28	(99)
Gains/ (losses) on foreign currency	359	64
Other	(6)	(1)
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	547	603

The net foreign exchange gains/ (losses) included in line item Gains/ (losses) on foreign currency amount to 329 (2015: -346).

38 Other net operating income

<i>In millions of euros</i>	2016	2015
Project income real estate activities	1,653	1,495
Project expenses and impairments real estate activities	(1,319)	(1,213)
Net income real estate activities	334	282
Operational lease income	1,371	1,373
Depreciation and impairments operational lease	(980)	(1,011)
Net income from operational lease activities	391	362
Rental income from investment property	10	50
Depreciation and impairments investment property	6	(43)
Net income from investment property	16	7
Result on sale of group companies	242	15
Other	421	215
Other net operating income	1,404	881

DLL sold the car leasing business Athlon to Mercedes-Benz financial services. Rabobank recognised a gain on the sale of 251.

39 Staff costs

<i>In millions of euros</i>	2016	2015
Wages and salaries	3,101	3,194
Social security contributions and insurance costs	355	394
Pension costs - defined contribution plans	489	500
Pension costs - defined benefit pension plans	3	9
Release of other post-employment provisions	(76)	(65)
Other staff costs	649	754
Staff costs	4,521	4,786

Expressed in FTEs, the number of internal and external employees in Rabobank was 45,567 (2015: 52,013).

In 2011, following the implementation of CRD III and the regulations governing restrained remuneration policy, Rabobank Group adopted an amended remuneration policy: the Group Remuneration Policy. This policy is updated on a regular basis and has, as of 1 January 2015, been adjusted to include the provisions under the Dutch Act on Remuneration Policies for Financial Companies. Insofar as employees in the Netherlands are still eligible for variable remuneration, it never amounts to more than (on average over group employees) 20% of the fixed income. Outside the Netherlands, any variable remuneration never amounts to more than 100% of the fixed income. Insofar as identified staff (employees who can have a material influence on the risk profile of Rabobank Group) are eligible for variable remuneration, it is awarded for such a period that the risks associated with the underlying business activities are adequately taken into account. Payment of a significant portion of variable remuneration is therefore 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. In principle, the right to any provisionally allocated remuneration lapses when the staff member's employment ends. 50% 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). 50% of the direct and the deferred portion of the variable remuneration is allocated in the form of an instrument (instrument component) i.e. the Deferred Remuneration Note (DRN). The value of a DRN is linked directly to the price

of a Rabobank Certificate (RC) as listed on the 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 determined on the basis of the closing rates for Rabobank Certificates, as traded on the NYSE Euronext during the first five trading days of February of each year. This therefore 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 (after a period of three years). The payment of the instrument component is subject to a one year retention period. After the end of the retention period, the employee receives, for each DRN (or a portion thereof) an amount in cash that corresponds with the value of the DRN at that moment.

Payment of the variable remuneration is measured in accordance with IAS 19 Employee benefits. The immediate portion of the variable remuneration is recognised in the performance year, whereas the deferred portion is recognised in the years before vesting.

The same system also applies, in broad terms, to non-identified staff, although no deferral policy applies to the first one hundred thousand euros and both the immediate and the deferred portion are paid fully in cash, which means that no DRNs are awarded.

On 31 December 2016, the costs of equity instrument-based payments were 13 (2015: 8). On 31 December 2016, a liability of 30 was recognised (2015: 26) of which 10 (2015: 11) was vested. The costs of variable remuneration paid in cash were 175 (2015: 190). The number of DRNs outstanding is presented in the following table.

<i>in thousands</i>	2016	2015
Opening balance	1,037	1,014
Awarded during the year	531	249
Paid during the year	(362)	(126)
Changes from previous year	171	(100)
Closing balance	1,377	1,037

The value of a DRN is linked directly to the price of a Rabobank Certificate. The estimated payments to be made for the variable remuneration are shown in the following table.

On 31 December 2016		Year of payment					
<i>in millions of euros</i>	2017	2018	2019	2020	2021	Total	
Variable remuneration, excluding DRNs	173.3	6.6	8.4	9.9	-	198.3	
DRNs	10.9	10.6	3.8	7.2	8.4	40.9	
Total	184.2	17.3	12.2	17.1	8.4	239.2	

On 31 December 2015		Year of payment					
<i>in millions of euros</i>	2016	2017	2018	2019	2020	Total	
Variable remuneration, excluding DRNs	189.7	6.2	7.0	7.0	-	209.9	
DRNs	11.7	7.9	4.5	3.9	3.7	31.7	
Total	201.4	14.1	11.6	10.8	3.7	241.6	

40 Other administrative expenses

<i>in millions of euros</i>	2016	2015
Additions and releases of provisions	1,063	506
IT expenses and software costs	718	634
Consultants fees	371	322
Training and travelling expenses	168	176
Publicity expenses	160	172
Result on derecognition and impairments on (in)tangible assets	96	32
Other expenses	1,059	1,074
Other administrative expenses	3,635	2,916

41 Depreciation

<i>in millions of euros</i>	2016	2015
Depreciation of property and equipment	250	250
Depreciation of intangible assets	188	193
Depreciation	438	443

42 Loan impairment charges

<i>in millions of euros</i>	2016	2015
Loans and advances to banks	-	(10)
Loans and advances to customers	474	1,087
Recoveries following write-downs	(157)	(101)
Credit related contingent liabilities	(7)	57
Loan impairment charges	310	1,033

In 2016 loan impairment charges were at a lower level compared to 2015, especially for the Dutch portfolio. This is mainly caused by the recovery of the economy which leads to a limited number of new defaults, recovery of existing defaults and adequate allowances for existing impaired clients.

43 Regulatory levies

The regulatory levies consist of bank tax, contributions to the single resolution fund and the deposit guarantee scheme. Banks operating in the Netherlands on 1 October of the current year 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 on December 2015. In 2016, Rabobank Group was charged a total of 166 (2015: 168). In 2016, the bank levy in Ireland amounted to 4 (2015: 4).

On 1 January 2016 the European Single Resolution Fund (SRF) was set up. This fund will for a large part replace the National Resolution Funds, including the Dutch National Resolution Fund (NRF) that was set up on the 27 November 2015. Both funds have been established to improve the effectiveness of resolution instruments. Banks and investment firms that are in the scope of the SRM-regulation are obliged to contribute to the SRF. The NRF is build up exclusively by lump-sum contributions. In 2016, the contribution to the Single Resolution Fund amounted to 180. In 2015, the contribution to the National Resolution Fund amounted to 172.

Per the end of 2015, the new pre-funded deposit guarantee scheme was introduced. In 2016, banks have to pay a premium on a quarterly basis. Target size of the scheme is 0.8% of total guaranteed deposits of all banks together. In 2016, the contribution to the Deposit Guarantee Scheme amounted to 133.

44 Taxes

<i>in millions of euros</i>	2016	2015
Income tax		
Reporting period	527	555
Adjustments of previous years	(6)	(17)
Recognition of previously unrecognised tax losses	(1)	(4)
Deferred tax	174	121
Total income tax	694	655

The effective tax rate was 25.5% (2015: 22.8%) and differs from the theoretical rate that would arise using the Dutch corporate tax rate. This difference is explained as follows:

<i>in millions of euros</i>	2016		2015	
Operating profit before taxation		2,718		2,869
Applicable tax rate 25.0% (2015: 25.0%)	25.0%	680	25.0%	717
I Increase/(decrease) in taxes resulting from:				
Tax-exempt income	(4.2%)	(116)	(3.7%)	(105)
Tax rate differences	2.6%	73	3.6%	104
Non-deductible expenses	2.6%	72	2.1%	60
Recognition of previously unrecognised tax losses	(0.1%)	(1)	(0.1%)	(4)
Other permanent differences	(0.4%)	(12)	(2.5%)	(72)
Adjustments of previous years	(0.2%)	(6)	(0.6%)	(17)
Other non-recurring tax items	0.2%	4	(1.0%)	(28)
Total income tax	25.5%	694	22.8%	655

The other permanent differences mainly comprise of the deduction of interest payments on Capital Securities and the impairment of Achmea.

45 Transactions with related parties

Two parties are considered related if one party exercises control or has significant influence over the other party with regard to financial or operating decisions. In the normal course of business, Rabobank conducts a wide variety of transactions with related entities which involve different types of loans, deposits and transactions in foreign currencies. Transactions between related parties also includes transactions with associates, pension funds, joint ventures, the Executive Board and the Supervisory Board. These transactions are conducted against commercial terms and conditions and 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. These transactions are conducted against commercial terms and conditions and 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 Section 47. Transactions with pension funds are disclosed in Section 27.

in millions of euros	Investments in associates		Other related parties	
	2016	2015	2016	2015
Loans				
Outstanding at beginning of year	361	360	-	-
Provided during the year	178	9	-	-
Redeemed during the year	(88)	(8)	-	-
Other	52	-	-	-
Gross loans as of 31 December	503	361	-	-
Less: loan impairment allowance	(68)	(58)	-	-
Total loans as of 31 December	435	303	-	-
Deposits from banks and deposits from customers				
Outstanding at beginning of the year	7,269	6,822	-	-
Received during the year	411	829	29	-
Repaid during the year	(576)	(382)	-	-
Other	77	-	-	-
Debts as of 31 December	7,181	7,269	29	-
Other assets	6	39	-	-
Credit guarantees and other guarantees issued by Rabobank	70	28	-	-
Income				
Net interest income	12	10	-	-
Fee and commission income	227	234	-	-
Trading income	-	-	-	-
Other	-	-	-	-
Total income from transactions with related parties	239	244	-	-
Expenses				
Interest expense	331	347	-	-
Fee and commission expense	-	-	-	-
Impairments	11	25	-	-
Total expenses from transactions with related parties	342	372	-	-

46 Costs of external auditor

Expenses for services provided by Rabobank's independent auditor, PricewaterhouseCoopers Accountants N.V. ('PwC') and its member firms and/ or affiliates to Rabobank and its subsidiaries in 2016 are specified as follows:

in millions of euros	2016		
	PwC Netherlands	Other PwC network firms	Total
Audit fees	6.2	8.0	14.2
Audit related fees	0.5	0.1	0.6
Tax advisory fees	-	0.8	0.8
Other non-audit services	-	2.4	2.4
Total	6.7	11.3	18.0

The audit fees listed above relate to the procedure applied to Rabobank and its consolidated group entities by PwC and other member firms in the global PwC network, including their tax services and advisory groups. These audit fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

In 2015, the audit firm Ernst & Young Accountants LLP in the Netherlands invoiced the below amounts to Rabobank, 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

in millions of euros	2015
Financial statements audit	7
Other audit engagements	1
Other non-audit services	-
Total	8

47 Remuneration of the Supervisory Board and the Executive Board

The members of the Supervisory Board and the Executive Board are listed in Section 53 of these consolidated financial statements. Rabobank regards the members of the Executive Board and the Supervisory Board as key management personnel. The members of the Executive Board are among the identified staff as disclosed in Section 39. In 2016, the remuneration of members and former members of the Executive Board amounted to 7.5 (2015: 6.4). The increase is related to the expansion of the board with one extra member.

in thousands of euros	Short-term employee benefits	Post-employment benefits		Other	Total
		Pension scheme	Individual pension contribution		
W. Draijer	980	25	212	-	1,217
B.C. Brouwers	884	25	189	-	1,098
R.J. Dekker	884	25	189	3	1,101
P.C. van Hoeken	663	19	142	-	824
B.J. Marttin	884	25	189	-	1,098
H. Nagel	884	25	189	-	1,098
J.L. van Nieuwenhuizen	884	25	189	-	1,098
Total 2016	6,063	169	1,299	3	7,534
Members Executive Board	4,257	128	908	5	5,298
Former members Executive Board	884	26	189	1	1,100
Total 2015	5,141	154	1,097	6	6,398

At year-end 2016, there were a total of 486 DRNs (liability of 16) outstanding with members of the Executive Board (year-end 2015: 11,647 pieces of which 5,503 regarding former members). The pension scheme for the members of the Executive Board is classified as a collective defined contribution scheme. As of 1 January 2015, the maximum income on the basis of which the members of the Executive Board can build up a pension amounts to a maximum, for 2016 ninety-six thousand euros. Any income exceeding this amount is not pensionable. As of 1 January 2015, the members of the Executive Board therefore receive an individual pension contribution.

Expenses related to members and former members of the Supervisory Board total 1.2 (2015: 1.2 of which former members 0.6). This includes VAT and employer's contributions payable. In addition to the role of Member of the Supervisory Board of Rabobank, 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 as of 1 October 2016 (exclusive of VAT and other charges) is:

As of 1 October 2016 the fee structure (in euros):	Fee
Member	90,000
Chairman of Audit Committee, Risk Committee, Cooperative Issues Committee, additional	20,000
Chairman of Appointments Committee together with HR Committee, additional	20,000
Vice chairman, additional	30,000
Chairman	220,000

The table below shows the remuneration (excluding VAT and other charges) for individual members of the Supervisory Board.

in thousands of euros	Remuneration
W. Dekker (in office until 15 September 2016)	242
R. Teerlink	131
I.P. Asscher-Vonk	98
M. Trompetter	104
L.N. Degle	86
S.L.J. Graafsma	110
P.H.M. Hofsté (in office from 14 December 2016)	4
A.A.J.M. Kamp	91
E.A.J. van de Merwe (in office until 15 September 2016)	73
J.J. Nootgedagt (in office from 14 September 2016)	32
P.H.J.M. Visée (in office from 14 December 2016)	4
Total 2016	975
Total 2015	1,030

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.

in millions of euros	Executive Board		Supervisory Board	
	2016	2015	2016	2015
Loans, advances and guarantees				
Outstanding on 1 January	4.3	4.9	1.4	2.6
Provided during the year	-	1.2	-	-
Redeemed during the year	(0.8)	(1.8)	(0.1)	(0.7)
Reduction on account of leaving office	-	-	-	(0.9)
Increase on account of taking office	0.6	-	-	0.4
Outstanding on 31 December	4.1	4.3	1.3	1.4

The loans, advances and guarantees of the members of the Executive Board in office and the average interest rates were as follows:

in millions of euros	2016	
	Outstanding loans	Average interest rate (in %)
Loans, advances and guarantees		
B.C. Brouwers	0.5	2.6
R.J. Dekker	1.0	2.1
B.J. Marttin	0.4	5.8
H. Nagel	1.0	2.2
J.L. van Nieuwenhuizen	1.2	2.0

in millions of euros	2015	
	Outstanding loans	Average interest rate (in %)
Loans, advances and guarantees		
R.J. Dekker	1.2	1.6
B.J. Marttin	0.4	4.4
H. Nagel	1.0	1.9
J.L. van Nieuwenhuizen	1.7	3.3

The loans, advances and guarantees of the members of the Supervisory Board in office on 31 December 2016 and the average interest rates were as follows:

in millions of euros	Outstanding loans		Average interest rate (in %)	
	2016	2015	2016	2015
Loans, advances and guarantees				
A.A.J.M. Kamp	0.9	1.0	2.6	2.7
M. Trompetter	0.4	0.4	4.0	4.9

At year-end 2016, the members of the Supervisory Board not listed in the table had not received any loans, advances or guarantees. These transactions with members of the Executive Board and Supervisory Board were completed in person on the basis of employee terms and conditions and/or market rates for the Supervisory Board. The rates depend 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 Supervisory Board have invested in Rabobank Certificates in person and/or through their own pension B.V. At year-end 2016, this involved in total 15,780 certificates.

	Number of Rabobank Certificates	
On 31 December 2016		
I.P. Asscher-Vonk	6,894	
L.N. Degle	4,836	in pension B.V.
S.L.J. Graafsma	4,050	in pension B.V.

48 Main subsidiaries

At the year-end 2016, Rabobank Group is comprised of Coöperatieve Rabobank U.A. and its consolidated subsidiaries in the Netherlands and abroad.

On 31 December 2016	Share	Voting rights
Main subsidiaries		
The Netherlands		
DLL International B.V.	100%	100%
Rabo Vastgoedgroep N.V.	100%	100%
FGH Bank N.V.	100%	100%
Obvion N.V.	100%	100%
Rabohypotheekbank N.V.	100%	100%
North America		
Rabobank Capital Funding LCC III	100%	100%
Rabobank Capital Funding Trust IV	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 2016, 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 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 segment 'Leasing' as part of its vendor leasing operations, even though it retains less than half of the voting rights because control is not determined based on such rights, but rather on management participation.

49 Transfer of financial assets and financial assets provided as collateral

49.1 Reverse repurchase transactions and securities borrowing agreements

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under 'Loans and advances to banks' or 'Loans and advances to customers' and as per 31 December amount to:

<i>in millions of euros</i>	2016	2015
Loans and advances to banks	13,398	18,495
Loans and advances to customers	16,068	18,927
Total reverse repurchase transactions and securities borrowing agreements	29,466	37,422

Under the terms of the reverse repurchase transactions and securities borrowing agreements, Rabobank receives collateral under conditions that enable it to re-pledge or resell the collateral to third parties. On 31 December 2016, the total fair value of the securities received under the terms of the agreements was 29,931 (31 December 2015: 37,853). In accordance with the agreement terms, a portion of the securities was re-pledged 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 because almost all the associated risks and benefits accrue to the counterparty. A receivable is recognised at a value equivalent to the amount paid as collateral.

49.2 Repurchase transactions and securities lending agreements

Repurchase transactions and securities lending agreements concluded by Rabobank are included under 'Deposits from banks' and 'Deposits from customers' as of 31 December totalled:

<i>in millions of euros</i>	2016	2015
Deposits from banks	418	581
Deposits from customers	212	488
Total repurchase and securities lending	630	1,069

On 31 December 2016, interest-bearing securities with a carrying amount of 616 (2015: 1,075) were provided as collateral for repurchase agreements. The counterparty retains the right to sell or re-pledge 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

de-recognised because almost all the associated risks and benefits accrue to Rabobank, including credit and market risks. A liability is recognised at a value equivalent to the amount received as collateral.

49.3 Securitisations

As part of the financing activities and liquidity management of Rabobank Group, and in order to reduce credit risk, cash flows from certain financial assets are transferred to third parties (true sale transactions). Most of the financial assets subject to these transactions are mortgages 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 the statement of financial position of Rabobank Group, mainly under 'Loans and advances to customers'. The securitised assets are measured in accordance with the accounting policies referred to in Paragraph 2.15. The carrying amount of the transferred financial assets related to own-asset securitisation is 77,894 (2015: 75,805) with the corresponding liability amounting to 74,897 (2015: 75,707). Approximately 74% (2015: 75%) of the transferred assets are securitised internally for liquidity purposes. The carrying amount of the assets where Rabobank acts as a sponsor (Nieuw-Amsterdam) is 4,125 (2015: 5,218) with the corresponding liability amounting to 4,125 (2015: 5,218). Reference is made to section 50 Structured entities.

49.4 Carrying amount of financial assets provided as security for (contingent) liabilities

The assets referred to below have been pledged as security for (contingent) liabilities (with exception to repo transactions, securities lending and securitisations) with the objective of providing security for the counterparty. If Rabobank remains in default the counterparties may use the security to settle the debt.

<i>in millions of euros</i>	2016	2015
Cash and balances at central banks	130	54
Financial assets held for trading	134	-
Loans and advances to banks	4,704	5,186
Loans and advances to customers	12,759	13,838
Available-for-sale financial assets	7,693	2,563
Total	25,420	21,641

50 Structured entities

50.1 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

mortgages 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 and STRONG) and DLL (LEAP). As well as having provided cash facilities, Rabobank also acts as a swap counterparty for 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.

50.2 Non-consolidated structured 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 when compared to the vehicle's total assets. Those securitization vehicles are usually refinanced by issued debt securities or credit facilities.

The following table shows the nature and risks of Rabobank's interests in non-consolidated structured entities. The size of non-consolidated structured entities generally reflects the carrying amount of the assets and the contingent liabilities. The maximum exposure equals the carrying amount disclosed in the table below.

<i>in millions of euros</i>						
	On 31 December 2016			On 31 December 2015		
Assets recognised by Rabobank	<i>Securitisations</i>	<i>Other</i>	<i>Total</i>	<i>Securitisations</i>	<i>Other</i>	<i>Total</i>
Financial assets held for trading	38	83	121	1	100	101
Financial assets designated at fair value	-	92	92	255	72	327
Derivatives	418	-	418	463	-	463
Loans and advances to customers	712	-	712	1,011	-	1,011
Available-for-sale financial assets	180	41	221	670	61	731
Investments in associates	-	322	322	-	395	395
Total financial assets recognised by Rabobank	1,348	538	1,886	2,400	628	3,028
Liabilities recognised by Rabobank						
Derivatives	4	-	4	3	-	3
Deposits from customers	260	-	260	393	-	393
Total liabilities recognised by Rabobank	264	-	264	396	-	396

Income from sponsored, non-consolidated structured entities in which Rabobank holds no interest:

<i>in millions of euros</i>	<i>Fee and commission income</i>	<i>Interest income</i>	<i>Other results</i>	<i>Total income</i>	<i>Carrying amount of transferred assets</i>
On 31 December 2016					
Securitisations	-	5	-	5	-
Asset management	-	-	-	-	-
Total	-	5	-	5	-
On 31 December 2015					
Securitisations	1	46	64	111	-
Asset management	-	-	-	-	-
Total	1	46	64	111	-

51 Events after the reporting period

In January 2017, Rabobank announced the offering of newly issued Rabobank Certificates. The nominal issued amount was EUR 1.5 billion. Rabobank issued 60 million new Rabobank Certificates; each of these newly issued Certificate was priced at 108% of the nominal value of EUR 25. After the issuance, a total nominal amount of approximately EUR 7.4 billion in Rabobank Certificates was outstanding.

52 Management report on internal control over financial reporting

The management of Rabobank 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'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. Due to the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. At the same time, future projections on the basis of any evaluation of the effectiveness of internal control are subject to the risk that the control measures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The management has assessed the effectiveness of the internal control over financial reporting in Rabobank as of 31 December 2016 based on the framework set out in 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), as defined in Internal Control - Integrated Framework. On the basis of that assessment, management concluded that, as of 31 December 2016, the internal controls on the internal financial reporting in Rabobank provide a reasonable measure of certainty based on the criteria established by COSO.

PricewaterhouseCoopers Accountants N.V., which has audited the consolidated financial statements of Rabobank for the financial year ended 31 December 2016, also examined management's assessment of the effectiveness of the internal control over financial reporting in Rabobank. The report of PricewaterhouseCoopers Accountants N.V. is included on page 241.

W. Draijer

B.C. Brouwers

Utrecht, 8 March 2017

53 Approval of the Supervisory Board

The publication of these financial statements was approved by the Supervisory Board on 8 March 2017. The financial statements will be presented to the General Meeting, to be held on 19 April 2017, for adoption. With regard to the adoption of the financial statements of Rabobank, the Articles of Association state: 'The resolution to adopt the financial statements will be passed by an absolute majority of the votes validly cast by the General Members' Council'.

On behalf of the Executive Board

W. Draijer, *Chairman*

B.C. Brouwers, *CFO*

R.J. Dekker, *COO*

P.C. van Hoeken, *CRO*

B.J. Marttin, *Member*

H. Nagel, *Member*

J.L. van Nieuwenhuizen, *Member*

On behalf of the Supervisory Board

R. Teerlink, *Chairman*

M. Trompetter, *Vice Chairman*

I.P. Asscher-Vonk, *Secretary*

L.N. Degle

S.L.J. Graafsma

A.A.J.M. Kamp

J.J. Nooitgedagt

P.H.M. Hofsté

P.H.J.M. Visée

Independent auditor's report

To: The General Members Council and Supervisory Board of Coöperatieve Rabobank U.A.

Report on the financial statements 2016

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Coöperatieve Rabobank U.A. as at 31 December 2016 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Coöperatieve Rabobank U.A. as at 31 December 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Coöperatieve Rabobank U.A., Amsterdam ('Rabobank' or 'the Bank' or 'company'). The financial statements include the consolidated financial statements of Coöperatieve Rabobank U.A. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the following statements for 2016: the consolidated statement of income, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2016;
- the company statement of income for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The 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 section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of Coöperatieve Rabobank U.A. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. During 2016, a PwC team outside The Netherlands, not involved in the audit of the financial statements 2016 of Coöperatieve Rabobank U.A., conducted an assurance related (Agreed-upon-Procedures) engagement at the joint request of, and for, a branch of Coöperatieve Rabobank U.A. and a foreign bank, with a contracted fee value of less than 0.1% of PwC's audit fees for the consolidated financial statements 2016. Under the Dutch independence rules this assurance related engagement is a non-permissible service, and should therefore not have been commenced. Upon identification, the assurance related engagement was immediately terminated and the related fees were not billed to Coöperatieve Rabobank U.A. We consulted with the Audit Committee and reported the incident to the Dutch regulator. The Audit Committee agreed with our conclusion that due to the nature and the limited size of the engagement our independence was not compromised, to which the Dutch regulator has not objected. 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.

Our audit approach

Overview and context of the 2016 audit

Rabobank is an international financial services provider operating on the basis of cooperative principles. Rabobank operates globally in 40 countries with focus on banking in the Netherlands and food and agri financing in the Netherlands and abroad. Its operations include domestic retail banking, wholesale banking and international rural and retail banking, leasing and real estate. Rabobank is in the midst of a transformation. During 2016 Rabobank started executing its 'Strategic Framework 2016-2020'. The strategic objectives that impact the financial statements directly are focussed on balance sheet reduction and further improving financial performance.

In particular, we looked at where the Executive Board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 'Judgements and estimates' in note 2.1 to the financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the impairment of loans and advances to customers, valuation of financial instruments, litigation, regulatory and client care, valuation of equity investments and restructuring related provisions we considered these to be key audit matters as set out in the key audit matter section of this report. Furthermore, we identified hedge accounting and asset and disposal portfolios as key audit matter because they require more complex judgements in the application of International Financial Reporting Standards adopted by the European Union (EU-IFRS). Lastly the continuity and reliability of information processing was identified as key audit matter since this is significant to the Bank's operational, regulatory and financial reporting processes.

The group comprises of multiple components and therefore we considered our group audit scope and approach as set out in the scope of our group audit section. We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statement.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by senior management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams, both at group and at component levels, collectively contain the appropriate skills and competences which are needed for the audit of a bank.

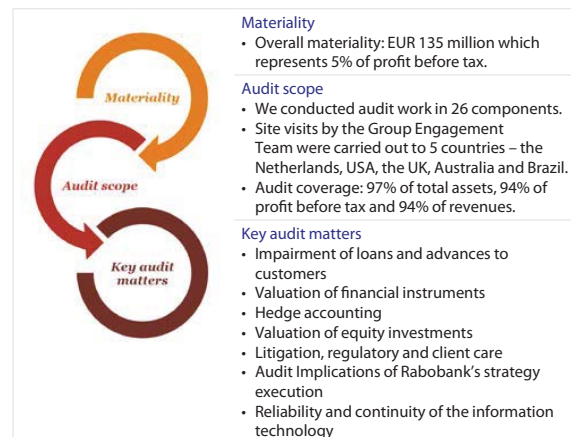
We therefore included specialists in the areas of IT, tax, real estate, hedge accounting, financial instruments, employee benefits and valuation in our team.

PwC's first year as auditor of Rabobank

Prior to becoming the Bank's auditor, we developed a comprehensive transition plan commencing in July 2015 to understand the connection between the Bank's strategy, the related business risks and the way they impact the Bank's financial reporting and internal controls framework. Our transition plan included amongst others:

- Close interaction with the previous auditor, including a process of file reviews and formal hand over procedures as prescribed by our professional standards;
- Active knowledge sharing and discussions with the Finance, Risk and Internal Audit functions ('Audit Rabobank') to understand their perspectives on the business and audit risks;
- Attendance as observers of a number of meetings between the previous auditors with senior management and the Audit Committee during the 2015 year-end financial closing process;
- Evaluation of key accounting positions and audit matters from prior years.
- Performed walkthrough procedures, to understand the design effectiveness of processes and internal controls, in the first half year of 2016 to support our knowledge and understanding at the early stage of our audit; and
- Introduction meetings with the European Central Bank as key regulator of the Bank.

We discussed and agreed our audit plan with the Bank's Audit Committee in April 2016 and we reported status, progress and key findings from our half year review and audit process during the year.



Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	EUR 135 million
Benchmark applied	5% of profit before tax
Rationale for benchmark	This benchmark is a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the company.
Component materiality	To each component in our audit scope, we allocate, based on our judgement, materiality that is less than our overall group materiality. The range of materiality allocated across components was between EUR 18.5 million and EUR 45 million.

Next to the quantitative considerations as outlined above we have also focused in our audit on the accuracy and completeness of the fair value disclosure, which is an example of taking into account misstatements and/or possible misstatements, that in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above EUR 6.25 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Coöperatieve Rabobank U.A. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Coöperatieve Rabobank U.A.

Rabobank has an internal audit department ('Audit Rabobank') that performs operational audits, compliance audits, IT audits, loan (valuation) audits, culture and behaviour audit and a full financial statement audit. Audit Rabobank issues an audit opinion on the financial statements of Rabobank (for internal purposes only) to the Supervisory Board, Audit Committee and Executive Board. We considered, in the context of audit standard 610 'Using the work of internal auditors', whether we could

make use of the work of Audit Rabobank and we concluded that this was appropriate. To arrive at this conclusion, we evaluated the competence, objectivity and level of systematic and disciplined approach applied by Audit Rabobank, and more specific the financial audit team of Audit Rabobank. Subsequently we developed a detailed approach and model to make use of the work of Audit Rabobank in our 2016 financial statement audit. We were substantially and independently involved in the higher risk areas and or in areas or procedures that require significant judgement. During the audit process we worked closely with Audit Rabobank, had frequent status meetings and reviewed and reperformed some of their work which confirmed our initial assessment and reliance approach.

The group audit focused on the significant components: Domestic Retail Banking Netherlands (not including Obvion and other associated entities), Wholesale Banking Netherlands and Treasury (WRR) and De Lage Landen (DLL).

These three components were subject to audits of their complete financial information as those components are individually financially significant to the group. Additionally, 17 components were selected for full scope audit procedures to achieve appropriate coverage on financial statement line items in the financial statements. And another six components were subjected to specific audit procedures on certain financial statement line items only to achieve appropriate overall coverage on financial statement line items.

Group entities in the Netherlands included the significant components Domestic Retail Banking Netherlands, WRR and DLL, but also included Real Estate Group, FGH Bank, Obvion and some other smaller components. The group engagement team utilized the work of component teams for these entities. For components in the USA, Australia, Brazil, the UK, Ireland, Hong Kong and Indonesia, we used component auditors who are familiar with the local laws and regulations to perform the audit work.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Total assets	97%
Profit before tax	94%
Revenue	94%

None of the remaining components represented individually more than 1% of total group assets, profit before tax or revenues. For these remaining components we performed, amongst other procedures, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within these components.

In the current year the group engagement team visited the Netherlands, USA, the UK, Australia and Brazil at least once. During these visits the group engagement team met with the component teams and with local management. Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the head office. By performing the procedures above at components, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group. These procedures in totality provided a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance to the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, however these should not be regarded as a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
<p>Impairment of loans and advances to customers Refer to note 2.15 'Loans and advances to customers and loans and advances to banks' and note 11 'Loans and advances to customers'. We focused on this area because management makes complex and subjective judgements over both timing of recognition and the estimation of the size of any such impairment. Within Rabobank the impairment consists out of three different components being:</p> <ul style="list-style-type: none"> • Impairments for specifically identifiable individually impaired loans or advances ('specific allowance'); • Model based impairments for Incurred But Not Reported losses (referred to by the Bank as 'general allowance'); and • Model based impairments to cover impairment risks in impaired loans with individually low exposures ('collective allowance'). <p>The judgements and estimation uncertainty is primarily linked to the following:</p> <ul style="list-style-type: none"> • The identification and follow-up of impairment triggers and the underlying calculation of the allowances; • Regarding the specific allowance the valuation of the future cash flows based on the appropriate use of key parameters and the assessment of the recoverable amount; • The models that support the general and collective allowance; • Post model adjustments that management applies because the models do not take into account the groups consolidated market-, sector- and industry risk as well as latest macro-economic trends so that the provisions reflect conditions at the balance sheet date. 	<p>Internal controls We understood, evaluated and tested the operating effectiveness of key controls and focused on:</p> <ul style="list-style-type: none"> • Credit management including the identification of impairment triggers; • The governance over impairment models, including the continuous reassessment of management that the impairment models are still calibrated in a way that addresses the impairment risk in accordance with the IFRS standards; • The completeness and accuracy of transfer of data from the underlying source systems to the impairment models; and • The review and approval process that management has in place for the outputs of the impairment models, and the adjustments that are applied to modelled outputs. <p>We found that these key controls were designed and implemented. Most of these controls operated effectively. For certain controls remedial action was taken by management. Based on the testing of controls and additional testing of remedial actions we determined that we could place reliance on these controls for the purpose of our audit.</p> <p>Substantive audit procedures For a sample of individually impaired loans, we took note of the latest developments at the borrowers' and considered whether key judgements were appropriate. We challenged management's inputs including the future cash flows, the valuation of collateral and tested the key parameters. In addition we selected a sample of individual loans from the 'performing book' and the so called 'watch list'. Our procedures did not identify any material differences.</p> <p>We tested the impairment models for the general and collective allowance. We performed backtesting procedures on a sample of key model parameters and we challenged management and they provided us with reasonable explanations and evidence supporting the key model parameters, in line with market and industry practice.</p> <p>We challenged management on the post model adjustments to provide objective evidence that these adjustments were necessary to balance the Bank's sector, industry or macro economical exposure, and we found the provided support reasonable</p>

Key audit matter	How our audit addressed the matter
<p>Valuation of financial instruments Refer to note 2 'Accounting policies' and note 4.9 'Fair value of financial assets and liabilities'. The financial instruments that are measured at fair value and are significant for the financial statements are:</p> <ul style="list-style-type: none"> • Trading positions • Derivatives • Liabilities at fair value. <p>For financial instruments that are actively traded and for which quoted market prices or market parameters are available, there is less judgement involved in the determination of fair values (level 1 instruments). However, when observable market prices or market parameters are not available the fair value is subject to significant judgement. This is relevant for derivatives and liabilities at fair value. The fair value of these financial instruments is determined through the application of valuation techniques and estimates which involve management judgement (level 2 and level 3 instruments).</p> <p>In particular we focused on the significant estimation uncertainties in:</p> <ul style="list-style-type: none"> • The valuation of derivatives that include bilateral credit valuation adjustments (BCVA); and • The valuation of liabilities at fair value that include own credit adjustments (OCA). <p>BCVA is sensitive to the value of uncollateralised derivative financial instruments and their expected future market volatility.</p> <p>The liabilities at fair include own debt securities in issue, debt securities in issue structured and subordinated liabilities. For OCA Rabobank values its own liabilities using valuation models. Since the market for own funding of Rabobank is not highly active, management utilizes other observable market data points. In 2016 Rabobank decided to early adopt and retrospectively apply the IFRS 9 accounting provision for the OCA.</p>	<p>Internal controls We understood, evaluated and tested the operating effectiveness of key controls and focused on:</p> <ul style="list-style-type: none"> • The governance over models, including the support and approval process of the models and any subsequent changes to these models; • Controls over the completeness and accuracy of data inputs; • The Bank's independent price verification process that reviews the reasonableness of models and outputs; and • The governance, review and approval process that management has in place for BCVA, and OCA. <p>We determined that we could place reliance on these controls for the purpose of our audit.</p> <p>Substantive audit procedures We evaluated the assumptions, methodologies and models used by Rabobank for derivatives and financial liabilities at fair value. We have performed sensitivity testing on key assumptions, and reconciled model inputs to actual market transactions as far as possible. For key data inputs for which no market data were available we challenged management's judgement. These key data inputs relate mostly to:</p> <ul style="list-style-type: none"> • Value of uncollateralised derivative financial instruments; • Expected future market volatility; and • Creditworthiness of the Bank's counterparties. <p>We challenged management on the (right) use of comparable market transactions to demonstrate their appropriateness of these key data inputs. Based upon our work performed on these inputs we view the outcome of management's estimates and judgement as reasonable. Next to the procedures outlined above we performed an independent valuation of a sample of derivative positions. In some cases our independent valuation resulted in different values as compared to those calculated by management. We have assessed that those differences fell within the range of reasonable outcomes, in the context of the inherent uncertainties and use of models and assumptions.</p> <p>Disclosures We assessed the Bank's application of OCA under the early adopted IFRS 9 standard and noted that the impact amounts to EUR 365 million for 2016 and is appropriately presented in other comprehensive income instead of the statement of income. In our procedures we focused on the accurate presentation of financial instruments at fair value into level 1-3 and noted no material exceptions.</p>
<p>Hedge accounting Refer to note 2.3 'Derivatives and hedging' and note 10 'Derivatives'. The Bank manages its structural interest rate risk as well as exchange rate risk through hedges. If the hedge relationship meets the requirements of IAS 39, hedge accounting is applied. Hedge accounting is a technique that modifies the normal basis for recognising gains and losses (or revenues and expenses) on associated hedging instruments and hedged items, so that both are recognised in the statement of income (or OCI) in the same accounting period.</p> <p>The application of hedge accounting is judgemental and requires detailed calculations and documentation and that is why we determined this to be a key audit matter.</p>	<p>Internal controls We understood, evaluated and tested the operating effectiveness of key controls and focused on:</p> <ul style="list-style-type: none"> • The operating effectiveness of controls over the designation and ongoing management of hedge accounting relationships, including the periodic testing of hedge effectiveness; • Management's model validation controls that calculates the fair value of hedging relationships; • Checks and balances on the reasonableness of these fair values through independent source calculations of the fair values; and • Validation of controls around the appropriate monitoring and elimination of inter group hedging instruments. <p>We determined that we could place reliance on these controls for the purpose of our audit.</p> <p>Substantive audit procedures Testing has been performed over all key year-end reconciliations between source systems and the hedge accounting systems that maintain the hedging models to calculate the hedge effectiveness. Substantive procedures were focused on the application of hedge accounting which included, examining hedge accounting documentation to assess whether the documentation complied with the EU-IFRS requirements. The hedge accounting documentation appropriately supports the use of hedge accounting by the Bank.</p>
<p>Valuation of equity investments Refer to note 2.2.2 'Investments in associates and joint ventures' and note 13.1 'Investments in associates'. Rabobank has a 29.21% ownership in the equity of Achmea B.V. ('Achmea'), a Dutch non-public insurance company. In the fall of 2016 Rabobank identified a number of triggers to perform impairment assessments on its equity investment in Achmea.</p> <p>These triggers included the increasing uncertainties in the Dutch health insurance market, the deteriorating business environment for Dutch insurers, market transactions and press releases issued by Achmea. Management determined the value in use and fair value less cost to sell ('fair value'). The value in use calculation is sensitive to assumptions as the future cash flow projection, the cost of equity and access capital distributions. The fair value method utilizes market multiples as price to book or price to earnings.</p> <p>Management compared the highest of value in use and fair value to the carrying value of the investment resulted in an aggregated impairment of EUR 700 million.</p>	<p>Substantive audit procedures We independently assessed the value in use and fair value of Achmea. We challenged and assessed:</p> <ul style="list-style-type: none"> • Cost of capital • Future cash flow projections • Access capital distributions in combination with target solvency levels <p>We based our assessment of these elements on the historical performance of Achmea, market practice data, and experience of valuation techniques.</p> <p>We used price to book and price to earnings multiples for most comparable peers in the Netherlands and Europe for the fair value calculation. We benchmarked the outcome with market prices in the Netherlands.</p> <p>We performed sensitivity testing on management's key assumptions and the output of the value in use and fair value calculation for Achmea.</p> <p>Overall we believe the key assumptions are reasonable and that the outcome falls within our range of possible outcomes.</p>

Key audit matter	How our audit addressed the matter
<p>Litigation, regulatory and client care Refer to note 2.21 'Provisions', note 4.10 'Legal and arbitration proceedings' and note 25 'Provisions'. Given the continued regulatory focus on the financial services industry, there is a risk that claims and/or regulatory investigations emerge that could impact the financial statements.</p> <p>There is an inherent risk across the Bank that emerging compliance or litigation areas have not been identified and/or addressed by management for financial statement purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure.</p> <p>The recognition and measurement of provisions and the disclosure of contingent liabilities requires considerable management judgement.</p> <p>We were informed that the Bank decided to adopt the Uniform Recovery Framework for SME Interest Rate Derivatives. As at 31 December 2016 the Bank included, in the aggregate, EUR 699 million in the SME provision.</p>	<p>Internal controls We understood, evaluated and tested the operating effectiveness of controls of the Bank to identify litigation and regulatory exposures within the group. We determined that we could place reliance on these controls for the purpose of our audit.</p> <p>Substantive audit procedures We met with different members of the Executive Board on a regular basis to understand the emerging and potential exposures that they had identified. We challenged management's view on these exposures based upon our knowledge and experience of emerging industry trends and the regulatory environment.</p> <p>We assessed customer complaints received and the analysis prepared by management of these complaints. We tested a sample of complaints to ensure this analysis was properly prepared. We used the analysis to understand whether there were indicators of more systematic exposures being present for which provisions or disclosures should be made in the financial statements.</p> <p>We read the Bank's relevant correspondence with the AFM, DNB and ECB. We met on a trilateral and bilateral basis with the DNB and ECB during the year.</p> <p>We read the minutes of the Executive Board and the Supervisory Board meetings and attended all Risk- and Audit committee meeting throughout the year. We held regular bilateral meetings with the Chairs of the Supervisory Board, Audit committee and Risk committee.</p> <p>We obtained legal letters from the external lawyers to validate the identified exposures.</p> <p>The majority of our detailed audit work was on the significant provision for SME interest rate derivatives. We assessed the reasonableness of assumptions and interpretations of the SME framework by management in relation to their calculations supporting the recorded provision and expenses.</p> <p>Disclosures Given the inherent uncertainty and the judgemental nature of contingent liabilities and provisions, we evaluated the disclosures made in the financial statements. In particular we focused on disclosures regarding SME interest rate derivatives, Libor/Euribor and Bank Secrecy Act/Anti-Money Laundering) framework For Rabobank, N.A. (RNA).</p> <p>We challenged management that the disclosures were significantly clear in highlighting the exposures and significant uncertainties that exist.</p>
<p>Audit implications of Rabobank's strategy execution Refer to note 2 'Accounting policies', note 15 'Property and equipment' and note 25 'Provisions'.</p> <p>Rabobank is in the midst of a transformation. Rabobank's strategic objectives have a direct and indirect impact on its financial statements.</p> <p>The direct impact in the financial statements relates to:</p> <ul style="list-style-type: none"> • Asset and portfolio disposals • Restructuring and related provisions <p>The accounting of asset and portfolio transactions are complex from a legal and accounting perspective and require judgements and estimates. The effects of the restructuring decisions involves judgement and estimates in the timing and recognition of the amounts involved.</p>	<p>Audit procedures We assessed the following significant asset disposals:</p> <ul style="list-style-type: none"> • Athlon car lease • RNHB Hypotheekbank • Mortgage portfolios <p>For these transactions we read the contracts, assessed the Bank's accounting paper and reviewed the presentation in the financial statements. For mortgage portfolios we assessed in particular whether the majority of the risk and rewards are transferred to the buyer and as a result the assets could be derecognized from the balance sheet. Based on these procedures we concur with management's position.</p> <p>The restructuring provision at 31 December 2016 amounts to EUR 461 million. We assessed the reasonableness of assumptions, calculations management provided and validated the appropriate application of IAS 37 requirements.</p> <p>On the property in own use we performed sample testing to validate the value at the lower of cost or market value. Overall we believe the assumptions used are reasonable and that the outcome falls within the range of reasonable outcomes.</p>
<p>Reliability and continuity of the information technology The Bank relies on the continuity and reliability of information technology (IT) for its operational, regulatory and financial reporting processes. The Bank's accounting and reporting processes, including automated and IT dependent manual controls, are heavily dependent on the continuity and reliability of information technology. Deficiencies in IT general controls as such could have a persuasive impact across the Bank's internal control framework. Therefore we identified the continuity and reliability of information technology of the Bank as a key audit matter.</p>	<p>Audit procedures Our efforts relating to understanding, evaluating and testing the operating effectiveness of IT General Controls (ITGCs) focused on:</p> <ul style="list-style-type: none"> • Access to programs and data <ul style="list-style-type: none"> - Logical access to applications, operating systems and data; - Security of the IT infrastructure; and - Physical access to datacenters. • Change Management <ul style="list-style-type: none"> - Centralized change management process; - Implementation of changes; and - Security testing of changes. • Computer Operations <ul style="list-style-type: none"> - Batch monitoring; - Continuity management; - Incident management; - Problem management; and - Vulnerability management. <p>We focused on the ITGCs to the extend relevant for the purpose our audit of the financial statements. We noticed that these key controls where designed and implemented. Our test procedures indicated that most of these controls operated effectively. For certain of the controls, in particular relating to logical access, remedial actions were carried out by the Bank. Based on the testing of controls and additional testing of the remedial actions we determined that we could place reliance on these controls for the purpose of our audit.</p>

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the chairman's foreword
- the management report;
- the corporate governance report
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures were substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the management report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Coöperatieve Rabobank U.A. on 18 June 2015 by the Supervisory Board following the passing of a resolution by the members at the General Members Council held on 18 June 2015 for a total period of uninterrupted engagement appointment of 4 calendar years, 2016, 2017, 2018 and 2019. This resolution is subject to be renewed annually by members.

Responsibilities for the financial statements and audit

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going-concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements. The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 8 March 2017

PricewaterhouseCoopers Accountants N.V.

Original has been signed by P.J. van Mierlo RA

Appendix to our auditor's report on the financial statements 2016 of Coöperatieve Rabobank U.A.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the 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 intentional 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 the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company'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 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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Bank's financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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 deficiencies 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 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, not communicating the matter is in the public interest.

Independent Auditor's Assurance Report

To: The General Members Council and Supervisory Board of Coöperatieve Rabobank U.A.

Scope

We have performed an assurance engagement to report on the effectiveness of internal control over the consolidated financial reporting of Coöperatieve Rabobank U.A. (hereafter 'Rabobank') as at 31 December 2016, based on criteria established in 'Internal Control – Integrated Framework' issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) ('the COSO criteria').

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 the applicable financial reporting framework. 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 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, included in the accompanying executive board's report on internal control over financial reporting.

The statement of the Executive Board regarding its assessment of the effectiveness of internal over financial reporting is included in note 52 of the consolidated financial statements.

Auditor's responsibility

Our procedures were designed to enable us to express a reasonable assurance opinion on the effectiveness of the Rabobank's internal control over consolidated financial reporting as at 31 December 2016. We conducted our assurance engagement in accordance with Dutch Law, including the Dutch Standard 3000 'Assurance-engagements other than audits or reviews of historical financial information' based on 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, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and 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 misstatements. 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 provided based on the matters as explained in this assurance report. In our opinion, Rabobank maintained, in all material respects, effective internal control over the consolidated financial reporting as of 31 December 2016, based on the COSO criteria.

Amsterdam, 8 March 2017

PricewaterhouseCoopers Accountants N.V.

Original has been signed by P.J. van Mierlo RA

Key figures

Key Figures					
<i>Amounts in millions of euros</i>	2016	2015	2014	2013	2012
Financial position and solvency					
Equity	40,524	41,197	38,871	38,534	42,080
Common equity tier 1 capital	29,618	28,754	28,714	28,551	29,253
Tier 1 capital	37,079	35,052	33,874	35,092	38,358
Total (qualifying) capital	52,873	49,455	45,139	41,650	42,321
Risk-weighted assets	211,226	213,092	211,870	210,829	222,847
Profit and loss account					
Income	12,805	13,014	12,889	13,072	13,607
Operating expenses	8,594	8,145	8,055	9,760	9,003
Regulatory levies	483	344	488	197	196
Impairment losses on goodwill and investments in associates	700	623	32	42	(9)
Loan impairment charges	310	1,033	2,633	2,643	2,350
Income tax	694	655	(161)	88	158
Net profit from continued activities	2,024	2,214	1,842	342	1,909
Net profit from discontinued activities	0	0	0	1,665	149
Net profit	2,024	2,214	1,842	2,007	2,058
Ratios					
Common equity tier 1 ratio	14.0%	13.5%	13.6%	13.5%	13.1%
Fully loaded common equity tier 1 ratio	13.5%	12.0%	11.8%	11.1%	-
Tier 1 ratio	17.6%	16.4%	16.0%	16.6%	17.2%
Total capital ratio	25.0%	23.2%	21.3%	19.8%	19.0%
Equity capital ratio	15.0%	14.7%	14.4%	16.1%	15.3%
Leverage ratio	5.5%	5.1%	4.9%	4.8%	4.7%
Loan-to-deposit ratio	1.22	1.25	1.32	1.35	1.39
Return on tier 1 capital	5.8%	6.5%	5.2%	5.2%	5.4%
ROIC	5.2%	6.0%	-	-	-
Cost/income ratio excluding regulatory levies	67.1%	62.6%	62.5%	74.7%	66.2%
Cost/income ratio including regulatory levies	70.9%	65.2%	66.3%	76.2%	67.6%
Net profit growth	-8.6%	20.2%	-8.2%	-2.5%	-21.7%
Return on assets	0.30%	0.33%	0.28%	0.27%	0.28%
Ratings					
Standard & Poor's	A+	A+	A+	AA-	AA-
Moody's Investors Service	Aa2	Aa2	Aa2	Aa2	Aa2
Fitch Ratings	AA-	AA-	AA-	AA-	AA
DBRS	AA	AA	AA (high)	AAA	AAA
Sustainability ratings					
Dow Jones Sustainability Index (ranking)	7	5	12	-	-
Sustainalytics (ranking)	2	11	40	-	-
Volume of services					
Total assets	662,335	678,554	681,086	669,095	750,710
Private sector loan portfolio	424,551	433,927	429,731	434,691	458,091
Due to customers	347,712	345,884	326,288	326,222	334,271
Wholesale funding	188,862	203,218	216,529	219,057	253,672
Supporting local communities					
Rabobank Foundation (in the Netherlands and abroad)	16.9	13.1	15.7	12.9	15.2
Cooperative dividend (local Rabobanks)	49.0	38.1	36.8	44.5	44.2
Donations Rabobank Group	6.5	6.9	8.0	8.0	4.6
Climate Footprint before full compensation					
CO ₂ emissions attributable to business (x 1,000 tonnes CO ₂)	180	182	198	208	-
CO ₂ emissions per FTE (tonnes CO ₂)	3.7	3.5	3.6	3.5	-

Key Figures					
	2016	2015	2014	2013	2012
Retail customers					
Net Promotor Score (NPS Recommendation)	41	33	17	12	-
Customer Effort Score (CES Day-to-day banking)	67	64	68	66	-
Customer Advocacy Score (CAS Recommendation)	79%	76%	61%	59%	-
Satisfaction with day-to-day banking	8.2	7.9	7.8	7.7	-
Private Banking customers					
Net Promotor Score (NPS Recommendation)	46	37	29	20	-
Customer Effort Score (CES Day-to-day banking)	70	64	68	66	-
Customer Advocacy Score (CAS Recommendation)	84%	81%	70%	64%	-
Satisfaction with day-to-day banking	8.1	7.8	7.8	7.7	-
Corporate customers					
Net Promotor Score (NPS Recommendation)	36	21	10	1	-
Customer Effort Score (CES Day-to-day banking)	55	43	52	43	-
Customer Advocacy Score (CAS Recommendation)	71%	62%	53%	48%	-
Satisfaction with day-to-day banking	8.4	7.3	7.1	6.9	-
Nearby					
Members (x 1,000)	1,927	1,945	1,959	1,947	1,918
Number of users of mobile banking devices (x 1,000) ¹	3,079	2,469	2,271	1,784	1,086
Availability of internet payments & savings ²	99.7%	99.8%	98.9%	-	-
Availability of mobile banking ²	99.7%	99.8%	99.0%	-	-
Foreign places of business	382	403	440	769	759
Branches	475	506	547	656	826
Market shares (in the Netherlands)					
Mortgages	21%	20%	22%	26%	31%
Savings	34%	35%	36%	38%	39%
Trade, Industry and Services (TIS)	41%	42%	39%	44%	43%
Food & agri	84%	84%	85%	85%	85%
Sustainable financing corporate customers (amounts in millions of euros)					
Total sustainable financing	18,791	19,240	19,501	18,916	6,537
Sustainable financing	14,039	15,044	14,868	14,941	4,611
Access to finance	1,643	1,573	1,659	1,820	1,926
Community services	3,110	2,623	2,973	2,155	-
Sustainable Housing private customers (amounts in millions of euros)					
Sustainable mortgages	32,128	-	-	-	-
Energy Label A in Rabobank portfolio	16%	-	-	-	-
Sustainable assets under management and assets in custody and sustainable funding (amounts in millions of euros)					
Total sustainable assets under management and assets in custody	6,320	4,965	4,465	4,609	3,751
Sustainable assets under management and held in custody for clients	3,835	2,843	2,101	1,739	963
Sustainable funding	2,485	2,122	2,364	2,870	2,788
Personnel data (amounts in millions of euros)					
Number of employees (internal in FTEs)	40,029	45,658	48,254	56,870	59,628
Number of employees (external in FTEs)	5,538	6,355	5,658	6,034	6,081
Number of employees (total in FTEs)	45,567	52,013	53,912	62,904	65,709
Staff costs	4,521	4,786	5,086	5,322	5,325
Staff vitality score	66%	64%	63%	67%	65%
Absenteeism	3.6%	3.7%	3.7%	3.5%	3.6%
Females employed	51.7%	51.8%	53.3%	53.5%	53.6%
Females in senior positions (≥ scales 8)	25.8%	28.6%	28.5%	27.6%	27.4%
Training expenses	78	79	77	91	89
Training expenses in EUR per FTE	1,945	1,734	1,604	1,603	1,530

1 Users who log on at least once every three months.

2 Average availability measured over 12 months.

Consolidated statement of financial position

Consolidated statement of financial position			
<i>in millions of euros</i>	<i>Note</i>	<i>On 31 December 2015</i>	<i>On 31 December 2014</i>
Assets			
Cash and balances at central banks	6	64,943	43,409
Loans and advances to banks	7	31,210	45,962
Financial assets held for trading	8	3,472	4,279
Financial assets designated at fair value	9	2,196	4,325
Derivatives	10	48,113	56,489
Loans and advances to customers	11	458,618	461,787
Available-for-sale financial assets	12	37,773	39,770
Investments in associates and joint ventures	13	3,672	3,807
Goodwill and other intangible assets	14	1,493	2,059
Property and equipment	15	7,765	7,148
Investment properties	16	381	452
Current tax assets		193	211
Deferred tax assets	24	2,390	2,501
Other assets	17	7,999	8,560
Non-current assets held for sale	43	155	327
Total assets		670,373	681,086
Liabilities			
Due to banks	18	19,038	18,066
Due to customers	19	337,593	326,288
Debt securities in issue	20	174,991	189,060
Derivatives and other trade liabilities	10	55,129	67,560
Other liabilities	21	8,050	8,047
Financial liabilities designated at fair value	22	16,991	19,744
Provisions	23	993	794
Current tax liabilities		230	255
Deferred tax liabilities	24	575	473
Subordinated liabilities	26	15,503	11,928
Total liabilities		629,093	642,215
Equity			
Equity Rabobank and local Rabobanks	28	25,706	24,894
Equity instruments issued directly			
- Rabobank Certificates	29	5,949	5,931
- Capital Securities	30	7,826	6,349
		13,775	12,280
Equity instruments issued by subsidiaries			
- Capital Securities	30	176	181
- Trust Preferred Securities III to VI	30	1,131	1,043
		1,307	1,224
Other non-controlling interests	31	492	473
Total equity		41,280	38,871
Total equity and liabilities		670,373	681,086

Consolidated statement of income

Consolidated statement of income			
		<i>For the year ended 31 December</i>	
<i>in millions of euros</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>
Interest income	32	17,593	18,638
Interest expense	32	8,454	9,520
Net interest income	32	9,139	9,118
Fee and commission income	33	2,077	2,075
Fee and commission expense	33	185	196
Net fee and commission income	33	1,892	1,879
Income from associates	34	366	145
Net income from financial assets and liabilities at fair value through profit or loss	35	603	219
Gains/(losses) on available-for-sale financial assets	12	148	418
Other results	36	866	1,110
Income		13,014	12,889
Staff costs	37	4,786	5,086
Other administrative expenses	38	2,916	2,532
Depreciation	39	443	437
Operating expenses		8,145	8,055
Impairment losses on goodwill	14	623	32
Loan impairment charges	40	1,033	2,633
Regulatory levies	41	344	488
Operating profit before taxation		2,869	1,681
Taxation	42	655	(161)
Net profit		2,214	1,842
Of which attributed to Rabobank and local Rabobanks		880	620
Of which attributed to holders of Rabobank Certificates		387	385
Of which attributed to Capital Securities		809	705
Of which attributed to Trust Preferred Securities III to VI		63	74
Of which attributed to other non-controlling interests	31	75	58
Net profit for the year		2,214	1,842

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income			
		<i>For the year ended 31 December</i>	
<i>in millions of euros</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>
Net profit over the period		2,214	1,842
Unrealised profit after taxation in the period transferred to profit or loss if specific conditions are met:			
<i>Foreign currency translation reserves</i>	28		
Exchange rate differences		101	637
<i>Revaluation reserves - Available-for-sale financial assets</i>	28		
Exchange rate differences		(1)	(34)
Changes at associates		(56)	86
Fair value changes		(124)	533
Amortisation of reclassified assets		6	13
Transferred to profit or loss		44	(237)
<i>Revaluation reserves - Associates</i>	28		
Fair value changes		-	(27)
<i>Revaluation reserves - Cash flow hedges</i>			
Fair value changes	28	659	548
Transferred to profit or loss		(709)	(586)
<i>Non-controlling interests</i>	31		
Exchange rate differences		(10)	22
Unrealised profit after taxation in the period not be transferred to profit and loss:			
<i>Foreign currency translation reserves</i>	28		
Exchange rate differences of equity instruments issued by subsidiaries		(83)	(156)
<i>Remeasurement reserve - Pensions</i>	28		
Changes at associates		3	(11)
Fair value changes		18	(14)
Total comprehensive income for the year recognised directly in equity		(152)	774
Total comprehensive income		2,062	2,616
Of which attributed to Rabobank and local Rabobanks		738	1,372
Of which attributed to holders of Rabobank Certificates		387	385
Of which attributed to Capital Securities		809	705
Of which attributed to Trust Preferred Securities III to VI		63	74
Of which attributed to other non-controlling interests		65	80
Total comprehensive income		2,062	2,616

Consolidated statement of changes in equity

Consolidated statement of changes in equity						
<i>in millions of euros</i>	Note	Equity of Rabobank and local Rabobanks	Equity instruments issued directly	Equity instruments issued by subsidiaries	Other non-controlling interests	Total
Balance on 1 January 2015		24,894	12,280	1,224	473	38,871
Net profit		2,061	-	78	75	2,214
Total comprehensive income for the year recognised directly in equity:	28					
Foreign currency translation reserves		18	-	-	(10)	8
Revaluation reserves - Available-for-sale financial assets		(131)	-	-	-	(131)
Revaluation reserves - Associates		-	-	-	-	-
Revaluation reserves - Cash flow hedges		(50)	-	-	-	(50)
Remeasurement reserve - Pensions		21	-	-	-	21
Total comprehensive income		1,919	-	78	65	2,062
Payments on Rabobank Certificates		(387)	-	-	-	(387)
Payments on Trust Preferred Securities III to VI		-	-	(63)	-	(63)
Payments on Capital Securities		(787)	-	(15)	-	(802)
Issuance of Capital Securities	30	-	1,500	-	-	1,500
Costs of issuance of Capital Securities		-	(12)	-	-	(12)
Rabobank Certificates issued during the year	29	-	18	-	-	18
Other		67	(11)	83	(46)	93
Balance on 31 December 2015		25,706	13,775	1,307	492	41,280
Balance on 1 January 2014		23,731	12,852	1,505	446	38,534
Net profit		1,692	-	92	58	1,842
Total comprehensive income for the year recognised directly in equity:	28					
Foreign currency translation reserves		481	-	-	22	503
Revaluation reserves - Available-for-sale financial assets		361	-	-	-	361
Revaluation reserves - Associates		(27)	-	-	-	(27)
Revaluation reserves - Cash flow hedges		(38)	-	-	-	(38)
Remeasurement reserve - Pensions		(25)	-	-	-	(25)
Total comprehensive income		2,444	-	92	80	2,616
Payments on Rabobank Certificates		(385)	-	-	-	(385)
Payments on Trust Preferred Securities III to VI		-	-	(74)	-	(74)
Payments on Capital Securities		(687)	-	(18)	-	(705)
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
Balance on 31 December 2014		24,894	12,280	1,224	473	38,871

Consolidated statement of cash flows

Consolidated statement of cash flows		<i>For the year ended 31 December</i>	
<i>in millions of euros</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>
Cash flows from operating activities			
Operating profit before tax charges from continuing operations		2,869	1,681
Operating profit before tax charges from discontinued operations		-	-
Adjusted for:			
<i>Non-cash items recognised in operating profit before taxation</i>			
Depreciation	39	443	437
Depreciation of operating lease assets and investment properties	15, 16	1,013	924
Loan impairment charges	40	1,033	2,633
Impairment on property activities		-	40
Result on sale of property and equipment		(11)	17
Income from associates	34	(366)	(145)
Impairment losses on goodwill	14	623	32
Net income from financial assets and liabilities at fair value through profit or loss	35	(603)	(219)
Gains/(losses) on available-for-sale financial assets	12	(148)	(418)
Provisions		542	(256)
Capitalised costs self-developed software and other assets		(150)	(116)
<i>Net change in operating assets</i>			
Due from and to banks	7, 18, 40	15,734	(1,513)
Financial assets held for trading	8, 35	971	1,878
Derivatives	10	8,376	(16,676)
Net change in financial assets and liabilities designated at fair value	9, 22	(185)	903
Loans and advances to customers	11, 40	2,042	(2,976)
Dividends received from associates and financial assets		75	96
<i>Net change in liabilities relating to operating activities</i>			
Derivatives and other trade liabilities	10	(12,431)	17,288
Due to customers	19	11,305	(6,143)
Debt securities in issue	20	(14,069)	(6,588)
Other liabilities	21	3	91
Income tax paid		(371)	(338)
Other changes		(847)	(4,095)
Net cash flow from operating activities		15,848	(13,463)
Cash flows from investing activities			
Acquisition of associates net of cash and balances at central banks acquired	13	(37)	(54)
Disposal of associates net of cash and balances at central banks		44	54
Disposal of subsidiaries net of cash and balances at central banks		-	591
Acquisition of property and equipment and investment properties	15, 16	(2,513)	(2,360)
Proceeds from the sale of property and equipment		813	1,609
Acquisition of available-for-sale financial assets	12	(6,219)	(9,863)
Proceeds from the sale and repayment of available-for-sale financial assets		8,431	19,528
Net cash flow from investing activities		519	9,505
Cash flows from financing activities			
Purchase of Rabobank Certificates	29	(980)	(441)
Sale of Rabobank Certificates		998	549
Issue of Capital Securities (including costs)		1,488	-
Redemption of Trust Preferred Securities V and VI		-	(382)
Payments on Rabobank Certificates, Trust Preferred Securities III to VI and Capital Securities		(1,252)	(1,164)
Payments on Senior Contingent Notes		(86)	(86)
Redemption of Capital Securities	30	-	(709)
Proceeds from issue of subordinated liabilities		2,966	3,607
Redemption of subordinated liabilities		(3)	(9)
Net cash flow from financing activities		3,131	1,365
Net change in cash and balances at central banks		19,498	(2,593)
Cash and balances at central banks at the beginning of the year		43,409	43,039
Exchange rate differences on cash and balances at central banks		2,036	2,963
Cash and balances at central banks at the end of the year		64,943	43,409
The cash flows from interest are included in the net cash flow from operating activities			
Interest revenue		17,693	18,877
Interest expenditure		8,702	9,739

Annual figures

Statement of financial position (before profit appropriation)

Statement of financial position			
Amounts in millions of euros	Note	31 December 2016 ¹	31 December 2015
Assets			
Cash and balances at central banks	1	83,568	63,403
Short-term government papers	2	801	860
Professional securities transactions		12,596	17,944
Other loans and advances to banks		35,093	90,493
Loans and advances to banks	3	47,689	108,437
Public sector lending		3,099	2,915
Private sector lending		366,544	121,120
Professional securities transactions		16,536	19,783
Loans and advances to customers	4	386,179	143,818
Interest-bearing securities	5	81,148	86,476
Shares	6	963	778
Interests in group companies	7	15,179	18,589
Other equity investments	8	1,699	2,672
Goodwill and other intangible assets	9	477	469
Tangible fixed assets	10	1,754	935
Other assets	11	4,786	4,378
Derivatives	12	47,041	57,239
Prepayments and accrued income	13	1,200	1,381
Total assets		672,484	489,435
Liabilities			
Professional securities transactions		418	81
Other liabilities to banks		21,182	41,261
Due to banks	14	21,600	41,342
Savings		134,180	21,098
Professional securities transactions		209	486
Other due to customers		198,165	99,779
Due to customers	15	332,554	121,363
Debt securities in issue	16	150,266	166,501
Other liabilities	17	59,049	57,920
Derivatives	12	48,335	63,424
Accruals and deferred income		2,353	2,239
Provisions	18	1,481	499
Subordinated liabilities	19	17,256	17,332
		632,894	470,620
Capital		-	600
Premium		-	5,402
Rabobank Certificates		5,948	5,949
Capital Securities		7,821	8,002
Revaluation reserves		431	792
Legal reserves		752	641
Other reserves		22,678	(3,479)
Profit for the year		1,960	908
Equity	20	39,590	18,815
Total equity and liabilities		672,484	489,435
Contingent liabilities	28	26,358	18,970
Irrevocable facilities	29	45,202	45,449

1 For the consequences of the legal merger, please refer to paragraph 'Legal merger'

Statement of income

Statement of income			
		For the year ended 31 December	
Amounts in millions of euros	Note	2016	2015
Interest income	21	14,931	8,812
Interest expense	21	9,434	8,280
Net interest income	21	5,497	532
Fee and commission income	22	1,927	516
Fee and commission expense	22	212	218
Net fee and commission income	22	1,715	298
Income from equity interests	23	2,017	796
Net income from financial transactions			
Trading portfolio		40	147
Investment portfolio		214	533
Other results		514	1,948
Income		9,997	4,254
Staff costs	24	3,307	1,558
Other administrative expenses		3,054	1,381
Depreciation		342	233
Operating expenses		6,703	3,172
Impairment losses on investments in associates		700	-
Loan impairment charges		155	194
Regulatory levies	25	424	138
Operating profit before taxation		2,015	750
Income tax	26	55	(158)
Net profit		1,960	908

Annual figures

Statement of financial position of Rabobank (before profit appropriation)

<i>in millions of euros</i>	<i>Note</i>	<i>On 31 December 2015</i>	<i>On 31 December 2014</i>
Assets			
Cash and balances at central banks	1	63,403	42,097
Short-term government papers	2	860	940
Professional securities transactions		16,720	26,784
Other loans and advances to banks		90,493	109,388
Loans and advances to banks	3	107,213	136,172
Public sector lending		2,915	1,543
Private sector lending		115,311	116,493
Professional securities transactions		21,007	19,176
Loans and advances to customers	4	139,233	137,212
Interest-bearing securities	5	86,476	89,406
Shares	6	778	955
Interests in group companies	7	18,589	13,275
Other equity investments	8	2,672	2,640
Goodwill and other intangible assets	9	469	443
Tangible fixed assets	10	935	838
Other assets	11	4,721	5,581
Derivatives	12	57,239	67,313
Prepayments and accrued income	13	1,381	1,597
Total assets		483,969	498,469

<i>in millions of euros</i>	<i>Note</i>	<i>On 31 December 2015</i>	<i>On 31 December 2014</i>
Liabilities			
Professional securities transactions		81	115
Other liabilities to banks		41,261	38,391
Due to banks	14	41,342	38,506
Savings		26,722	18,244
Professional securities transactions		486	362
Other due to customers		88,689	90,349
Due to customers	15	115,897	108,955
Debt securities in issue	16	166,501	182,128
Other liabilities	17	57,920	57,927
Derivatives	12	63,424	76,186
Accruals and deferred income		2,239	2,629
Provisions	18	499	545
		447,822	466,876
Subordinated liabilities	19	17,332	13,586
Capital		600	600
Premium		5,402	5,402
Rabobank Certificates		5,949	5,931
Capital Securities		8,002	6,530
Revaluation reserves		792	964
Statutory reserves		641	463
Other reserves		(3,479)	(3,235)
Profit for the year		908	1,352
Equity	20	18,815	18,007
Liable equity capital		36,147	31,593
Total equity and liabilities		483,969	498,469
Contingent liabilities	23	18,970	17,487
Irrevocable facilities	24	45,449	34,155

Statement of income of Rabobank

	<i>For the year ended 31 December</i>	
<i>in millions of euros</i>	2015	2014
Income from interests in group companies and other equity interests after tax	764	764
Other results after tax	144	588
Net profit	908	1,352

Prepared in accordance with Section 2 of Article 402 of the Dutch Civil Code.