



# Annual Report 2015

***Rabobank Group***



***Rabobank***

# Annual Report 2015



## Management report

Overview of the strategy, developments and financial results of Rabobank Group, including the annual corporate social responsibility report.

Management report

## Corporate governance

Retrospective on 2015 by the Supervisory Board. Explanation of the new governance structure of Rabobank.

Corporate governance



## Financial statements 2015 Rabobank

The balance sheet and the profit and loss statement of Rabobank, with notes.

Financial statements

## Consolidated financial statements 2015 Rabobank Group

The balance sheet and the profit and loss statement for Rabobank Group, with notes.

Consolidated financial statements



## Pillar 3 report

An overview of the risk management and the capital adequacy of Rabobank.

Pillar 3

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# Chairman's foreword

In 2015, Rabobank, as a cooperative bank, took a number of steps that are crucial for a sound future for the bank and for our members and customers. We simplified our cooperative structure, making it more effective, and we established the road map to become the most customer-focused bank in the Netherlands as well as a leading global food and agri bank. A thorough decision-making procedure had to be completed first, in which all of the parties involved in our cooperative were consulted. The result was unanimous support for the chosen course. Rabobank is proud of this support. It gives us the confidence that we will achieve our goals for our members and customers. We are grateful for the effort and commitment of all of our employees and stakeholders in the past year, and we look forward to their continuing intensive involvement for the coming year, which will no doubt prove just as intensive.

The strong financial results of 2015 provide us with an excellent footing to successfully continue along the chosen path.

The net profit of Rabobank Group for 2015 amounted to EUR 2,214 million, an increase of 20% compared to 2014.

In the Netherlands, the decrease of loan impairment charges was a decisive factor for the recovery in earnings at the local Rabobanks. Thanks to economic growth, our customers fared better, which reflected positively on Rabobank. The number of Dutch clients under special asset management decreased by 11%. The recovery in the housing market and lower loan impairment charges also led to growth in the results of FGH Bank and Rabo Real Estate Group. DLL also showed a strong result with an increased lease portfolio. The Wholesale, Rural & Retail profits fell due to a goodwill impairment for Rabobank National Association (RNA) in California.

## Innovation and customer satisfaction

We were able to further improve our customer service in 2015 by investing heavily in innovation. Customers appreciate our online services more and more and have an increasingly positive opinion of our advisors. Customer satisfaction has risen but has not yet reached the level we are aiming for.

Our digital services became even more personalised in 2015. Some 6,000 customers use the hugely successful chat function on a daily basis. In 2015, a total of 1.1 million customers used the online Rabobank Mortgage File. The Mortgage File gives us the information we need in advance so that we can give better customised advice in meetings with customers.

For our investment customers, we have expanded the Rabo Investment App to give customers even more information about their portfolio.

For payment we introduced Rabo SmartPin, an innovative app that makes it possible to pin at the front door. We now also have the Rabo Wallet, a digital wallet that lets our Dutch customers use their smartphones to pay in shops. Because most mobile phones are not yet equipped to pay with the Rabo Wallet, we also put chips on many of our debit cards in 2015, making contactless payment possible. 1.8 million customers currently have one of these debit cards, enabling them to pay for items up to EUR 25 without needing to enter a PIN number.

## New governance model

As from 1 January 2016, Rabobank has a different operating model. The new model will create a better bank and a better cooperative. We have restructured our cooperative organisation so as to enable the local Rabobanks to focus on their customers with optimum efficiency. We will perform activities that do not have a direct added value for the customer centrally in Utrecht. By doing so, we are also anticipating future legislation and regulations. At the same time our new cooperative organisational model enhances the influence of members. The members of all the local Rabobanks are represented in the General Members Council, the highest decision-making body within the Rabobank organisation. The 106 local Rabobanks and Rabobank Nederland have merged into one cooperative Rabobank, which now operates with one single banking licence.



and a single set of financial statements. The unanimous support from the local Rabobanks reflects the broad consensus within the cooperative for this development.

### Strategic Framework 2016 - 2020

Within the cooperative, there was also widespread support for the strategic direction we set out for the period up to 2020. We focus determinedly on three priorities: excellent customer service, a stronger balance sheet and flexible use of the balance sheet, and an improvement of the financial results. As a customer-focused cooperative bank, it is our mission to make a substantial contribution to welfare and prosperity in the Netherlands and to feeding the world sustainably. Through the vision set out in Banking for the Netherlands and Banking for Food we substantiate our position as a social, cooperative bank.

With this new strategic direction, Rabobank continues to respond to social developments, such as changing consumer behaviour, technological developments, financial innovation, increased competition, a complex economic context and more stringent capital requirements. By implementing these structural changes and strategy in view of these changes, Rabobank purposely fosters a cooperative customer service model. Considering societal developments, we believe there is a permanent and significant need for a bank organised along cooperative lines. In 2015, Rabobank supported more than 1,600 local, relevant socially responsible initiatives.

### Enhanced customer focus and closer to the customer

Rabobank is strengthening its position as the bank that is closest to the customer and aims to be a meaningful cooperative that is successful in the long term for members, customers, employees and the society in which the bank operates. Providing excellent customer service through our financing offering, knowledge and our network is central to this policy. In 2015, we conducted promising experiments with 'new customer proximity'. The majority of our customers are granted a mortgage interview within 24 hours. Over the next year, Rabobank will invest in several new forms of contact points, in addition to the existing bank branches. This will include mobile helpdesks, pop-up stores and advice at home.

### Stimulate entrepreneurship

Being the largest financier of businesses in the Netherlands, Rabobank wants to contribute to stimulating entrepreneurship. The emphasis of our services to businesses will shift towards the role of financial linking pin. With this in mind, we entered into cooperation with the Fundipal crowdfunding platform in 2015. Furthermore, Rabobank frequently acts as a broker for

institutional investors who are interested in investing in our Dutch food and agri clients. From 2015 onwards, businesses which want to check whether their funding plans are realistic can use the funding indicator at [www.rabobank.nl](http://www.rabobank.nl). In 2015 we introduced a new online environment for corporate banking for our large corporates and wholesale clients: Rabo Corporate Connect. Via this portal, they have access to their accounts, payments and an overview of interest and currency positions, price information and other relevant knowledge. The platform is meant for customers who are located in the Netherlands, are internationally active or have complex product requirements. Rabobank is the first major Dutch bank to provide financial insight and an overview on a single corporate customer platform.

### Banking for Food

With our Banking for Food programme, we want to contribute to sustainably feeding the world's population. Various food and agri sectors have experienced further consolidation in the supply chain; Rabobank has actively supported customers with advice and financing solutions. With our clients and partners, we are working internationally on the four dimensions of food security: improving the availability of food; improving access to food; stimulating balanced, healthy nutrition; and enhancing the stability of food production. Both Wholesale and International Rural and Retail banking have further increased customer satisfaction. We offer global food chains financing, knowledge and our networks, supported by Rabobank Foundation and Rabo Development. More than 2 million small farmers have a future thanks to access to financing, knowledge and networks via Rabobank Foundation and Rabo Development.

### Loss of jobs

As a result of ongoing improvement programmes, the number of employees decreased to fewer than 52,000 (in FTEs) in 2015. The local Rabobanks in the Netherlands saw a decline in the number of staff. In view of the envisaged performance improvement, all the business units will implement efficiency improvements. In the period 2016-2018, the number of jobs will decrease by 9,000 mainly in the back office and the supporting services of the bank. This reduction will take place in addition to the existing programmes under which 3,000 jobs will be lost in 2016. The reduction of jobs is, on the one hand, a consequence of strategic prioritisation and on the other hand, of technological developments.



## Culture change

In 2015, Rabobank put a great deal of effort in organisational culture change. Customers' interests form an important aspect of the bank-wide Culture Collective culture programme. We aim to create a transparent culture where customer focus, purpose and trust are key principles. This culture is one in which employees are given space to step up and take responsibility and become empowered. Our employees in the Netherlands took the Banker's Oath before summer 2015. During the Values Week, colleagues engaged in dialogue about their standards, values and conduct. There will be a follow-up of this initiative in 2016.

## Sustainability

Sustainability has always been one of our priorities, and this was no different in 2015. The Circular Economy Challenge is a programme in which three companies from the food industry and five companies from the automotive industry have taken up the challenge to develop a business case in the field of circular entrepreneurship, within a year. The phenomenon of circular economy is gaining an ever firmer foothold in the Dutch economy and Rabobank wants to play a pioneering role. Rabo Brazil received two emblematic awards as the most sustainable bank.

## Rock-solid bank

The financial targets which Rabobank sets for itself in order to be and remain a rock-solid bank concern the bank's profitability, solvency and liquidity. Reflecting the higher net profit, the return on the tier 1 capital increased by 1.3 percentage points to 6.5%. Solvency is measured on the basis of the common equity tier 1 ratio and the capital ratio. The common equity tier 1 ratio amounted to 13.5% and we further strengthened our capital ratio to 23.2%. The loan-to-deposit ratio improved to 1.25.

As a result of new regulations such as Basel IV, MREL and TLAC, capital requirements will increase. The target for the common equity tier 1 ratio is a minimum of 14% and the target for the capital ratio has been raised to at least 25% by the end of 2020. The extent to which targets for these ratios exceed these minimums depends on the definitive terms of the new regulations. In the most severe scenario the upper limit for both ratios could rise to as high as 17% (common equity tier 1) and 30% (capital ratio). In order to achieve its targets, Rabobank needs to improve its profitability. Reducing the balance sheet and making it more flexible should contribute to achieving higher capital ratios. We aim to optimise the balance sheet by placing parts of our loan portfolio with external parties and by maintaining a lower liquidity buffer. More flexible use of the balance sheet will enable Rabobank to service more customers.

Selling on mortgages and business loans to investors will allow us to grant more loans. We are also taking a critical look at activities which do not contribute (sufficiently) to the ambitions of Rabobank. These measures will lead to a potential balance sheet reduction of a maximum of EUR 150 billion in the period up to 2020.

## Growth in results is necessary

The financial results we achieved in 2015 form a basis for further improving our performance. We need a significant improvement in performance. This is the only way we will be able to achieve the required return of 8% on invested capital, given the consequences of higher capital requirements. The improvement programme we have started is targeting an increase in gross profits of approximately EUR 2 billion by 2020 (excluding the impact of the balance sheet reduction on our results), to be achieved through cost savings and higher income. Furthermore, the flexibilisation and limitation of the balance sheet should contribute to achieving higher capital ratios. As a result, our cost/income ratio, excluding regulatory levies, will fall towards the 50% mark, which is more in line with other market players. In 2015, this ratio reached 63% (and including the regulatory levies, 65%).

## Outlook

Growth returned to the Dutch economy in 2015 and it appears it will continue in 2016. Unemployment will decrease slightly in 2016, but will still be at historically high levels by Dutch standards. The growth in retail consumer spending will pick up further this year, while Dutch businesses will step up their investments. However, the economic recovery is still too fragile for many businesses to invest. For this reason, investment growth is still moderate.

In 2015, the housing market saw a second year of strong recovery, with a significant increase in the number of residential property sales and a moderate increase in average price levels. Due to the tightening supply in the owner-occupied housing market, the average house price growth will be slightly higher in 2016 than in 2015.

The growth of the global economy will remain weak in 2016, as it was last year. In China, the slowdown in growth will continue, while some important commodity-producing countries, such as Brazil, Argentina and Russia are currently in a recession. The eurozone continues to see only modest growth, around the level of 2015. This is a very modest recovery level, which masks important differences between countries. Unemployment remains a concern, in particular in Southern Europe where the unemployment level is extremely high. The UK and the US

still posted relatively high growth rates. The Dutch economy benefits from those rates because these two countries are important export markets for the Netherlands. The prospects for exports are, however, accompanied by a great deal of uncertainty. The cooperation between European states is under pressure due to the challenges the current wave of immigration poses, and it is not inconceivable that the internal borders of the European Union will again (temporarily) be closed. The discussion on a possible Brexit is approaching its climax. Furthermore, the financial markets are in turmoil. There is a growing impression that market parties have less and less confidence and no longer believe that the monetary authorities will be able to keep control of the situation. The expectation is that the financial environment will remain turbulent for the time being. If the situation results in a deterioration of confidence in general, there are fears that the economic outlook will have to be revised downwards.

In 2016, with the new cooperative organisation and a solid financial foundation, Rabobank will swiftly proceed to give shape to its strategic objectives: excellent customer service, a flexible and stronger balance sheet and improvement in the financial results.

Wiebe Draijer  
Chairman of the Executive Board







# Management report



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## Reading guide

The Annual Report consists of the management report and the 'Corporate governance' section. The Report of the Supervisory Board does not form part of the statutory Annual Report.

The publications on the Rabobank website which are referred to in this Annual Report are not part of the Annual Report, with the exception of the provisions of the Dutch Banking Code. The texts in the Annual Review, referred to in this Annual Report, are not part of the Annual Report either.

The financial information set out on pages page 116 through page 121 has been copied from the 'consolidated financial statements 2015 Rabobank Group' for which an unqualified independent auditor's report was issued on 17 February 2016.

This report has been prepared in accordance with the G4 Guidelines of the Global Reporting Initiative in accordance with the comprehensive option.

# Key figures

<b>Key figures</b>					
	31-12-2015 2015	31-12-2014 2014	31-12-2013 2013	31-12-2012 2012	31-12-2011 2011
<i>Amounts in millions of euros</i>					
<b>Financial position and solvency</b>					
Equity	41,280	38,871	38,534	42,080	45,001
Common equity tier 1 capital	28,754	28,714	28,551	29,253	28,324
Tier 1-capital	35,052	33,874	35,092	38,358	37,964
Qualifying capital	49,455	45,139	41,650	42,321	39,088
Risk-weighted assets	213,092	211,870	210,829	222,847	223,613
<b>Profit and loss account</b>					
Income	13,014	12,889	13,072	13,607	12,810
Operating expenses	8,145	8,055	9,760	9,003	8,252
Contribution to resolution fund and resolution levy	172	321	-	-	-
Bank tax and levy	172	167	197	196	-
Impairment losses on goodwill	623	32	42	(9)	104
Loan impairment charges	1,033	2,633	2,643	2,350	1,606
Taxation	655	(161)	88	158	355
Net profit	2,214	1,842	2,007	2,058	2,627
<b>Ratios</b>					
Common equity tier 1 ratio	13.5%	13.6%	13.5%	13.1%	12.7%
Tier 1 ratio	16.4%	16.0%	16.6%	17.2%	17.0%
Total capital ratio	23.2%	21.3%	19.8%	19.0%	17.5%
Equity capital ratio	14.7%	14.4%	16.1%	15.3%	14.7%
Leverage ratio	5.1%	4.9%	4.8%	4.7%	-
Loan-to-deposit ratio	1.25	1.32	1.35	1.39	1.38
Return on tier 1 capital	6.5%	5.2%	5.2%	5.4%	7.6%
Cost/income ratio excluding regulatory levies	62.6%	62.5%	74.9%	66.1%	64.9%
Cost/income ratio including regulatory levies	65.2%	66.3%	76.4%	67.6%	64.9%
Net profit growth	20.2%	-8.2%	-2.5%	-21.7%	-5.2%
Return on assets	0.33%	0.28%	0.27%	0.28%	0.40%
<b>Ratings</b>					
Standard & Poor's	A+	A+	AA-	AA-	AA
Moody's Investors Service	Aa2	Aa2	Aa2	Aa2	Aaa
Fitch Ratings	AA-	AA-	AA-	AA	AA
DBRS	AA	AA (high)	AAA	AAA	AAA
<b>Volume of services</b>					
Total assets	670,373	681,086	669,095	750,710	731,665
Private sector loan portfolio	426,157	429,731	434,691	458,091	448,337
Due to customers	337,593	326,288	326,222	334,271	329,892
<b>Supporting local communities</b>					
Rabobank Foundation (in the Netherlands and abroad)	16.3	19.5	16.4	19.8	15.7
Cooperative dividends (local Rabobanks)	38.1	36.8	44.5	44.2	38.8
Donations Rabobank Group	6.9	8.0	8.0	4.6	5.2
<b>Climate footprint</b>					
CO <sub>2</sub> emissions attributable to business (x 1,000 tonnes CO <sub>2</sub> )	182	198	208	-	-
CO <sub>2</sub> emissions per FTE (tonnes CO <sub>2</sub> )	3.5	3.6	3.5	-	-

<b>Key figures</b>					
	31-12-2015 2015	31-12-2014 2014	31-12-2013 2013	31-12-2012 2012	31-12-2011 2011
<i>Amounts in millions of euros</i>					
<b>Retail customers</b>					
Net Promoter Score (NPS recommendation) <sup>1</sup>	33	17	12	-	-
Customer Effort Score (CES day-to-day banking) <sup>2</sup>	64	68	66	-	-
Customer Advocacy Score (CAS recommendation) <sup>3</sup>	76%	61%	59%	-	-
Satisfaction with day-to-day banking	7.9	7.8	7.7	-	-
<b>Private banking customers</b>					
Net Promoter Score (NPS recommendation) <sup>1</sup>	37	29	20	-	-
Customer Effort Score (CES day-to-day banking) <sup>2</sup>	64	68	66	-	-
Customer Advocacy Score (CAS recommendation) <sup>3</sup>	81%	70%	64%	-	-
Satisfaction with day-to-day banking	7.8	7.8	7.7	-	-
<b>Corporate customers</b>					
Net Promoter Score (NPS recommendation) <sup>1</sup>	21	10	1	-	-
Customer Effort Score (CES day-to-day banking) <sup>2</sup>	43	52	43	-	-
Customer Advocacy Score (CAS recommendation) <sup>3</sup>	62%	53%	48%	-	-
Satisfaction with day-to-day banking	7.3	7.1	6.9	-	-
<b>Nearby</b>					
Local Rabobanks	106	113	129	136	139
Branches	506	547	656	826	872
ATMs	2,206	2,305	2,524	2,886	2,949
Members (x 1,000)	1,945	1,959	1,947	1,918	1,862
Number of users of mobile banking services (x 1,000) <sup>4</sup>	2,496	2,271	1,784	1,086	410
Availability of internet payments & savings <sup>5</sup>	99.8%	98.9%	-	-	-
Availability of mobile banking <sup>5</sup>	99.8%	99.0%	-	-	-
Foreign places of business	403	440	769	759	761
<b>Market shares (in the Netherlands)</b>					
Mortgages	20%	22%	26%	31%	32%
Savings	35%	36%	38%	39%	39%
Trade, industry and services (TIS)	42%	39%	44%	43%	42%
Food and agri	84%	85%	85%	85%	83%
<b>Sustainable financing</b>					
Total sustainable financing	22,030	21,903	21,391	8,997	7,388
Sustainable	18,004	17,271	17,417	7,071	5,458
Access to finance	1,403	1,659	1,820	1,926	1,930
Community services	2,623	2,973	2,155	-	-
<b>Sustainable assets under management and assets in custody and sustainable funding</b>					
Total sustainable assets under management and assets in custody	5,506	5,006	4,609	3,751	3,974
Sustainable assets under management and held in custody for clients	2,843	2,101	1,739	963	791
Sustainable funding	2,663	2,905	2,870	2,788	3,184
<b>Personnel data</b>					
Number of employees (internal and external in FTEs)	51,859	53,982	62,904	65,709	66,612
Staff costs	4,786	5,086	5,322	5,325	4,862
Staff vitality score	64%	63%	67%	65%	65%
Absenteeism	3.7%	3.7%	3.5%	3.6%	3.9%
Females employed	51.8%	53.3%	53.5%	53.6%	53.9%
Females in senior positions (≥ scale 8)	28.8%	28.5%	27.6%	27.4%	25.8%
Training expenses	79	77	91	89	93
Training expenses in EUR per FTE	1,734	1,604	1,603	1,530	1,587

1: NPS: this shows how customers responded to the question 'Would you recommend us?'

2: CES: we use this to measure how customers experience their contact with the bank.

3: CAS: an indicator showing the extent to which we operate in the customer's interest.

4: Users who log on at least once every three months.

5: Average availability measured over 12 months.



# Profile of Rabobank

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. As a cooperative bank, Rabobank puts customers' interests first in its services. Rabobank is committed to being a leading customer-focused cooperative bank in the Netherlands and a leading food and agri bank worldwide. Throughout 2015, Rabobank Group consisted of more than 100 autonomous local Rabobanks in the Netherlands and the centralised organisation, the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) and its subsidiaries and associates in and outside the Netherlands.

From January 1 2016, Rabobank operates with a revised cooperative structure; with one cooperative, one banking licence and one set of financial statements. Read more about this in the Section '[Strategy](#)' and in the Section '[Corporate Governance](#)'.

➤ Read more about Rabobank [here](#).

At year-end 2015, Rabobank encompassed 106 local Rabobanks. The local Rabobanks have a total of more than 7.2 million customers. The total number of members came to 1,945,000. Rabobank in the Netherlands employs approximately internal and external 40,000 employees. Outside the Netherlands it employs approximately 12,000 internal and external employees. Rabobank Group is active in 40 countries.

## Domestic retail banking

In the Netherlands, Rabobank is a leading player in the mortgages, savings, payments, investment and insurance markets. It is also an important financial services provider for the SME segment, the food and agricultural sector, and the corporate segment. At year-end 2015, the local Rabobanks had 506 branches and 2,206 ATMs. They offer approximately 6.4 million private customers and approximately 800,000 business clients in the Netherlands a comprehensive range of financial services. In addition to the local Rabobanks, domestic retail banking also includes the mortgage lender Obvion and the savings bank Roparco. The domestic retail banking business employs approximately 24,000 internal and external FTEs.

## Dutch and international wholesale banking and international rural and retail banking

The wholesale banking division serves the largest domestic and international companies. All sectors are served in the Netherlands. Internationally, Rabobank focuses on holding a leading position in the food and agricultural sector, with respect to both the industrial sector and farm financing, through its global network of branches. Rural banking focuses on the funding of agricultural businesses abroad. The international retail banking activities cover three countries: United States (RNA); Indonesia and Ireland (ACC Loan Management). Wholesale, Rural & Retail has an international network of branches with offices in 25 countries. Rabobank also operates RaboDirect internet savings banks in Belgium, Germany, Ireland, Australia and New Zealand. The total number of internal and external employees in wholesale banking and international retail banking stands at approximately 9,600 FTEs.

## DLL

Within Rabobank Group, DLL is the specialist in the field of leasing. With vendor finance it supports manufacturers and distributors worldwide when selling products and services. DLL provides asset based financing solutions in more than 35 countries. In addition to the Netherlands, DLL is active in ten other European countries through its subsidiary Athlon. In the Netherlands, DLL offers a wide range of leasing products to small and medium-sized enterprises, as well as vendor finance, factoring and commercial and consumer finance products. The latter including through the online provider of consumer credit, Freo. DLL employs, both internally and externally, approximately 5,800 FTEs.

## Real estate

Rabo Real Estate Group and FGH Bank form part of the real estate segment. Rabo Real Estate Group is active in real estate and area development and investment management. This division consists of BPD (construction of housing and living environments) and Real Estate Investment Management (manager of real estate funds). Rabo Real Estate Group is primarily active in the Netherlands, but also on a smaller scale in France and Germany.

FGH Bank specialises in financing commercial real estate. In early 2015, it was announced that FGH Bank would be integrated into Rabobank. All the knowledge, expertise and networks in the field of commercial real estate within both the FGH Bank and Rabobank will be brought together under

a single real estate company. In anticipation, the FGH Bank shares were legally transferred to Rabobank on 31 March 2015 and FGH Bank is no longer part of the Rabo Real Estate Group. The number of internal and external staff employed in the real estate segment is approximately 1,600 FTEs.

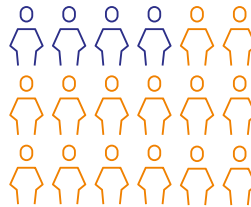
*Situation on 31 December 2015*

## 8.6 million customers

of which 7.4 million are customers in the Netherlands

### Members

1.9 million members are involved with Rabobank.



### Mission

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

## 106 local Rabobanks

with 506 branch offices

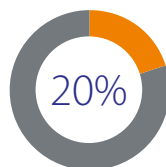


Density of network per region

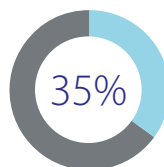
- **North Netherlands**  
26 local Rabobanks
- **Central Netherlands**  
29 local Rabobanks
- **South Netherlands**  
25 local Rabobanks
- **West Netherlands**  
26 local Rabobanks

## Rabobank

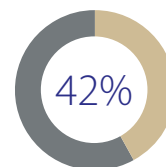
### Markets



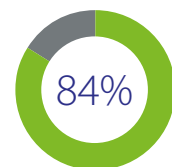
Mortgages



Savings



Trade, industry and services (TIS)



Food and agri

## Subsidiaries and associates

### Payment transactions

- MyOrder (95%)

### Mortgages

- Obvion

### Insurance

- Achmea (29%)

### Asset management

- Robeco (11%)

### Partner banks

- Banco Terra (45%)
- Banco Regional (39%)
- BPR (38%)
- NMB (35%)
- Zanaco (46%)
- Banco Sicredi (22%)
- DFCU (28%)
- Finterra (20%)
- LAAD (8%)

### Wholesale

- Rembrandt (51%)

### Leasing

- DLL (Athlon, Freo)

### Real estate

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

### International retail

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

# Strategy

## One Rabobank: stronger and closer

Rabobank is a customer-focused cooperative bank. Our mission is to contribute to welfare and prosperity in the Netherlands and feeding the world sustainably. These aims will allow us to remain a meaningful cooperative and be successful over the long term for our customers, members, employees and society.

Rabobank has been a cooperative bank for over 115 years. We are present in society and are strongly involved with our customers and members. We want to continue our responsive role, particularly in a world where customer needs, economic development, technological advances and increasingly stringent bank regulations are changing faster than ever.

The Strategic Framework 2016-2020 describes what we want to achieve over the next five years. It also outlines how we will implement the new strategy and what specific financial goals we will pursue. The Strategic Framework 2016-2020 provides a sharpened focus on improving customer service and increasing our performance.

### Ambitions: what do we want to achieve?

Our ambition is to be the most customer-focused bank in the Netherlands and a leading food and agri bank worldwide. The visions outlined in Banking for the Netherlands and Banking for Food give substance to our customer-focused cooperative. The sustainability strategy Sustainably Successful Together is an important building block within these visions.

➤ Read [here](#) about the environmental analysis on which the Strategic Framework 2016-2020 was based.

### Banking for the Netherlands

Rabobank is linked to the future of the Netherlands through its members and customers. If our customers do well, the bank does well. As a cooperative bank, we can differentiate ourselves by providing a targeted contribution to the challenges the Netherlands faces in the years ahead. In this way, we contribute to sustainable welfare and prosperity in the Netherlands. With Banking for the Netherlands we want to strengthen the Netherlands of the future from three perspectives:

1. improving earnings capacity of the Netherlands by focusing on the growth themes of mobility, vitality, food and agri, raw materials, water and housing;

2. supporting optimum life courses for Dutch households by helping customers make confident financial choices, and

3. strengthening the living environment of local communities through the use of cooperative dividends and our local participation agenda. Our local presence allows us to respond to important regional issues.

➤ Watch the video 'Banking for the Netherlands' [here](#) (in Dutch).

### Banking for Food

The Netherlands is a global leader in the food and agri sector. Rabobank's agricultural roots have helped it achieve this position and we will continue to make a significant and lasting contribution to the global food and agri sector. We are increasing our commercial effectiveness by fine-tuning our customer focus, integrating the chain approach, unlocking our knowledge, improving internal cooperation and creating even more innovative opportunities. With Banking for Food we want to play a prominent role in the public debate on the broad issue of food. We also hope to connect producers with consumers, and farmers with citizens.

➤ Read more about Banking for Food [here](#).



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

### **Core objectives: how do we achieve these ambitions?**

To fulfil our ambitions in the next five years, we have identified three core objectives in the Strategic Framework 2016-2020.

#### **1. Excellent customer focus**

In the Netherlands, we strive to be the most customer-focused bank in the country. Our aspirations to generate strong growth in customer satisfaction also extend beyond the Netherlands. We believe that this is where our strength and distinctiveness lie. Rabobank will undergo a fundamental transformation in the coming years in terms of working methods, culture, attitudes and conduct. By doing so, we are responding to changes in customer needs, the uncertain economic climate and the stricter requirements of regulators. We want to become the most customer-focused bank in the country by providing excellent basic service and, if required, by always being the closest to our customers and fulfilling our role as a financial linking pin.

#### **2. Increased flexibility and reduction of the balance sheet**

In the years to come, we anticipate a further tightening of the regulatory environment. To maintain our position as a rock-solid bank, it will therefore be necessary to make our balance sheet more flexible and reduce it by up to EUR 150 billion between 2014 and 2020. We want to achieve balance sheet optimisation by, among other things, placing parts of our loan portfolio with external parties and maintaining a relatively lower liquidity buffer that is in line with the reduced balance sheet total. The Annual Review includes a [dilemma](#) which addresses the way in which we want to combine excellent customer service with growing our capital and reducing our balance sheet.

#### **3. Performance improvement**

In addition to excellent customer focus and a balance sheet reduction, there should also be an improvement in performance. Our aim for 2020 is a profit improvement of more than EUR 2 billion (excluding the effects of the reductions on our balance sheet results) compared to 2014. Reaching this level of profit improvement would improve the cost/income ratio to approximately 50% in 2020, and we would achieve a return on invested capital (ROIC) of at least 8%. The cost/income ratio is calculated by dividing total operating expenses by total income. Including regulatory levies, we aim for a cost/income ratio of between 53% and 54% in 2020. The ROIC is calculated

by dividing the net profit realised after non-controlling interests are related to the core capital (achieved tier 1 capital plus the goodwill in the balance sheet at year-end) minus deductions for non-controlling interests in the equity. The improvement should be effected by both higher revenues and lower costs. These estimates are in addition to the ongoing Mars and Vision 2016 cost programmes. The Mars programme envisions further cost reductions at the central level. The Vision 2016 programme focuses on improving customer services but at reduced costs. These programmes are running on schedule and are expected to be completed during 2016.

### **Implementation accelerators**

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

#### **1. Strengthening innovativeness**

Innovative strength is an important prerequisite for improving current processes, enabling customers to increasingly arrange their financial affairs independently and facilitating Rabobank to respond (more quickly) to technical possibilities with new propositions.

#### **2. Empowering employees**

Employees make the ambitions of our customers and Rabobank come true. In order to fulfil our strategy, it is necessary that our employees are aware of the social role we have to play as a bank. It is essential that they embrace the strategy, know how to promote it and apply it to their daily work, where there is room for expertise and entrepreneurship. We are unambiguous and united in this desire. Employees know how to connect their personal values with those of the bank, and vice versa. There is continuous focus on personal development and training, as well as on building a diverse workforce. In this way, we strive to show our customers and society as a whole that we are the bank that is fully focused on its customers.

#### **3. Creating a better cooperative organisation**

The new governance structure increases member participation and their input in Rabobank as a whole. The more effective structure will contribute to the transformation that our organisation must go through to fulfil the strategy.

The Strategic Framework 2016-2020 builds on the current improvement agenda of Rabobank, the implementation agenda. To give substance to the three core objectives and their

associated priorities and accelerators, we have drawn up a new implementation agenda designed along four axes: complete customer focus, rock-solid bank, meaningful cooperative, and empowered employees. The implementation agenda will, in the coming years, enable Rabobank to regain its fundamental position as a cooperative, customer-focused bank in the Netherlands and as a leading food and agri bank worldwide.

## Financial Framework 2016-2020

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

To facilitate the growth of the common equity tier 1 capital through retained earnings and allow for the future growth of Rabobank, an ROIC of at least 8% will be required. We are seeking this return in order to compensate our capital providers. To achieve this ROIC target, pre-tax profits by 2020 will need to be more than EUR 2 billion higher compared to 2014 (excluding the effects of the reductions on our balance sheet results). With this performance improvement, the cost/income ratio excluding regulatory levies will decrease to a level of approximately 50%.

Higher capital ratios will be achieved by raising additional capital, retained earnings and reductions on the balance sheet. Given the size of the expected capital requirements and expected future costs associated with our funding, issuing additional equity and/or subordinated debt will not provide the solution for our cooperative. Rabobank is, more than other banks, dependent on the financial markets and it aims to reduce this dependency. For this purpose, Rabobank seeks to reduce its wholesale funding for the group to below EUR 150 billion by 2020.

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

### Summary of targets in Financial Framework 2016-2020

	Ambition 2020
<b>Capital</b>	
Common equity tier 1 ratio	>14%
Total capital ratio	>25%
<b>Return</b>	
ROIC	> 8%
Cost/income ratio	50% <sup>1</sup>
<b>Funding &amp; Liquidity</b>	
Wholesale funding	< EUR 150 billion
Total assets	≈ EUR 530 billion

1: Including regulatory levies, 53%-54%.

## Previous financial targets

The new Strategic Framework will run from 2016 to 2020. For the year 2015, the fulfilment of the commitments is compared to the old objectives as set out in the Strategic Framework 2012-2016. The objectives and the actual figures for 2015 are presented in the table below.

### Summary of targets in Financial Framework 2012-2016

	Target for 2016	Actual 2015
<b>Profitability</b>		
Return on tier1 capital	8%	6.5%
<b>Solvency</b>		
Common equity tier 1 ratio	14%	13.5%
Total capital ratio	> 20%	23.2%
<b>Liquidity</b>		
Loan-to-deposit ratio	< 1.30	1.25

## Impact of performance improvement on staffing

The improvement in profits in 2020 will have to come from higher earnings as well as cost savings. These cost savings will have a drastic impact on staffing. In the years 2016-2018, 9,000 jobs will disappear within Rabobank. These cuts are in addition to the 3,000 that are already planned in the context of the Vision 2016 and Mars programmes. Both in the Netherlands and abroad, the elimination of jobs will mainly affect the supporting functions. This drastic measure will be guided in a socially responsible way, with care and consideration for the individual employees.

## Governance dialogue

After an intensive internal dialogue, Rabobank has decided to change its cooperative structure. As of 1 January 2016, Rabobank operates with one single banking licence and will only issue one set of financial statements. For years, Rabobank's organisation was based on a so-called two-tiered cooperative structure. It consisted of independent local cooperative Rabobanks, each with its own banking licence and set of financial statements; they were the members of the central cooperative Rabobank Nederland. In this structure, Rabobank acted as a service centre for the local Rabobanks but was also responsible for the delegated supervision of the local Rabobanks.

The (financial) world underwent dramatic and rapid changes in the few last years, comprising developments in the economy, customer expectations, financial markets and supervision. Furthermore, the ambitions of Rabobank have also evolved. In order to ensure that Rabobank will be able to sustainably substantiate its mission in the (near) future, a remodelling of the operational management (governance) proved to be necessary.

The discussions on matters of governance started in March 2014. A committee of chairmen of local management teams, supervisory directors of local Rabobanks and Executive Board members were assigned the task of issuing advice on the new governance of Rabobank. Our objective was to create a governance model that contributes to restoring the confidence of customers, members, employees, supervisors and other stakeholders.

After an extensive internal debate in spring 2015, the Central Delegates Assembly approved the proposal for new governance. In September, a positive opinion on the articles of association and rules of procedure of the new governance was issued. On 2 December, the 106 local Members Councils unanimously decided in favour of the merger, which was necessary for the new governance. A week later, the General Meeting of Rabobank Nederland adopted the proposal to merge and amend of the articles of association, and thus the new structure.

In the new cooperative structure, all the local Rabobanks and Rabobank Nederland work together as one cooperative, with one single banking licence and one set of financial statements. In doing so, the bank seeks to invigorate both its cooperative identity and its banking business. The new structure enables Rabobank to anticipate future legislation and regulations and to respond to future developments more effectively and efficiently.

In the new cooperative structure, members have more influence and control. The Members Council of local Rabobanks will become, to a greater extent, a sounding board for the local management teams regarding the services and the socially responsible activities of the bank. Their influence and control will also extend to Rabobank Group as a whole, as each local Rabobank will have direct representation on behalf of their members in the highest body of the cooperative, the General Members Council. This council approves strategies, approves the main points of the annual budget, issues opinions on large acquisitions or alliances and appoints the members of the Supervisory Board.

The local Rabobanks are and will remain the heart of the cooperative. The new structure gives them more influence, which will allow local Rabobanks to further sharpen their focus on the customer and their personal situation in the future. Furthermore, the bank will be making an increasingly significant contribution to local communities by sharing knowledge and networks, and through sponsoring and the cooperative fund.



# Performance

## *Rabobank Group*

### **Rabobank Group booked result of EUR 2.2 billion**

Growth in the Dutch economy made a persuasive comeback in 2015. Along with exports, domestic spending made a significant contribution to economic growth for the first time in many years, benefiting growth in all sectors. The weighted average loan-to-value of the mortgage portfolio improved by 5 percentage points to 73%. The number of homeowners with a mortgage debt higher than the value of their house declined due to additional repayments and an increase in property values. The Netherlands saw only a weak recovery of business investment, with new loans to businesses remaining at a low level. At the local Rabobanks, the additional repayments on residential mortgages remained at a high level, amounting to EUR 3.4 billion. These developments caused a decline of 3% in the Dutch loan portfolio. However, the loan portfolio increased outside the Netherlands, partially due to currency effects. On balance, loans to private customers decreased by EUR 3.5 billion to EUR 426.2 billion. Amounts due to customers increased by EUR 11.3 billion to EUR 337.6 billion. There was a slight decline in private savings due to additional repayments on residential mortgages. These developments resulted in an improvement of the loan-to-deposit ratio to 1.25. The liquidity buffer, measured in High Quality Liquid Assets, stood at EUR 98 (80) billion.

The net result of Rabobank Group amounted to EUR 2,214 million in 2015, an increase of EUR 372 million. In the Netherlands, the decrease of loan impairment charges was determining for the recovery in earnings at the local Rabobanks. Our customers fared better, which reflected positively on Rabobank. Additionally, the reduction of the number of staff at the local Rabobanks contributed to a decline in staff costs. The recovery in the housing market and lower loan impairment charges also led to a growth in results for FGH Bank and Rabo Real Estate Group, while DLL also saw growth in 2015. The result was tempered by a goodwill impairment of EUR 604 million for Rabobank National Association (RNA). The tax burden, which had been low in 2014 due to deferred tax assets resulting from past losses incurred by ACC Loan Management, returned to its normal level of 23%. The return on tier 1 capital increased by 1.3 percentage points to 6.5%. The equity was further strengthened by retained earnings and the issue of additional tier 1 capital. The common equity tier 1 ratio amounted to 13.5% and the capital ratio rose to 23.2%. Loan impairment charges declined by EUR 1.6 billion and amounted to 24 basis points of the average loan portfolio. The long-term average was 36 basis points. The decline in loan impairment charges was most significant in the Netherlands.

## Progress in realisation of financial targets

The table below presents the targets from the Strategic Framework 2012-2016 with the actual figures over 2015 and 2014.

<b>Summary of targets in Financial Framework 2012-2016</b>			
	<i>Target for 2016</i>	<i>Actual 2015</i>	<i>Actual 2014</i>
<b>Profitability</b>			
Return on tier 1 capital	8%	6.5%	5.2%
<b>Solvency</b>			
Common equity tier 1 ratio	14%	13.5%	13.6%
Total capital ratio	>20%	23.2%	21.3%
<b>Liquidity</b>			
Loan-to-deposit ratio	< 1.30	1.25	1.32

### Profitability

**EDTF 4 and 12** The return on tier 1 capital, the net profit related to the level of tier 1 capital at the beginning of the year, amounted to 6.5% (5.2%). The target for this year is 8%. The accomplishments from the Vision 2016 and Mars programmes, combined with normalised loan impairment charges, which are assumed for the period as from 2016, should lead to the desired improvements in performance. Performance Now – the umbrella term for all of the initiatives within the bank that should lead to improvements in performance in the coming years – will also contribute to this effect.

### Solvency

The common equity tier 1 ratio – the common equity tier 1 capital as a percentage of the risk-weighted assets<sup>1</sup> – amounted to 13.5% (13.6%). The capital ratio – the qualifying capital related to the risk-weighted assets – amounted to 23.2% (21.3%). Higher profitability combined with a reduction of risk-weighted assets should lead to an improvement of the capital ratios in the coming years.

### Liquidity

The loan-to-deposit ratio, which shows the relationship between lending and amounts due to customers, amounted to 1.25 (1.32). Amounts due to customers increased more than the bank's lending, which resulted in an improved loan-to-deposit ratio. As from 2016, regarding funding and liquidity, we will move towards a reduction of the amounts of wholesale funding.

## Development of credit ratings

According to rating agencies Standard & Poor's (S&P), Moody's and Fitch, the (European) banks should less often, or no longer, assume implicit government incentives as a consequence of recent regulations. All three have revised their rating methodologies in 2015, with Moody's and Fitch already implementing the new methods to determine their ratings for Rabobank in the first half of 2015. S&P and DBRS concluded their reviews in the second half of 2015. Despite the fact that implicit state aid is no longer included for determining the ratings, S&P ('A+'), Moody's ('Aa2') and Fitch ('AA-') maintained their ratings at the existing levels. This is thanks to the fact that Rabobank has a large buffer of equity and subordinated loan capital, offering protection to non-subordinated bond holders. Furthermore, all three agencies have upgraded their outlook from negative to stable. In September, the rating agency DBRS lowered its rating for many European banks, as it no longer takes implicit government incentives into account when determining the ratings. Their rating of Rabobank was lowered one notch to AA with Trend 'Negative'. In November, the AA rating of Rabobank was confirmed by DBRS, while the Trend changed from 'Negative' to 'Stable'.

If we look at the largest commercial banks globally, Rabobank is listed amongst the top ten banks with the highest rating of S&P, Moody's and Fitch. In Europe, Rabobank is in the top three.

Becoming a rock-solid bank is one of the cornerstones of Rabobank's strategy, and any improvements in creditworthiness should result in higher ratings. A high credit rating also plays an important role for a cooperative bank with a long-term focus, such as Rabobank, as high ratings enable Rabobank to attract funding under favourable conditions on the capital market.

➤ Read more on Rabobank's credit rating [here](#).

### Reputation

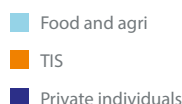
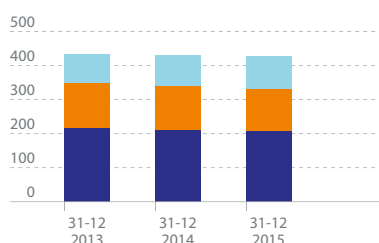
In the first half of 2015, public debate about the remuneration of bank directors had a great impact on the reputation of major banks in the Netherlands. Despite the fact that remunerations at Rabobank were not a topic in this discussion, according to surveys, Rabobank's reputation was affected by the overall situation. In 2015, Rabobank began restoring its reputation by

<sup>1</sup> For each loan, the bank uses models to determine the risk weight depending on the risk involved in the loan.

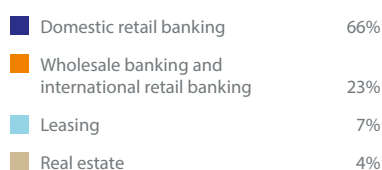
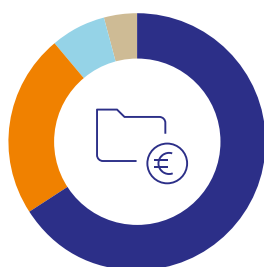
The higher the risk weight, the more equity the bank has to hold for the loan in question.

1 Figures are based on a survey by the research agency No Ties. Every year, over 7,500 people in the Netherlands are interviewed about the reputation of the country's various banks. They are asked which reputation indicators they associate most strongly with which banks (multiple answers are possible). This results in scores for the banks on each of the various reputation indicators.

#### Loan portfolio by sector in billions of euros



#### Loan portfolio by group entity at year-end 2015



conducting a number of large campaigns, such as the Housing campaign. As a result, any negative effects on Rabobank's reputation were not immediately visible in the annual average. The awareness of Rabobank as a cooperative remained high, at a score of 79%. However, Rabobank's rating as a cooperative saw a gradual decline from the significantly higher levels of 2012.

Similar figures are not available for the other countries in which Rabobank operates. The impression is that the bank is mainly known in the specific submarkets in which we are active, such as the food and agri community, which will be measured in a number of countries in 2016.

#### Bank reputation in the Netherlands<sup>1</sup>

	Annual average 2015	Annual average 2014	Annual average 2013	Annual average 2012
<b>Rabobank as a cooperative</b>				
Familiarity with Rabobank as a cooperative	79%	78%	81%	76%
Positive valuation of Rabobank as a cooperative	49%	52%	56%	57%
<b>Rabobank image</b>				
Reliable	No. 1: 33%	No. 1: 33%	No. 1: 39%	No. 1: 46%
Lead on number 2	5 percentage points	5 percentage points	12 percentage points	14 percentage points
<b>Bank preference</b>				
Rabobank preference	No. 1: 46%	No. 1: 48%	No. 1: 52%	No. 1: 53%
Lead on number 2	2 percentage points	4 percentage points	10 percentage points	10 percentage points

#### Limited decline in loan portfolio

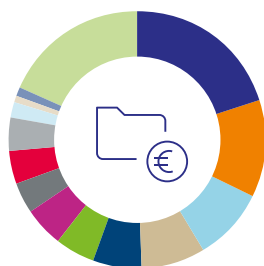
In 2015, the private sector loan portfolio at Rabobank Group decreased by EUR 3.5 billion to EUR 426.2 (429.7) billion. The depreciation of the euro contributed to the growth of the loan portfolios of Wholesale, Rural & Retail and DLL. The loan portfolio of the local Rabobanks decreased. This was, amongst others, due to additional repayments on private residential mortgages, in addition to the contractual repayments, and the low level of new loans to businesses. The distribution of the loan portfolio was: 74% in the Netherlands, 10% in North America, 3% in Latin America, 6% in Europe (outside the Netherlands), 5% in Australia and New Zealand and 2% in other countries.

#### Loan portfolio

in billions of euros	31-12-2015	31-12-2014
<b>Total loans and advances to customers</b>	<b>458.6</b>	<b>461.7</b>
of which: to government clients	3.3	2.1
reverse repurchase transactions and securities borrowing	20.1	18.3
interest rate hedges (hedge accounting)	9.0	11.6
<b>Private sector loan portfolio</b>	<b>426.2</b>	<b>429.7</b>

The loan portfolio consisted of 49% of loans to private individuals, 28% of loans to trade, industry and services (TIS) and 23% of loans to the food and agri sector. Higher repayments on private residential mortgages contributed to a decline in loans to private individuals to EUR 207.9 (210.8) billion. The volume of the TIS portfolio amounted to EUR 120.5 (126.9) billion. EUR 87.5 (90.9) billion of this amount was lent

### Loan portfolio TIS by industry at year-end 2015



Lessors of real estate	20%
Finance and insurance, except banks	12%
Wholesale	9%
Professional, scientific and technical services	8%
Manufacturing	6%
Transport and warehousing	5%
Health care	5%
Activities related to real estate	4%
Construction	4%
Retail non-food	4%
Utilities	2%
Information and communication	1%
Art, recreation	1%
Other	18%

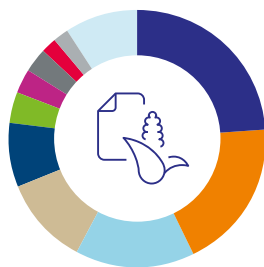
in the Netherlands, and EUR 33.0 (35.7) billion in other countries. Lending to the food and agri sector increased by 6% to EUR 97.8 (92.0) billion. EUR 65.4 (60.2) billion of this amount was lent to the primary agricultural sector. The food and agri portfolio at group level consisted of EUR 35.1 (31.6) billion in loans in the Netherlands and EUR 62.7 (60.7) billion in loans in other countries.

### Increase in amounts due to customers

In 2015, amounts due to customers at Rabobank Group stood at EUR 337.6 (326.3) billion. The amounts due to customers at domestic retail banking rose by EUR 3.5 billion to EUR 212.4 (208.9) billion. At wholesale banking and international retail banking, amounts due to customers rose by EUR 8.6 billion to EUR 124.4 (115.8) billion. Private savings constitute the most important component of amounts due to customers. At group level, additional repayments on residential mortgages resulted in a decline in due to customers by 1% to EUR 140.5 (142.6) billion. Other due to customers grew in wholesale banking and international rural & retail banking, in particular due to institutional customers depositing more money with Rabobank.

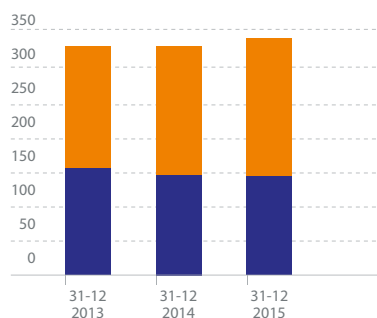
<b>Amounts due to customers</b>		
<i>in billions of euros</i>	<i>31-12-2015</i>	<i>31-12-2014</i>
<b>Total due to customers</b>	<b>337.6</b>	<b>326.3</b>
<b>Private savings</b>	<b>140.5</b>	<b>142.6</b>
Domestic retail banking	117.0	119.9
Wholesale banking and international rural and retail banking	23.5	22.7
<b>Other due to customers</b>	<b>197.1</b>	<b>183.7</b>
Domestic retail banking	95.4	89.0
Wholesale banking and international rural and retail banking	100.9	93.1
Other divisions	0.8	1.6

### Loan portfolio food and agri by industry at year-end 2015



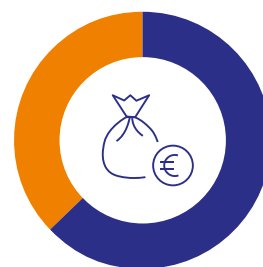
Animal protein	24%
Grain and oil seeds	19%
Dairy	15%
Fruit and vegetables	11%
Farm inputs	8%
Food retail and food service	4%
Beverages	3%
Sugar	3%
Flowers	2%
Various crops	2%
Other	9%

### Amounts due to customers in billions of euros



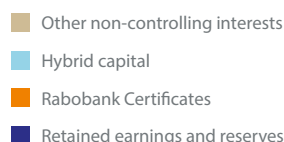
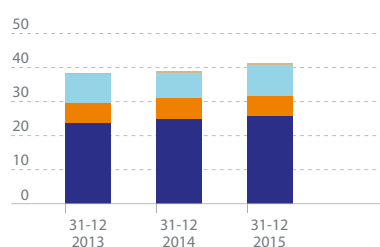
Other amounts due to customers	
Private savings	

### Amounts due to customers by group entity at year-end 2015

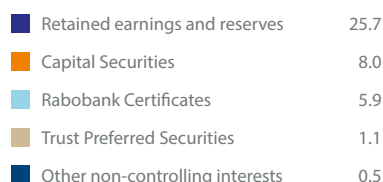
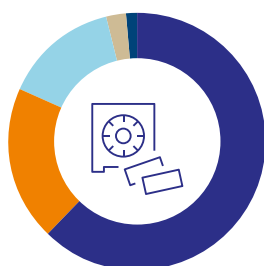


Domestic retail banking	63%
Wholesale banking and international retail banking	37%

## Equity in billions of euros



## Composition of equity at year-end 2015, in billions of euros



## Increase of equity by EUR 2.4 billion

In 2015, the equity of Rabobank Group increased by EUR 2.4 billion to EUR 41.3 (38.9) billion. This increase was mainly the result of retained earnings and the issue of hybrid capital. The reserve capacity – the amount of net profit that can be added to capital – amounted to EUR 0.9 billion. Following the issue of additional tier 1 capital, the equity increased by EUR 1.5 billion in January 2015.

Of equity, 62% (64%) consists of retained earnings and reserves, 15% (15%) Rabobank Certificates, 22% (20%) hybrid capital and subordinated capital instruments and 1% (1%) other non-controlling

interests. On 31 December 2015, the amount of retained earnings and reserves was EUR 25.7 (24.9) billion. On this date, Rabobank's distributable items amounted to EUR 4.3 (4.9) billion. The distributable items are those components that are directly distributable from the equity. On 1 January 2016, as a result of the merger between the local Rabobanks and the cooperative central organisation, the distributable items rose to EUR 25.7 billion.

### Development of equity

in billions of euros

<b>Equity at the end of December 2014</b>	<b>38.9</b>
Net profit	2.2
Payments on certificates, hybrid capital and other non-controlling interests	1.3
<b>Reserve capacity</b>	<b>0.9</b>
Issue of additional tier 1 capital	1.5
<b>Equity at the end of December 2015</b>	<b>41.3</b>

## Rabobank Certificates

Rabobank Certificates are listed on Euronext Amsterdam. In 2015, the price fluctuated between 107.25% (lowest price on 24 August 2015) and 117.24% (highest price on 13-04-2015). The price on 31 December 2015 was 111.58% (107.45%).

## Negative ECB interest on deposits

In June and September 2014, the Governing Council of the ECB decided to reduce the deposit interest rate that had stood at 0% since July 2012 to -0.20%. This is a highly unusual measure, since it means that banks (hence, including Rabobank) will have to pay if they hold surplus funds overnight at the ECB. As of 9 December 2015, the ECB reduced the deposit rate by a further 0.1 percentage points to -0.30%.

The negative deposit interest rate also resulted in negative values for Eonia and Euribor. Since the interest rates on some Rabobank products are linked to Eonia and Euribor, some customer groups no longer received any interest and instead have had to pay interest on the credit balances they hold at the bank. This is a relatively small group of customers consisting primarily of financial institutions and large corporate organisations that hold surplus funds at Rabobank for a short period.

## Development of capital ratios

**EDTF 11** The Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) collectively form the European conversion of the Basel capital and liquidity agreement of 2010 (Basel III). These regulations have applied to Rabobank since 1 January 2014. The regulations will be phased in over a number of

years. The fully loaded common equity tier 1-ratio is the common equity tier 1 (CET1) ratio after this phasing-in period. The fully loaded common equity tier 1 ratio reached 12.0% (11.8%) on 31 December 2015. The actual CET1 ratio as of year-end 2015 was 13.5% (13.6%). This ratio was at a somewhat lower level because various adjustments will be gradually applied to the capital over the coming years, in line with regulations.

The leverage ratio is the tier 1 capital divided by balance sheet positions and off-balance-sheet liabilities and is calculated based on the definitions in CRR/CRD IV. On 31 December 2015, the fully loaded leverage ratio stood at 3.9%. The fully loaded leverage ratio is the leverage ratio assuming that the conditions of the new regulations are now applied in full. The actual leverage ratio on 31 December 2015 stood at 5.1% (4.9%). This ratio was higher than the fully loaded leverage ratio at 31 December 2015 because various adjustments will be gradually applied to the capital over the coming years, in line with the regulations. The actual leverage ratio is well above the minimum leverage ratio of 3% according to the Basel III guidelines.

The CRR has a number of CET1 deductible items, such as the deferred tax assets and the internal ratings-based (IRB) shortfall (this is the difference between the IRB expected loss and the provisions), which are gradually being introduced over the 2014 to 2018 period.

The CET1 ratio decreased by 0.1 percentage points in 2015 to 13.5% (13.6%) due to a slight increase in risk-weighted assets. In early 2015, the CET1 capital mainly fell due to the phasing in of adjustments in the CET1 capital. This is shown in the 1-1-2015 column in the table above. The result for 2015 minus coupon payments on capital instruments was added to the CET1 capital.

The tier 1 instruments issued by Rabobank prior to 2014 do not meet the new requirements in CRD IV. In line with the regulations, these instruments will gradually count less and less as capital. In January 2015, a tier 1 issue took place for an amount of EUR 1.5 billion, which does meet the requirements of CRD IV. Tier 2 issues improved the capital ratio even further in July and early August. Due to these issues, the capital ratio rose by 1.9 percentage points to 23.2% (21.3%).

#### Structure of capital ratios

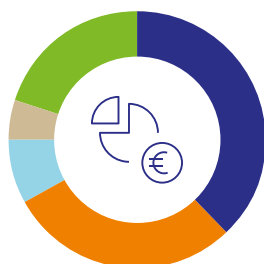
Amounts in millions of euros	31-12-2015	1-1-2015	31-12-2014
Retained earnings	25,482	24,528	24,528
Expected dividends	(126)	(119)	(119)
Rabobank Certificates	5,949	5,931	5,931
Non-controlling interests	23	28	28
Reserves	224	365	365
Deductions	(5,539)	(5,248)	(5,248)
Transition guidance	2,741	2,514	3,229
<b>Common equity tier 1 capital</b>	<b>28,754</b>	<b>27,999</b>	<b>28,714</b>
CRD IV-compliant instruments	1,488	-	-
Grandfathered instruments	6,373	6,373	7,283
Non-controlling interests	5	6	6
Deductions	(76)	(3)	(3)
Transition guidance	(1,492)	(1,595)	(2,126)
Total additional tier 1 capital	6,298	4,781	5,160
<b>Tier 1 capital</b>	<b>35,052</b>	<b>32,780</b>	<b>33,874</b>
Subordinated debts	15,078	11,738	11,738
Non-controlling interests	6	8	8
Deductions	(85)	-	-
Transition guidance	(596)	(361)	(481)
<b>Qualifying capital</b>	<b>49,455</b>	<b>44,165</b>	<b>45,139</b>
<b>Risk-weighted assets</b>	<b>213,092</b>	<b>211,870</b>	<b>211,870</b>
Common equity tier 1 ratio	13.5%	13.2%	13.6%
Tier 1 ratio	16.4%	15.5%	16.0%
Total capital ratio	23.2%	20.8%	21.3%
Equity capital ratio	14.7%	14.4%	14.4%

#### Bail-in and minimum requirement for own funds and eligible liabilities (MREL)

The new regulations mean that in the future it will be easier to shift losses onto the creditors of a bank if the bank in question gets into difficulties. This process is known as a bail-in of creditors. Rabobank wishes to mitigate this risk as far as possible by holding a large buffer of equity and subordinated loan capital that will be called upon in the first instance. Only after this will non-subordinated creditors whose claims are not covered by collateral have to contribute. This so-called bail-in buffer, according to our definition, consists of retained earnings, other reserves, Rabobank Certificates, hybrid and subordinated debt instruments and other debt instruments (the so-called Senior Contingent Notes). The bail-in buffer increased in 2015 from EUR 51.5 billion to EUR 57.5 billion. This corresponds to approximately 27% (24%) of the risk-weighted assets. The increase in this buffer is mainly due to the issuance of tier 1 and tier 2 paper in 2015 and retained earnings.

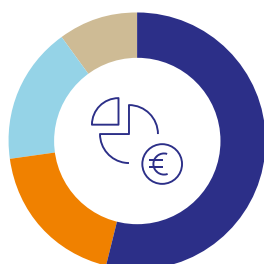


### Economic capital by group entity at year-end 2015



Domestic retail banking	38%
Wholesale banking and international retail banking	29%
Leasing	8%
Real estate	5%
Other	20%

### Economic capital by risk category at year-end 2015



Credit and transfer risk	54%
Operational and business risk	19%
Interest rate and market risk	17%
Other risks	10%

### Bail-in buffer

Amounts in billions of euros	31-12-2015	31-12-2014
Retained earnings and other reserves	25.7	24.9
Rabobank Certificates	5.9	5.9
Hybrid capital instruments	9.1	7.6
Subordinated liabilities	15.5	11.9
Senior Contingent Notes	1.3	1.2
<b>Bail-in buffer</b>	<b>57.5</b>	<b>51.5</b>
Risk-weighted assets	213.1	211.9
Bail-in buffer/risk-weighted assets	27.0%	24.3%

### Regulatory capital, the external capital requirement

At year-end 2015, the regulatory capital or external capital requirement of Rabobank Group amounted to EUR 17.0 (16.9) billion, with 86% concerning credit and transfer risk, 12% related to operational risk and 2% to market risk. The regulatory capital increased by EUR 0.1 billion. The main reason for this slight increase was an increase in the required capital for operational risk.

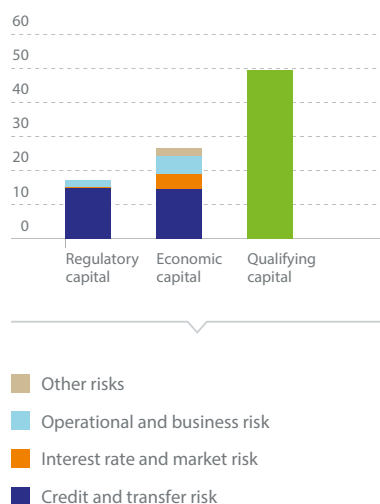
Rabobank Group calculates the regulatory capital for credit risk for virtually its entire loan portfolio based on the advanced IRB approach approved by the prudential supervisor. The Standardised Approach is applied, in consultation with the supervisor, to portfolios with relatively limited exposure and to a few smaller foreign portfolios that are not suited to the advanced IRB. Operational risk is measured using the supervisor-approved internal model that is based on the Advanced Measurement Approach. Regarding market risk, Rabobank has obtained permission from the supervisor to calculate the general and specific position risk using its own internal Value at Risk (VaR) models, based on the CRR.

### Economic capital, the internal capital requirement

In addition to regulatory capital, Rabobank Group uses an internal capital requirement based on an economic capital framework. The main difference between this and the regulatory capital is that our calculation of the economic capital takes account of all the tangible risks for which we have to hold capital. We also assume a higher confidence level (99.99%) than is used for the regulatory capital (99.90%). A broad spectrum of risks is measured consistently to gain an understanding of these risks and to enable a rational weighing of risk against return. A series of models has been developed to assess the risks incurred by Rabobank Group. These concern credit, transfer, operational, business, interest-rate and market risk. Market risk breaks down into trading book, private equity, currency, real estate and residual value risk.

The economic capital rose to EUR 26.7 (23.4) billion in 2015. This increase was mainly caused by eliminating the diversification between the risk categories. The developments in the economic capital for credit risk, market risk and operational risk are in line with the developments in the regulatory capital.

## Capital requirements at year-end 2015, in billions of euros



## Qualifying capital

The available qualifying capital of EUR 49.5 (45.1) billion that the bank retains to compensate potential losses was well above the level of the total external and internal capital requirements. This sizeable buffer underlines the financial solidity of Rabobank Group.

## Financial results of Rabobank Group

<b>Results</b>			
<i>in millions of euros</i>	2015	2014	Movement
Net interest income	9,139	9,118	0%
Net fee and commission income	1,892	1,879	1%
Other income	1,983	1,892	5%
<b>Total income</b>	<b>13,014</b>	<b>12,889</b>	<b>1%</b>
Staff expenses	4,786	5,086	-6%
Other administrative expenses	2,916	2,532	15%
Depreciation	443	437	1%
<b>Operating expenses</b>	<b>8,145</b>	<b>8,055</b>	<b>1%</b>
<b>Gross result</b>	<b>4,869</b>	<b>4,834</b>	<b>1%</b>
Impairment losses on goodwill	623	32	-
Loan impairment charges	1,033	2,633	-61%
Resolution levy	-	321	-
Contribution to resolution fund	172	-	-
Bank tax and levy	172	167	3%
<b>Operating profit before taxation</b>	<b>2,869</b>	<b>1,681</b>	<b>71%</b>
Taxation	655	(161)	-
<b>Net profit</b>	<b>2,214</b>	<b>1,842</b>	<b>20%</b>
Loan impairment charges (in basis points)	24	60	-60%
<b>Ratios</b>			
Cost/income ratio exclusive regulatory levies	62.6%	62.5%	
Cost/income ratio inclusive regulatory levies	65.2%	66.3%	
Return on tier 1 capital	6.5%	5.2%	
RAROC	8.3%	7.8%	
<b>Balance sheet (in billions of euros)</b>			
	31-12-2015	31-12-2014	
Total assets	670.4	681.1	-2%
Private sector loan portfolio	426.2	429.7	-1%
Due to customers	337.6	326.3	3%
<b>Capital requirements (in billions of euros)</b>			
Regulatory capital	17.0	16.9	1%
Economic capital	26.7	23.4	14%
Qualifying capital	49.5	45.1	10%
<b>Capital ratios</b>			
Total capital ratio	23.2%	21.3%	
Tier 1 ratio	16.4%	16.0%	
Common equity tier 1 ratio	13.5%	13.6%	
Common equity tier 1 ratio local Rabobank Group	16.0%	16.2%	
Total assets Rabobank Nederland	483,969	498,469	-3%
Net profit Rabobank Nederland	908	1,352	-33%
Number of internal employees (in FTEs)	45,658	48,254	-5%
Number of external employees (in FTEs)	6,201	5,658	10%

## Notes to the financial results of Rabobank Group

### The net profit was EUR 2,214 million.

The net profit of Rabobank Group increased by 20% in 2015 to EUR 2,214 (1,842) million. The decrease in the loan impairment charges by EUR 1,600 million to EUR 1,033 (2,633) contributed significantly to the increased result. The increase in the net profit was restricted by the goodwill impairment for RNA in the amount of EUR 604 million. The EUR 172 million contribution to the resolution fund was also taken out of the result. Furthermore, the resolution levy of EUR 321 million was also charged to the result in 2014 because of the nationalisation of SNS Reaal. Unlike the resolution levy, the contribution to the national resolution fund is not a one-off payment.

A sum of EUR 880 million from the net profit was added to Rabobank Group capital. Tax amounted to EUR 655 (-161) million, whereby the effective tax burden amounted to 23% (-10%). The low tax burden in 2014 was due to deferred tax assets as a result of past losses incurred at ACC Loan Management.

### Income up 1%

#### Net interest income

The total income of Rabobank Group increased by 1% in 2015 to EUR 13,014 (12,889) million. Net interest income was stable at EUR 9,139 (9,118) million. Net interest income at the local Rabobanks decreased because of the contracting loan portfolio and reduced margins on new mortgages. The margin decreased

on new mortgages, especially in the second half of 2015.

Net interest income at Wholesale, Rural & Retail decreased in 2015 because there was no longer a contribution from Bank BGZ. The margin in Wholesale, Rural & Retail was also under pressure. 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.

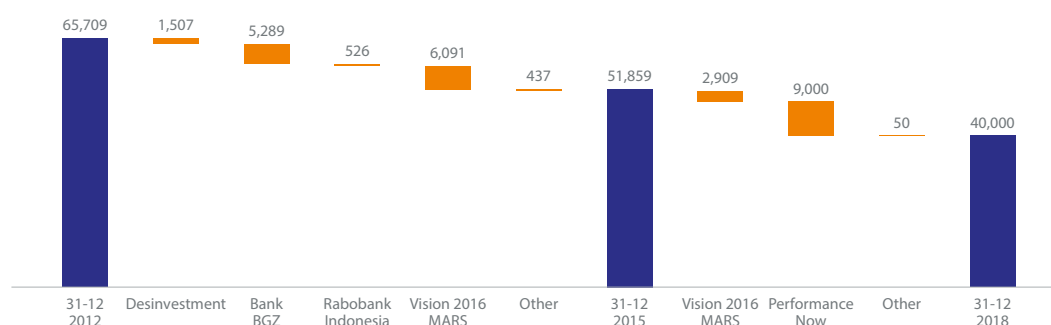
#### Net fee and commission income

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

#### Other income

The other income increased by 5% to EUR 1,983 (1,892) million. Other income was positively influenced, to a total amount of EUR 276 (2) million, by the results on the fair value of issued debt instruments (structured notes) and hedge accounting. The results from our share in Achmea also improved. In 2015, the sale of our 9% interest in URCB (China) positively contributed to other income, as did the phasing out of illiquid assets and the sale of Bank BGZ in 2014.

### Number of internal and external employees in FTEs



## Operating expenses increased by 1%

### Staff expenses

Total operating expenses increased by EUR 90 million in 2015 to EUR 8,145 (8,055) million, especially because of an increase in other administrative expenses. The total number of employees at Rabobank Group decreased by 2,054 FTEs in 2015 to 51,859 (53,912) FTEs. The decrease was greatest at the local Rabobanks and at Wholesale, Rural & Retail. Staff expenses fell by 6% to EUR 4,786 (5,086) million in line with the drop in the number of employees. The decrease in staff expenses was tempered by upward currency effects at Wholesale, Rural & Retail and DLL. The development in the number of internal and external employees at Rabobank Group is shown in graph form above, illustrating the planned additional reduction after 31 December 2015.

### Other administrative expenses

Other administrative expenses increased by 15% to EUR 2,916 (2,532) million. Domestic retail banking saw an increase in other administrative expenses due to higher contributions to provisions for reorganisation and legal costs. In 2014, other administrative expenses fell by EUR 193 million due to the partial release of a provision previously created for DSB Bank. The remaining EUR 30 million of this provision was released in 2015.

### Depreciation

Higher amortisation of equipment, software and intangible fixed assets increased the amortisation costs by 1% to EUR 443 (437) million.

### Goodwill impairment

An impairment on goodwill lowered the operating profit before taxation by EUR 623 (32) million lower. Of this sum, EUR 604 million concern the goodwill impairment for Rabobank National Association (RNA) in the United States. More information on this subject can be found in the explanatory notes to the financial results of the wholesale and international rural and retail banking business.

### Loan impairment charges at 24 basis points

The Rabobank Group's loan impairment charges fell by EUR 1,600 million to EUR 1,033 (2,633) million in 2015. Relative to the average loan portfolio, loan impairment charges amounted to 24 (60) basis points with a long-term average of 36 basis points. The AQR resulted in a charge of EUR 448 million in 2014. This charge was mainly expressed in the figures for the domestic retail banking business (the local Rabobanks) and in the figures for the real estate segment (FGH Bank).

Various sectors benefited from the economic growth and the accompanying higher consumer spending and exports. Incidental events and one-off adjustments also caused a reduction in the loan impairment charges posted by our divisions. Despite the structural problems in commercial real estate, greenhouse horticulture and shipping, loan impairment charges remained limited in these areas as well. Loan impairment charges also fell at DLL. Wholesale, Rural & Retail was the only area where loan impairment charges increased

– in part due to delayed cyclical effects. Additional allowances had to be taken for clients in Latin America and Asia as well as for several large Dutch clients.

The higher allowances in 2014, as a result of the AQR, were a reflection of the application of more careful and tighter loss indicators. In 2015 the findings arising from the AQR were acted upon. The intention is to embed the use of more careful and tight loss indicators in regular procedures and information systems.

### RAROC up 0.5 percentage points

Risk Adjusted Return on Capital (RAROC) is used to weigh return and risk in a consistent manner. RAROC is also used for pricing at transaction level and in the loan approval process. RAROC is calculated by relating the net profit to the average economic capital during the year. As a result of an increase in net profit, RAROC rose by 0.5 percentage points after taxation to 8.3% (7.8%).

<b>Economic capital by segment</b>				
Amounts in millions of euros	RAROC		Economic Capital	
	2015	2014	31-12 2015	31-12 2014
Domestic retail banking	13.0%	5.8%	10.1	8.8
Wholesale banking and international retail banking	-4.3%	10.2%	7.7	7.3
Leasing	27.4%	31.2%	2.0	1.5
Real estate	11.8%	-15.5%	1.4	1.5
<b>Rabobank Group</b>	<b>8.3%</b>	<b>7.8%</b>	<b>26.7</b>	<b>23.4</b>

## Outlook

We are expecting economic growth in the Netherlands and outside to continue in 2016. Dutch households have increasing disposable income, which will lead to increased consumer spending. House prices and the number of housing transactions are also expected to continue to increase in 2016 under the influence of low interest rates and high consumer confidence. As explained in the Strategic Framework 2016-2020, slight contraction is again expected on the balance sheet in 2016. Businesses will still be cautious about increasing their investment levels in 2016 and residential mortgage repayments will remain at a high level. The initial results from our active targeting of a smaller balance sheet will also be visible.

The further phasing-in of Basel III has a negative impact on capital ratios in early 2016. The targeted reduction in the balance combined with the sought-after improvements in performance, should make a positive contribution to the future trends of these ratios.

By implementing Vision 2016 and the Mars efficiency programmes, Rabobank's regular operating expenses will be lower in 2016. We do expect slightly higher loan impairment charges, despite the economic recovery. This is the result of individual events and non-recurring adjustments that drove the loan impairment charges down in 2015. On the other hand, the contribution to the national resolution fund is expected to be higher than in 2015 and we are also expecting a contribution to the creation of the up-front financed deposit guarantee scheme. Bank tax remains, as expected, at roughly the same level as in 2015.

# Performance

## *Domestic retail banking*

### **Economy growing, housing market recovered and loan impairment charges falling**

From an economic point of view, things were better in 2015 for the Netherlands than in 2014. Pretty much across the country, the recovery took hold in the housing market, employment opportunities grew and households' disposable incomes grew. The recovery in business investment remained modest. New loans to businesses were at a low level. Alongside this, the relatively low interest on savings contributed to more households paying off their mortgages. Under the influence of these developments, the domestic loans portfolio shrank by 3% to EUR 281.9 billion. Amounts due to customers rose by 2% to EUR 212.4 billion. The economic recovery was clearly reflected in the trend in loan impairment charges, which fell by EUR 1,079 million to EUR 343 million. This is mainly the result of the improved economic situation, but is also due to some one-off adjustments. Loan impairment charges thus amounted to 12 basis points of average lending, against a long-term average of 23 basis points. In a number of Dutch markets that are important for Rabobank – the savings market and the mortgage market – Rabobank maintained a strong presence but did lose market share. The market share in lending to the trade, industry and services sectors rose to 42%, while the market share in the food and agri sector remained stable. The net profit of the domestic retail banking division amounted to EUR 1,321 million, an increase of EUR 788 million compared to 2014. The strong decrease in loan impairment charges was decisive for the recovery in profits. However, results from the domestic retail banking business were down EUR 89 million due to the contributions to the national resolution fund. In 2014, the non-recurrent resolution levy caused a further reduction of EUR 274 million in the net profits for the domestic retail banking business. There was another relatively strong fall in the number of employees in the domestic retail banking business in 2015. As a result, staff costs finished 7% lower. Income fell due to lower margins on new mortgages and a decline in the loan portfolio.

### **Strategy**

Rabobank's ambition is to be the most customer-focused bank in the Netherlands. The visions outlined in Banking for the Netherlands fleshes out our intent to stimulate economic growth. We strengthen our customers with our financial products, knowledge and experience, paying extra attention to specific target groups, such as youths, seniors, entrepreneurs and people who do not have permanent employment.

We contribute to building the home, work and entrepreneurial environment so that communities will become better than ever before. Thereby we focus on the topics of mobility, vitality, food and agriculture, raw materials, water, and housing. Read more about Banking for the Netherlands in the section on [Strategy](#).

We want to achieve our ambition through an excellent basic service provision, by bringing our services closer to our customers and by fulfilling our role as a financial linking pin.



### Excellent basic services

The foundation for an excellent customer focus is in the basic services. Customers need financial solutions and good advice. Questions need to be dealt with quickly and without delay; all daily bank business needs to be available online. Customers want to be able to view their financial situation at all times. Customers need to get an answer immediately to all their questions, through the channel of their choice. Alongside this, excellent customer focus needs our current working practices and processes to be tightened up. We want to be one step ahead of the customer. We can only achieve this if we know what our customers want and if we tie our services to this.

### Closer to our customers

Excelling in customer focus means wanting to exceed customer expectations. By being there for the customer at important moments, we want to ensure that the customer keeps on choosing us. The number of physical contacts with customers is falling. That makes it all the more important that the customer experience is extra special on the times where we do see our customers. We are not investing in new locations, but are ensuring there are new physical points of contact across the whole country. Think, for example, of house calls or at the customer's place of work and presence in shops or online.

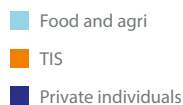
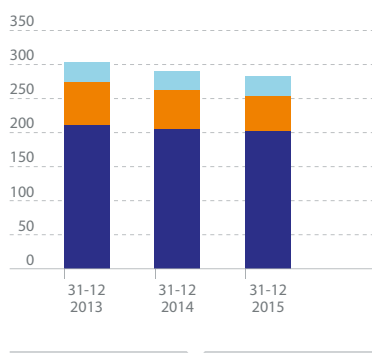
### Financial linking pin for companies

Rabobank looks forward to having a total customer relationship with each customer. We also recommend solutions that we do not finance ourselves, but where we can bring supply and demand together. Think of the possibilities of crowdfunding. In the interests of the customer we also act as a financial linking pin and commit ourselves to the recommended solution. For this, it is essential to explore new forms of services and brokering.

### Loan portfolio shrinks by 3%

The Dutch economy grew by 2% in 2015, with growth in exports and domestic spending power being the main contributors. Households' disposable incomes rose, thanks to an increase in pay under collective agreements and a rise in employment opportunities. Consumer confidence also continued to rise. As a result, consumer spending increased and the housing market recovered as average sales prices rose. Unemployment fell, but remained relatively high by Dutch standards at 6.9% in 2015.

### Loan portfolio by sector in billions of euros



Despite the positive economic developments the recovery in business investments remained modest. In a number of sectors, the fall during the last few years was so great that even a relatively large rise in production in 2015 still left the volume well below that of 2008. Meanwhile, the extra repayments of mortgages remained high; in 2015 this totalled EUR 3.4 (4.0) billion at local Rabobanks. Under the influence of this trend, the loan portfolio for our domestic retail banking business fell by EUR 8.0 billion to EUR 281.9 (289.9) billion.

Lending to private individuals consists almost entirely of residential mortgages and fell by EUR 2.8 billion to EUR 202.7 (205.5) billion. Loans to the trade, industry and service sectors fell by 9% to EUR 51.1 (56.0) billion and loans to the food and agri sector fell by 1% to EUR 28.2 (28.4) billion.

### Residential mortgages

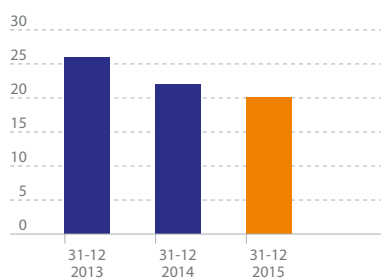
#### The housing market

The recovery in the housing market continued at a rapid rate in the Netherlands. In each province the number of residential property transactions rose compared to the previous year. The price index for private homes for sale rose in almost all provinces. Only in Zeeland and Flevoland did the index fall. The more urban provinces of North-Holland, South-Holland and Utrecht showed the sharpest price increases. For 2016 we expect moderate growth in the number of residential property transactions and an increase in the price index for current private homes. This positive development is mainly the result of high consumer confidence, historically low mortgage rates and the economic recovery. The problems of remaining debts and the tightening of lending criteria have applied a limited brake to this growth.

## Market share

The share of Rabobank Group in the Dutch mortgage market amounted to 19.7% (21.5%) of new mortgage production in 2015. The market shares of the local Rabobanks and Obvion fell to 15.5% (16.3%) and 4.2% (5.2%) respectively. In recent years, insurers and pension funds have sharply increased their market share in new mortgages.

Share of mortgage market  
in %



## Mortgage portfolio

The additional repayments on mortgages remained relatively high in 2015. While savings rates remain low, a number of households will continue to opt to accelerate paying off their mortgages. On balance, the Dutch mortgage portfolio of Rabobank Group contracted to EUR 201.5 (205.0) billion in 2015.

National Mortgage Guarantee (Nationale Hypotheek Garantie, or NHG) financing accounts for 21.4% (21.1%) of the mortgage portfolio. The revised tax treatment of owner-occupied homes introduced on 1 January 2013 has led to an increase in the number of annuity-based and straight-line loans in the mortgage portfolio. The changes to the tax regime have made mortgages with capital accumulation and interest-only mortgages less attractive. Customers with 100% interest-only finance accounted for 23.9% (24.6%) of the mortgage portfolio at the end of 2015. The weighted average indexed loan-to-value (LTV) of the mortgage portfolio improved to 73% (78%) in 2015. This was due to (additional) repayments, an increase in pledged savings and a small increase in the average price of existing private homes. The LTV exceeds 100% for approximately 13% (18%) of the mortgage portfolio, excluding NHG.

## Concern for affordability

Rabobank wishes to avoid as much as possible customers having payment difficulties. This actually begins with good advice leading to a suitable mortgage. During the product lifetime, Rabobank regularly checks whether the mortgage is still suitable for their personal situation. Nevertheless, it

sometimes happens that a customer can no longer meet his payment obligations. Where there are arrears (or a threat of arrears), Rabobank wants to talk to the customer as early as possible in order to seek a solution. In most cases, the customer and the bank find a solution together and the customer can continue to live in his home. In 2015, for 0.48% (2014: 0.40%), of mortgage customers recovery was no longer a possibility and there were no prospects of continuing the mortgage in a stable manner. In these cases the homes had to be sold. The preferred option here is to do this in cooperation with the customer by means of a private sale. In exceptional circumstances we will use a public auction.

> Read more [here](#) about customers in difficulties.

## Loan impairment charges and write-downs

Two non-recurring changes affected the loan impairment charges and the allowances for residential mortgages. Rabobank developed a new capital model for residential mortgages; this model is also used to define the level of allowances. In addition, Rabobank elected to take the loan impairments on residential mortgages for entrepreneurs out of business lending and to account for them fully in the private individuals sector. These changes resulted in an extra EUR 161 million in additional loan impairment charges, of which EUR 134 million was a non-recurring charge. As a result, the level of allowances is also higher. The total loan impairment charges amounted to EUR 286 (112) million.

The new capital model for mortgages<sup>1</sup> takes more account of behavioural factors than the old model. With the new model default situations are recognised earlier. The non-recurring change of model impact totalled EUR 83 million.

Migrating the residential mortgages of entrepreneurs to the private individuals sector led to an increase of EUR 78 million in loan impairment charges on residential mortgages, of which EUR 51 million was non-recurring<sup>2</sup>.

- 1 The new capital model has successfully completed the internal validation and approval process, but it is not yet suitable for calculating capital, pending the outcome of the external validation process performed by the ECB.
- 2 The migration implies a reduction in the loan impairments on residential mortgages in the business sector by 127 million euros. On balance, there was a release that is largely due to the difference between the LGD for residential mortgages and LGD for business loans.

- 1 The loan impairment charges in basis points are excluding the non-recurring effects, but including additional loan impairment charges for entrepreneurs' private borrowing. For a clean comparison of the figures against those from 2014 you need to take out the loan impairment charges for entrepreneurs' private borrowing. The loan impairment charges then come out at 6.1 basis points.

During 2015 the loan impairment charges were EUR 152 million (7.5 basis points), notwithstanding the additional loan impairment charges resulting from the aforementioned non-recurring changes.

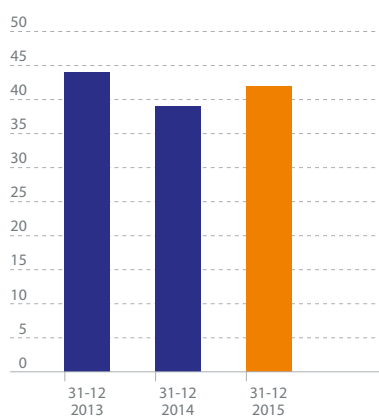
<b>Residential mortgages</b>		
<i>Amounts in millions of euros</i>	<i>31-12-2015</i>	<i>31-12-2014</i>
Mortgage portfolio	201,498	205,008
Weighted average LTV	73%	78%
Non-performing loans	0.91%	0.99%
More than 90 days arrears	0.57%	0.73%
Share NHG portfolio	21.4%	21.1%
Share customers with fully interest-only mortgage	23.9%	24.6%
Non-performing loans	1,837	2,001
Allowances	319	178
Coverage ratio based on non-performing loans	17%	9%
	<b>2015</b>	<b>2014</b>
Loan impairment charges	286	112
Loan impairment charges (in basis points, excluding non-recurring effects) <sup>1</sup>	7.5	5.4
Write-downs	156	128

### *Interest rate averaging for mortgage customers*

Customers who want to change their interest rate contracts early will be able to apply interest averaging from 1 July 2016. For this, the mortgage rate and the remaining term of the customer's current interest rate contract are averaged with the actual fixed rate and term they select. This service is intended mainly for customers who do not have the funds to pay penalty interest in a single payment.

➤ Read more about interest rate averaging [here](#).

**Market share in TIS**  
in %



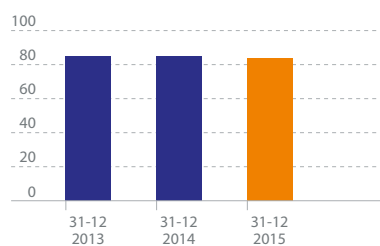
### **Trade, industry and services**

Rabobank Group's market share of lending to the trade, industry and services sectors amounted to 42% in 2015 (39%). Domestic retail banking loans to these sectors declined by 9% to EUR 51.1 (56.0) billion in 2015. This loan portfolio includes the commercial real estate portfolio of domestic retail banking. See the [Risk management](#) section for further explanation of the developments in this property portfolio.

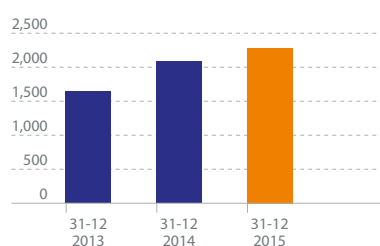
### *Financing clarity for entrepreneurs*

In 2015, Rabobank introduced three tools to give entrepreneurs clarity as to whether they can afford to finance their plans. These are the financing indicator, the financing explorer and the ability to make a request online. Entrepreneurs who are looking at whether their plans can be financed can use the borrowing indicator at [rabobank.nl](http://rabobank.nl) (in Dutch only). Using questions and financial ratios, the programme uses calculation rules to indicate whether the entrepreneur's plan can be financed. Alongside the indicator there is an explorer that will show a few possible financing solutions. Online is the best channel for getting the requirements clear and collecting all the necessary information. Based on this, the advisor can draw up an opinion and within just one week can give the entrepreneur a clear answer in a personal conversation. And we also offer our SME customers three options to draw up and submit a request for financing online. All three options can be found at [rabobank.nl](http://rabobank.nl).

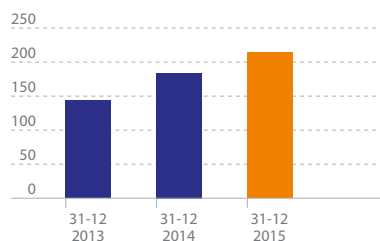
### Market share food and agri in %



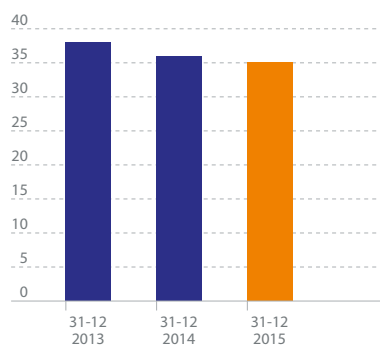
### Number of active users of mobile banking - private individuals (x1,000)



### Number of active users of mobile banking - businesses (x1,000)



### Market share for savings in %



## Food and agri

Domestic retail banking loans to the food and agri sector amounted to EUR 28.2 (28.4) billion in 2015. This sector accounts for 10% (10%) of the total loan portfolio for the domestic retail banking business. Rabobank has had a stable market share in the Dutch food and agri sector of around 85% for many years and is indisputably the most important financier in this sector. Rabobank has acquired this position as a result of its agricultural roots and years of acquired sector knowledge.

➤ Read more about Banking for Food in the section on [Strategy](#) and in the [Annual Review](#).

## Participation, advice and virtualisation

The cooperative customer service of local Rabobanks is based on three pillars: participation, advice and virtualisation. Participation in initiatives that contribute to local social and economic development sets Rabobank apart from other banks. Consultants already maintain contact with their customers using physical and virtual networks, and Rabobank is investing fully in further virtualisation of its services at a price level that is in line with the market.

Rabobank has responded to customers' desire to manage their banking business anywhere and at any time and the demand for more forms of virtual services with the Rabo Banking App and the Rabo Investment App. The number of customers actively using mobile banking with Rabobank increased by approximately 225,000 in 2015 to approximately 2,496,000, including both business and retail customers. The [Annual Review](#) goes into more detail about the new Rabo Banking App, launched in 2015.

## Amounts due to customers increased by 2%

The private savings market in the Netherlands grew by 1% to EUR 336.2 (331.7) billion in 2015. Rabobank Group's market share was 34.8% (36.0%). Of this, 34.0% (35.1%) came through the local Rabobanks and 0.8% (0.9%) through savings bank and Rabobank subsidiary Roparco. Amounts due in domestic retail banking rose by 2% to EUR 212.4 (208.9) billion. These consist mainly of private savings. Under the influence of extra mortgage repayments, private savings fell to EUR 117.0 (119.6) billion.

## Schretlen Migration

In 2015, the Private Banking services of Rabobank and Schretlen & Co were merged, and the transfer of client portfolios to the local Rabobanks was fully completed.



## Insurance

Rabobank offers its private and business customers a complete range of advisory services and product solutions, including insurance. In the field of insurance products, Achmea, via its brand Interpolis, is Rabobank's most important strategic partner and supplier. Interpolis offers a wide range of non-life, healthcare and life insurance policies for both private clients and businesses. For Rabobank, Interpolis is the preferential supplier for the retail market. Under the influence of the reduction of policies from other companies, the total insurance provisions fell to EUR 269 (277) million.

<b>Type of insurance</b>		
<i>Number of policies</i>	<i>31-12-2015</i>	<i>31-12-2014</i>
All-in-One Policy	1,330,000	1,289,000
ZekerVanJeZaak and Bedrijven Compact Polissen	204,000	207,000
ZorgActief	218,000	215,000

In 2015, we introduced Rabo RisiGo. With this product we support entrepreneurs and help them strengthen the continuity of their company by giving them insight into their business risks and helping them deal with these risks. Rabo RisiGo was developed on the basis of Rabobank and Interpolis' joint vision on how companies can more effectively deal with their business risks. In 2015, about half of the new sales of short-term travel insurance policies were concluded via the Rabo Banking App.

## Financial results of domestic retail banking

<b>Results</b>			
<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>	<i>Movement</i>
Net interest income	5,661	5,783	-2%
Net fee and commission income	1,371	1,318	4%
Other income	18	131	-86%
<b>Total income</b>	<b>7,050</b>	<b>7,232</b>	<b>-3%</b>
Staff expenses	2,134	2,302	-7%
Other administrative expenses	2,520	2,233	13%
Depreciation	116	127	-9%
<b>Operating expenses</b>	<b>4,770</b>	<b>4,662</b>	<b>2%</b>
<b>Gross result</b>	<b>2,280</b>	<b>2,570</b>	<b>-11%</b>
Loan impairment charges	343	1,422	-76%
Resolution levy	-	274	-
Contribution to resolution fund	89	-	-
Bank tax and levy	82	80	3%
<b>Operating profit before taxation</b>	<b>1,766</b>	<b>794</b>	<b>122%</b>
Taxation	445	261	70%
<b>Net profit</b>	<b>1,321</b>	<b>533</b>	<b>148%</b>
Loan impairment charges (in basis points)	12	48	-75%
<b>Ratios</b>			
Cost/income ratio exclusive regulatory levies	67.7%	64.5%	
Cost/income ratio inclusive regulatory levies	70.1%	65.6%	
RAROC	13.0%	5.8%	
<i>Balance sheet (in billions of euros)</i>	<i>31-12-2015</i>	<i>31-12-2014</i>	
Total assets	325.2	354.3	-8%
Private sector loan portfolio	281.9	289.9	-3%
Due to customers	212.4	208.9	2%
<i>Capital requirements (in billions of euros)</i>			
Regulatory capital	6.7	6.5	3%
Economic capital	10.1	8.8	15%
Number of internal employees (in FTEs)	22,176	23,993	-8%
Number of external employees (in FTEs)	2,165	2,482	-13%

## Notes to financial results of domestic retail banking

### Income fell by 3%

Total income from the domestic retail banking business was down 3% in 2015 at EUR 7,050 (7,232) million. Due to the historically low mortgage interest rate, many clients paid off their mortgage early and obtained a new mortgage at 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. On balance, net interest income fell by 2% to EUR 5,661 (5,783) million. Net fee and commission income rose by 4% to EUR 1,371 (1,318), specifically due to the higher fees on finance and payments. Other income fell by EUR 113 million to EUR 18 (131) million. In 2014, the other income was affected upward by an income from the sale of mortgages.

### Operating expenses rose by 2%

Total operating expenses at the domestic retail banking business were up 2% in 2015, rising to EUR 4,770 (4,662) million. The virtualisation of services, the decline in the number of local Rabobanks and the closure of some branches will have an impact on the workforce. The number of internal and external employees in the domestic retail banking division fell by 8% in 2015 to 24,341 (26,475) FTEs. As a result of these developments, staff expenses fell by EUR 168 million to EUR 2,134 (2,302) million. Other administrative expenses rose by EUR 287 million to EUR 2,520 (2,233) million due to higher reorganisation and legal costs. In 2015, the innovation expenses that relate to the virtualisation of the services were at approximately the same high level as in 2014. These expenses are passed on from the group to the local Rabobanks via the other administrative expenses. As a result of lower depreciation on intangible fixed assets, depreciation was down 9% to EUR 116 (127) million.

### Loan impairment charges fell by EUR 1,079 million

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 a allowance had to be concluded. Also the allowances on existing items appeared sufficient. In the commercial real estate the loan impairment charges were

approximately EUR 300 million lower. At the local Rabobanks, commercial real estate is part of the sector Trade, Industry and Services. The sector continues to experience some structural problems. The loan impairment charges for greenhouse horticulture were also lower in 2015.

Extra information from external sources for the appreciation of specific collateral and a more refined manner to calculate future cash flows, led to a periodic review of management estimates and parameters for home mortgages. On balance, the revision also had a favourable impact on the loan impairment charges. Loan impairment charges declined by EUR 1,079 million to EUR 343 (1,422) million and thus amounted to 12 (48) basis points of the average loan portfolio. The loan impairment charges are under the long term average of 23 basis points, also standardised for the impact of the refined calculation method.

### Regulatory capital rose by 3%

In calculating the regulatory capital (the external capital requirement), the risks associated with loans to private individuals and businesses are estimated using internal rating and risk models. In 2015, the regulatory capital for the domestic retail banking business rose to EUR 6.7 (6.5) billion, despite the decrease of the lending. The economic capital (the internal capital requirement) amounted to EUR 10.1 (8.8) billion. This increase is mainly the result of the elimination of the diversification between the risk categories.

## Outlook

After years of crisis, recession and stagnation, economic growth in the Netherlands has returned. In 2016, the Dutch economy is expected to grow by 2.5%, after a growth of 2% in 2015. This growth is carried by export, private consumption and private investments. However, the high unemployment rate remains a sticking point and export growth is surrounded by uncertainties. More about the Dutch economic prospects can be found in [Vision on 2016: Dutch economy](#).

Once again in 2016 the domestic retail banking business will focus on excellent client focus, optimisation of the balance sheet and improvement of the return. We expect that mortgage interest will remain at a low level in 2016, a continuation of the higher level of home sales. It is expected that extra mortgage

repayments will result in a moderate reduction of the loan portfolio of the domestic retail banking business. In addition, the first effects of making the balance sheet more flexible (see the section [Strategy](#)) will be reflected in the total assets. Amounts due to customers are expected to remain stable.

A further decrease of the number of employees will result in lower operating expenses. Loan impairment charges remained lower in 2015 due to non-recurring effects and will be somewhat higher in 2016. Also, from 2016 we are going to contribute to the structuring of the ex-ante financed deposit guarantee scheme. All in all, we expect that the net profit of the domestic retail banking business will end up at a somewhat lower level than in 2015.

# Performance

## *Wholesale banking and international retail banking*

### Results decreased by impairment of goodwill

The net result of the wholesale banking and international rural and retail banking division came out at a loss of EUR 333 million in 2015. This is a decrease of EUR 1,091 million compared to 2014. The main cause for the decrease was the impairment of goodwill regarding Rabobank National Association (RNA) in the United States of EUR 604 million. In addition, loan impairment charges rose by EUR 106 million to EUR 526 million or 53 basis points of the average loan portfolio. The contribution to the national resolution fund reduced the operating profit before taxation by a further EUR 66 million. Just as with the local Rabobanks, the number of employees in the wholesale banking and international rural and retail division decreased in 2015. This will contribute to the necessary improvement of returns in the coming years. The loan portfolio increased by EUR 3.6 billion to EUR 98.8 billion, mainly due to currency effects. The food and agri share of the total loan portfolio came out at 61%. This is an increase of 3 percentage points compared to the end of 2014. Amounts due to customers rose by 7% to EUR 124.4 billion. The total savings balance of the Internet savings bank in Belgium, Germany, Ireland, Australia and New Zealand was almost stable at EUR 30.5 billion. Rabobank reduced its interest in the Agricultural Bank of China by 93% in 2015. The amount of illiquid assets was further decreased in the reporting year.

### Strategy

The Dutch wholesale banking and international rural and retail banking business forms the international axle in our Banking for Food strategy, which concerns our contributions to feeding the world more sustainably and to the individual economic objectives of our food and agricultural clients. In addition, we show leadership with events such as the Food 20 Summit and with [Rabobank Foundation](#) and [Rabo Development](#).

The wholesale banking division in the Netherlands is a significant contributor to our Banking for the Netherlands strategy. In this way, we make a sustainable investment in welfare and prosperity in the Netherlands. You can find more about this in the section [Strategy](#).

### Banking for Food

Our vision is that we see a role for Rabobank in the area of global food security. The world population is growing fast and worldwide food production cannot lag behind in this. At the same time, only limited land and natural resources are available. As an international leading bank in food and agriculture, Rabobank would like to contribute to the challenge to produce more and more sustainably with fewer raw materials.

Together with clients, partners and colleagues worldwide, we will start with the four dimensions of food security: improving the availability of food; improving access to food; stimulating balanced, healthy nutrition, and enhancing the stability of food production. Now and in the future, Rabobank wants to support entrepreneurs in the food and agri chain by granting access to finance, knowledge and networks. With its presence in North America, South America, Europe, Asia, Africa, Australia and New Zealand, Wholesale, Rural & Retail is positioned perfectly to play a unique role worldwide in the area of food and agri. The Annual Review further elaborates on Banking for Food, the vision of Rabobank on food security and the bank's role in this respect.

### Customer focus

With the help of its knowledge and network, Wholesale, Rural & Retail maps key moments at which it can excel in customer focus. At such moments we must proactively start the conversation with clients and exceed their expectations. Together with our clients, we create solutions that go beyond financing, for instance regarding business succession and sustainability. Where possible our client service is close to clients in the region and is centralised where necessary. In this



way we can achieve the most efficient and customer-focused services as possible. For Wholesale, Rural & Retail, excellent client focus further means that we continually adapt to the wishes of the client and the shifts in the market. Moreover, we always act demonstrably in the interest of the client.

### Improvement of the return

Wholesale, Rural & Retail contributes to the necessary improvement on returns with the performance improvement programme Solve, Optimise, Grow & Innovate. This programme aligns with Performance Now and provides for a simplification of processes and systems. Where possible, standardisation offers a solution, but customisation and unique knowledge and networks are also what set us apart from the competition. That is why customisation takes place where necessary and profitable.

### The Netherlands

In the Netherlands, the wholesale banking division services wholesale clients in all sectors in close cooperation with the local Rabobanks. In addition, the wholesale banking division (together with the Rabo International Desk of the Mid Corporates business) facilitates the international activities of Dutch customers. Rabobank has 20 International Desks - spread out over six continents - which specifically focus on

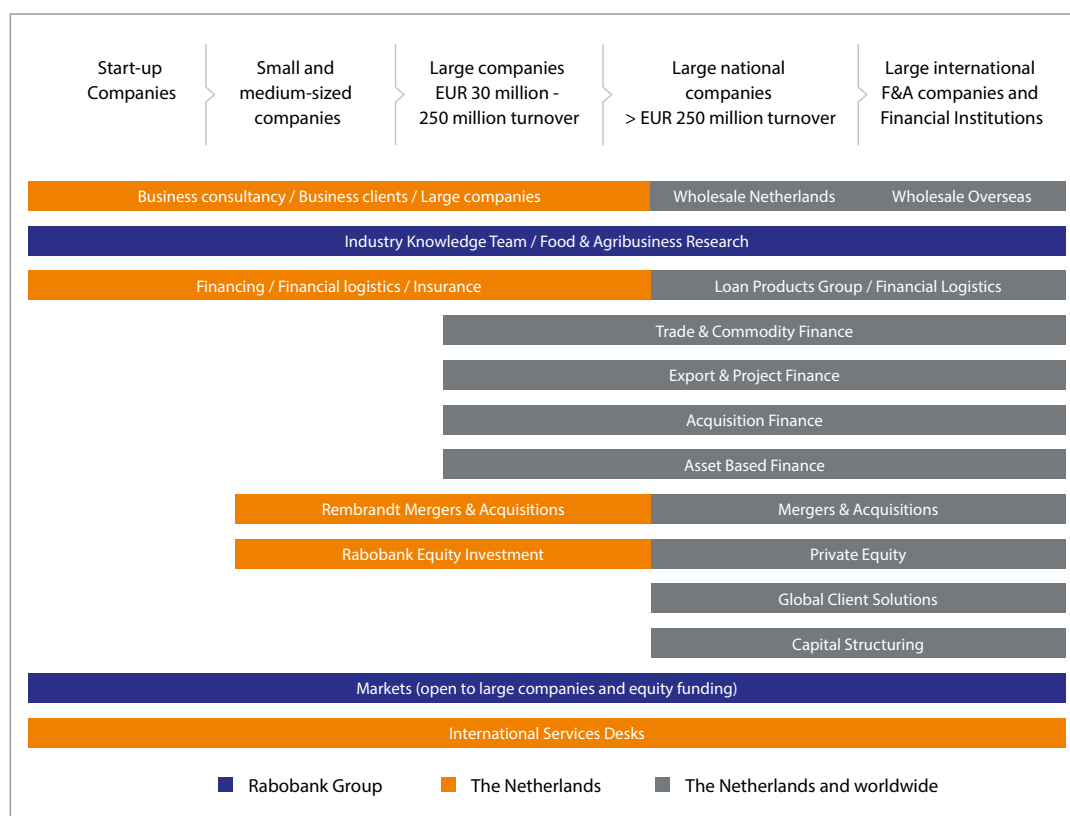
international support. Rabobank facilitates the qualitative growth of companies. Some examples with which Rabobank supports the earning capacity of the Netherlands can be found in the Annual Review.

In addition, our specialised product range is available to large and small business clients. For example, products to hedge interest rate risk, currency risk or raw material risk. Via our network of local, customer-focused teams, we can combine the wholesale knowledge of wholesale financing with the local Rabobank knowledge. In 2015, we introduced a new online environment for wholesale clients. You can find more about this in the Annual Review.

### Worldwide

#### Wholesale Banking

Within wholesale banking, Rabobank distinguishes itself by its international focus on clients in the food and agribusiness. Due to the combination of in-depth knowledge and a worldwide network, we are able to position ourselves as the leading food and agri bank in the world. We service the entire food value chain, with specialists per sector, and we provide this sector knowledge and advice to our clients. Rabobank is active in the main food producing countries, including the United States, Australia, New Zealand, Brazil and Chile.



Internationally there is a synergy between our relationship managers, product specialists and knowledge providers, such as Food & Agribusiness Research. For example, Rabobank offers its wholesale clients added value in the area of finance, capital markets for debt securities, mergers & acquisitions, strategic advice and risk management products. Rabobank offers financing services to international commodity dealers in the agricultural chain. In addition, we provide our Dutch and international food and agricultural clients with high-quality, professional financial products and services for the financial markets.

### ***Rabo Private Equity***

Rabo Private Equity is the investment branch of Rabobank. It offers different options and structures to help entrepreneurs attract additional equity. Rabo Private Equity is active in the Dutch market with Rabo Participaties, which has an investment fund of about EUR 200 million, invested in shareholdings in a broad range of sectors. Investments are made for the long term.

Rabo Private Equity also invests in various private equity funds, both in the Netherlands and in food and agricultural funds outside the Netherlands. All these funds fit into Rabobank's strategy of being a leading global player in the funding of the food and agri sector or they are used in support of our customer service in the Netherlands. Rabo Private Equity currently has investments in funds that are active in the Netherlands, England, the United States, Poland, Brazil and India.

### ***International Rural and Retail banking***

Rural banking focuses on the funding of agricultural business owners around the world. The main markets for rural banking are Australia and New Zealand, the United States, Brazil and Chile. Rabobank has been active in Australia for 25 years, building out a strong position with currently more than 60 branch offices and approximately 900 employees. In the United States, Rabobank is active under the name Rabo AgriFinance, a division that fully focuses on the agricultural sector. In Brazil, Rabobank specifically focuses on the largest export-oriented farming companies. Rabobank Chile brought its goals better in line with the strategic framework and focuses on supporting the agricultural food chain. Helped by the value increase of especially the US dollar, the rural loan portfolio grew in 2015.

The international retail banking activities cover three countries: the United States (RNA), Indonesia and Ireland (ACC Loan Management). In the United States, the size of the portfolio at RNA increased by EUR 1.0 billion to EUR 9.2 (8.2) billion, also due to currency effects. Rabobank Indonesia is currently in a strategic transition, as the bank is going to fully focus on the food and agri sector.

The number of offices was greatly reduced in 2015. The office closures were accompanied by a loss of about 600 jobs. ACC Loan Management has also been reduced. On 31 December 2015, the size of the loan portfolio was only EUR 1.4 (1.9) billion. The presence in Poland was strongly reduced with the sale of Bank BGZ in 2014. In April 2015, the merger of Bank BGZ with BNP Paribas Polska was completed. As a result, Rabobank's remaining 10% interest in Bank BGZ was converted into a 7% interest in the merger bank BGZ BNP Paribas. In recent years, URCB (China) has developed into a fully developed bank. As a result, the impact of Rabo Development had decreased strongly. We sold our share of 9%.

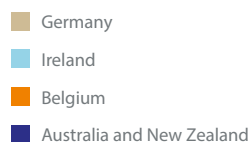
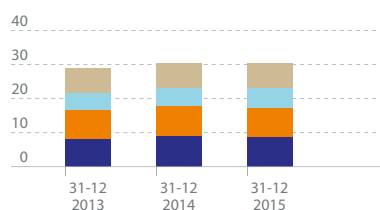
The total financial loans to rural and retail clients increased by 7% to EUR 37.6 (35.2) billion in 2015, partly due to currency effects.

### **Amounts due to customers increased by 7%**

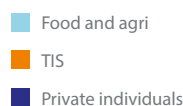
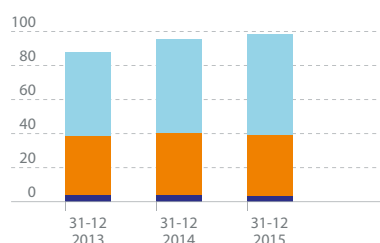
Amounts due in the wholesale banking and international rural and retail banking business stood at EUR 124.4 (115.8) billion at the end of 2015. This includes the amounts due to customers as well as private savings from online bank RaboDirect in Belgium, Germany, Ireland, Australia and New Zealand. Due to customers grew because institutional customers deposited more money with Rabobank. The savings balances of RaboDirect remained stable at around EUR 30.5 (30.4) billion in 2015. The number of customers of these internet savings banks grew to 900,000 (882,000).

The strategy of RaboDirect is to raise savings funds from outside the Netherlands as an alternative for Dutch savings. The private savings entrusted by customers to RaboDirect are used for the funding of the international rural and retail banking business and for other divisions of Rabobank Group. By raising funds in countries outside the Netherlands, Rabobank broadens its funding base. The savings from RaboDirect activities accounted for 22% (21%) of the savings held at group level.

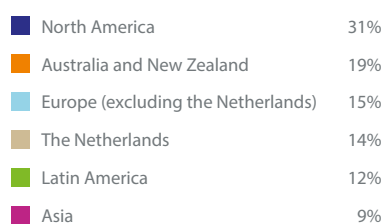
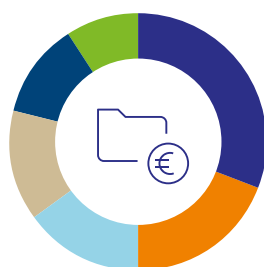
### Distribution of private savings of RaboDirect in billions of euros



### Loan portfolio by sector in billions of euros



### Loan portfolio by region at year-end 2015



### The loan portfolio grew by 4%

The total loan portfolio of the wholesale banking division and the international rural and retail banking business increased in 2015 by 4% to EUR 98.8 (95.2) billion. The volume of lending provided to the food and agri sector amounted to EUR 59.9 (54.9) billion and thus accounted for 61% (58%) of the total loan portfolio of this segment. The total loans to the sector Trade, Industry and Services (TIS) amounted to EUR 35.4 (36.7) billion. Lending to private individuals reached EUR 3.5 (3.6) billion.

Lending to Dutch companies increased by 8% to EUR 14.2 (13.1) billion. The remaining part of the loan portfolio was issued to companies outside of the Netherlands: EUR 47.0 (46.9) billion to wholesale clients and EUR 37.6 (35.2) billion to rural and retail clients. The growth in the international part of the portfolio was due especially to the depreciation of the euro.

### Financial results of wholesale banking and international retail banking

<b>Results</b>			
<i>in millions of euros</i>	2015	2014	Movement
Net interest income	2,270	2,416	-6%
Net fee and commission income	513	552	-7%
Other income	653	825	-21%
<b>Total income</b>	<b>3,436</b>	<b>3,793</b>	<b>-9%</b>
Staff expenses	1,123	1,164	-4%
Other administrative expenses	1,101	1,166	-6%
Depreciation	107	87	23%
<b>Operating expenses</b>	<b>2,331</b>	<b>2,417</b>	<b>-4%</b>
<b>Gross result</b>	<b>1,105</b>	<b>1,376</b>	<b>-20%</b>
Impairment losses on goodwill	612	26	-
Loan impairment charges	526	420	25%
Contribution to resolution fund	66	-	-
Bank tax and levy	73	67	9%
<b>Operating profit before taxation</b>	<b>(172)</b>	<b>863</b>	<b>-120%</b>
Taxation	161	105	53%
<b>Net profit</b>	<b>(333)</b>	<b>758</b>	<b>-144%</b>
Loan impairment charges (in basis points)	53	44	20%
<b>Ratios</b>			
Cost/income ratio exclusive regulatory levies	67.8%	63.7%	
Cost/income ratio inclusive regulatory levies	71.9%	65.5%	
RAROC	-4.3%	10.2%	
<b>Balance sheet (in EUR billion)</b>			
	31-12-2015	31-12-2014	
Total assets	489.2	495.1	-1%
Private sector loan portfolio	98.8	95.2	4%
Due to customers	124.4	115.8	7%
<b>Capital requirements (in EUR billion)</b>			
Regulatory capital	6.4	6.4	0%
Economic capital	7.7	7.3	5%
<b>Number of internal employees (in FTEs)</b>			
	8,785	9,546	-8%
<b>Number of external employees (in FTEs)</b>			
	794	694	14%

## Notes to financial results of Wholesale banking and international Rural and Retail banking

### Total income fell by 9%

In 2015, the total income of the wholesale banking division and international rural and retail banking business fell by 9% to EUR 3,436 (3,793) million. 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 9 months. Net interest income fell by 6% to EUR 2,270 (2,416) million. The sale of Bank BGZ also contributed to the decline of net fee and commission income by 7% to EUR 513 (552) million. Positive revaluations in the private equity portfolio and the winding down of Rabobank's interest in the Agricultural Bank of China positively affected the other income. The contraction in the illiquid assets portfolio positively affected the results in 2014. On balance, other income fell by EUR 172 million to EUR 653 (825) million.

### Operating expenses fell by 4%

In 2015, despite the depreciation of the euro, operating expenses at the wholesale banking and international rural and retail banking division fell to EUR 2,331 (2,417) million. This was associated with the sale of Bank BGZ in 2014. The lower number of employees contributed to staff expenses falling by 4% to EUR 1,123 (1,164) million. Especially at Rabobank Indonesia and to a lesser extent at RNA and ACC Loan Management, the number of employees decreased. Other administrative expenses fell by 6% to EUR 1,101 (1,166) million as a result of lower costs for IT and publicity. As a result of higher depreciations on software, depreciations were up by 23% to EUR 107 (87) million.

### Impairment losses on goodwill

A goodwill impairment lowered the operating profit before taxation by EUR 612 (26) million. This amount almost consisted solely of the impairment on the goodwill with regard to RNA in the United States of EUR 604 million. The loan portfolio of RNA developed less favourably 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 the goodwill.

### Loan impairment charges rose by 25%

The loan impairment charges of the wholesale banking division and the international rural and retail banking business increased in 2015 by EUR 106 million to EUR 526 (420) million. This increase was primarily for the account of the wholesale banking division, where the loan impairment charges increased to EUR 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 EUR 138 (190) million. The total loan impairment charges were 53 (44) basis points of the average loan portfolio and were therefore still below the long term average of 59 basis points.

### Regulatory capital remained the same

The regulatory capital (the external capital requirement) for the Wholesale banking and international Rural and Retail banking division remained the same in 2015 at EUR 6.4 (6.4) billion. The economic capital (the internal capital requirement) amounted to EUR 7.7 (7.3) billion. This increase is mainly the result of the elimination of the diversification between the risk categories.

## Outlook

The Dutch economy is expected to grow in 2016 and continued worldwide economic growth is also expected. However, levels of growth will not be the same for all countries. Emerging countries are seeing a slowdown in growth. A decline in demand for raw materials in China has led to a decrease in prices. In the United States, growth remains stable, while growth in the euro area is catching up. This is good news for the Netherlands, as more than two-thirds of the added value of Dutch exports is realised in Europe and North America. Read more about our worldwide economic projections in [Vision on 2016: International Economy](#).

Again in 2016, the wholesale banking and rural & retail banking businesses will focus on consolidating Rabobank's position as leading bank for Dutch wholesale clients and supporting local Rabobanks in their services, and also on consolidating our leading position as a food and agri bank. If we disregard

the goodwill impairment, the total income from the wholesale, rural & retail businesses in 2016 will be almost in line with 2015. We expect margin pressure to continue. Only at rural banking do we expect to see income growth. Measures to save costs are expected to be fully compensated by additional regulatory expenses. We expect that on balance the costs will be more or less in line with those of 2015. The loan portfolio will be further aligned with the food and agri strategy, and portfolio growth is expected for rural banking.

In 2016, Rabobank foresees lower loan impairment charges for the wholesale, rural & retail businesses. In the Netherlands, we expect that the loan impairment charges will move towards the long-term average, after a number of years at relatively high levels. In 2015, the result was under pressure from the impairment on the goodwill of RNA. We expect that the net profit of the wholesale banking and international rural and retail banking business in 2016 will be higher than in 2015.

# Performance

## Leasing

### Strong results with growth in the lease portfolio

The leasing segment booked a net profit of EUR 498 million in 2015, an increase of 14% compared to 2014. DLL's lease portfolio increased by 8% to EUR 35.7 billion due to growth in activities as well as exchange rate effects. The food and agri share in the lease portfolio increased to 31% and Dutch activities represent 19% of the lease portfolio. DLL further optimised its lease portfolio by focusing more on activities in the industries in which it is specialised. Net interest and commission income developed positively. However, operating expenses increased as a result of growth in the number of employees as well as the depreciation of the euro compared to the US dollar specifically. The increased costs for regulations and supervision also contributed to the increase of the operating expenses. DLL and its clients could – especially in the Netherlands – profit from the improved economic circumstances. In combination with strict risk management and a good spreading of activities, this resulted in a 35% decrease of the loan impairment charges to EUR 85 million. As a result, the loan impairment charges amounted to 25 basis points of the average loan portfolio, way below the long-term average.

### DLL

DLL is a worldwide provider of asset-based finance solutions and is a subsidiary of Rabobank Group. It is engaged in over 35 countries worldwide and works with partners to find the best financial solution for every client request. Potential solutions include, leasing, factoring (commercial finance), mobility, vendor finance, consumer finance and re-marketing. DLL focuses on the development of customised financial solutions that contribute to the success of its partners (i.e. manufacturers, dealers and distributors). Its mission is to ensure that companies can acquire and use the equipment needed to run their businesses.

In the Netherlands, DLL offers its financial solutions in close cooperation with Rabobank. This combination ensures that clients have all their finances under one roof, as they can choose from various financial solutions and leverage the international network of Rabobank and DLL. The Rabobank advisor is the first point of contact for a lease or factoring solution. In case of specific issues, a DLL expert would be brought in to help determine a solution. Read more information about DLL [here](#).

### Strategy

In the Netherlands, DLL supports the strategy of Rabobank Group's wide range of financial services. Its support for Rabobank's global food and agri strategy is reflected in the 31% share of food and agriculture in DLL's loan portfolio. About half of DLL's lease portfolio consists of Dutch activities in food and agri.

### Client centricity

Long-term participation and a strong customer focus are at the core of DLL's strategy. This is expressed in both the alliances with partners and the dialogue initiated with customers as to how DLL can most effectively add value. DLL is continuously looking at new business models, technologies and digital possibilities that can help therein, and can increase the ease of doing business. In order to offer as much added-value as possible, DLL has specialised in a few areas: food and agri, healthcare, clean technology, transportation, industrial, construction, office technology and automotive. DLL understands what is going on in these industries and can offer fitting solutions to businesses. You can read more about what partnership means for DLL [here](#).



### ***The demand for lease products is changing***

Thanks to an increasing world population, from a durability perspective there is a need for a more responsible use of materials. In addition, ownership of equipment is becoming less important for more and more people, as they are mainly interested in the use of the product and the flexibility this entails. To meet the needs of clients pursuing this option, DLL offers product innovations such as Flex Lease and Managed Equipment Services, which give clients more flexibility by allowing them to avoid long-term financial obligations and only pay for the use of equipment. DLL is continuously looking for new solutions with which it can better serve the client, and in order to stimulate ongoing innovation, participates in innovation networks such as the FinTech Fund. DLL also organises innovation workshops, both internally and with clients, to discover new product possibilities.

### ***Mobile solutions***

DLL concentrates on supporting its partners with customised financial solutions that offer a fast, reliable and simple way of doing business. DLL has a strong focus on mobile applications that change how business is done, while simultaneously simplifying and speeding up existing processes. In order to ensure that these services provide solutions to the actual needs of its partners, DLL regularly visits partner locations and uses the gained insights in planning product developments.

DLL introduced a mobile app 'DLL Express Finance' in the United States in 2014. This app enables product dealers to prepare offers on-site as well as actually complete transactions. In 2015, DLL also started a mobile initiative for Europe in cooperation with partners in Germany and the United Kingdom. They required an app that would form a quick and reliable connection between the customer and the account manager. The app was introduced in 2016 in all nine industries where DLL is active.

These mobile applications are only examples of how DLL facilitates the simplicity and ease of doing business for its clients. In the coming years, DLL is expected to continue making significant investments in this area.

## **Worldwide activities**

### ***Vendor finance***

Vendor finance is the core of international activities of DLL, where various financing programmes are used to support manufacturers and distributors in marketing their products and services. Vendor finance focuses on establishing and maintaining long-term alliances in the industries in which DLL

specialises. DLL offers financing options that support customers' sales objectives, processes and distribution channels and enrich their value proposition. Market and customer knowledge are at the centre in this. The largest market for vendor finance within DLL is food and agri, followed by construction, transportation, industry and office technology.

### ***Expansion of food and agri activities to India***

In line with its target growth in the food and agri sector, DLL signed a partnership with Escorts Limited, one of the largest manufacturers of agricultural equipment in India, in 2015. Via this partnership, DLL has entered the Indian market. The purpose of the partnership is to give local farmers access to financing solutions in the agricultural industry. DLL takes care of the financing of tractors for farmers, whereby repayment is linked to income cycles. In this scenario, mobile solutions are helpful in bridging physical distances and simplifying transactions.

### **Activities in Europe**

In addition to vendor finance, through its subsidiary Athlon, DLL is also involved in the area of mobility in Europe. Athlon's mission is to offer the best car lease and mobility solution that meets the ever increasing needs of the client. Athlon's primary objective is to provide for the mobility of its customers by offering innovative, sustainable and cost-efficient solutions. These solutions vary: from the leasing and renting of cars to fleet management and mobility advice. Athlon is a leading provider of car leasing and mobility in the Netherlands. In addition to the Netherlands, DLL is active in ten other European countries. The total lease portfolio consists of approximately 250,000 cars.

### **Activities in the Netherlands**

#### ***Vendor finance***

In the Netherlands, DLL offers vendor finance with a focus on the food and agri sector and the healthcare industry. DLL also offers vendor finance in the Netherlands in the sectors of clean technology, transportation, industrial, construction and office technology.

#### ***Leasing and factoring***

DLL offers leasing products directly to customers of the local Rabobanks and other Rabobank divisions in the Netherlands, as part of the financial services provided by Rabobank. DLL is the market leader for leasing in the Netherlands. While leasing products are also offered direct to the market through the online portal Leaseloket, this option is mainly used by customers in the SME sector. Leasing options are also available

via Rabobank's own online channel. At [rabobank.nl/lease](http://rabobank.nl/lease) you can log in and directly calculate the monthly payment for leasing a company car or other transportation or directly request an offer. This online service fits into a market where asset-based financing solutions play an ever-increasing role.

Factoring is also part of the Dutch financing product range. Factoring is a solution for companies that temporarily or structurally need extra working capital. This can be the result of fast growth, seasonal fluctuations or the need for an additional cash flow. This option allows clients to free up extra working capital in their accounts receivable portfolio. The current market requires flexibility, and leasing and factoring meet this need, as it allows a company to keep reserves for other investments, leaving more financial room to do business. With these solutions, DLL supports Rabobank in the development of a customised financing mix for companies in every phase of life.

### EUR 250 million available from the European Investment Bank

In 2015, DLL received EUR 250 million from the European Investment Bank (EIB). These funds are intended for companies in the SME sector and for wholesale clients who want to invest in their company. With this facility, the EIB supports the recovery of business in the Netherlands and in the rest of Europe. Companies that need a lease construction to finance their investment and that meet the criteria can profit from a discount on the interest rate.

➤ More information can be found on the website of [DLL](http://DLL).

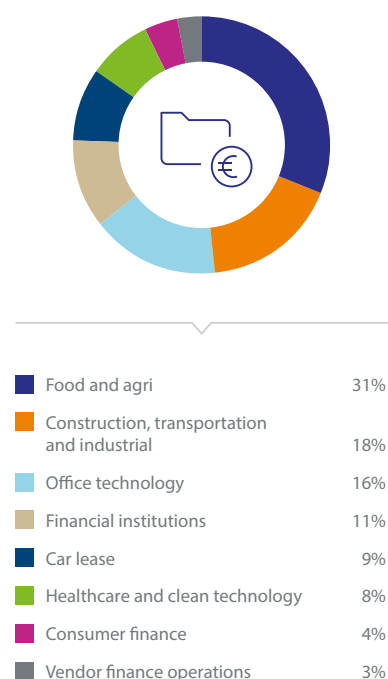
### Consumer finance

In the Netherlands, DLL also offers financing for consumer use. In the consumer finance market, it operates through the brands of Rabobank, Freo and Athlon. In this market, Rabobank is working on a new product and online application process. Topics such as customer focus and rock-solid bank are the focus of this. One in five households in the Netherlands borrows funds, and together, DLL and Rabobank ensure that Rabobank customers can get what they need from the bank. As a specialised competency centre in the area of consumer credit, DLL is responsible for marketing support, credit assessment and the approval of personal loans and credit for local Rabobanks. Freo is the online provider of consumer credit and stands for diligent, beneficial and fair lending. The total consumer loan portfolio as of 31 December 2015 totalled EUR 1.4 (1.4) billion.

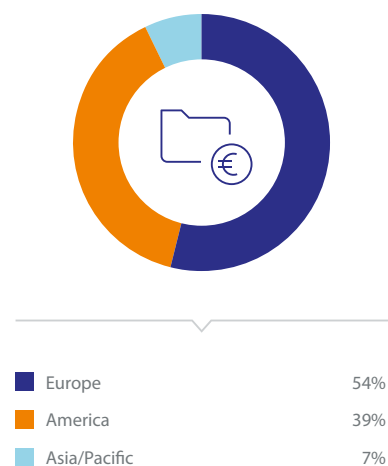
### Lease portfolio grew by 8%

In part due to currency effects, the lease portfolio of DLL increased by 8% to EUR 35.7 (33.0) billion. The DLL private sector loan portfolio – the lease portfolio excluding operational leasing – amounted to EUR 29.7 (27.5) billion. For DLL the food and agri share as part of the total portfolio is important, as is the Dutch part of the lease portfolio. The food and agri share in the lease portfolio totalled EUR 11.1 (10.6) billion, which represents 31% (30%). The Dutch lease portfolio amounted to EUR 6.6 (6.1) billion, representing 19% (19%) of the total lease portfolio. Food and agri in combination with the Dutch portfolio therefore represents almost half of the activities of DLL.

Lease portfolio by industry at year-end 2015



Lease portfolio by region at year-end 2015



## Financial results of leasing

<b>Results</b>			
<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>	<i>Movement</i>
Net interest income	1,094	1,000	9%
Net fee and commission income	57	30	90%
Other income	568	548	4%
<b>Total income</b>	<b>1,719</b>	<b>1,578</b>	<b>9%</b>
Staff expenses	601	535	12%
Other administrative expenses	277	251	10%
Depreciation	38	48	-21%
<b>Operating expenses</b>	<b>916</b>	<b>834</b>	<b>10%</b>
<b>Gross result</b>	<b>803</b>	<b>744</b>	<b>8%</b>
Impairment losses on goodwill	10	-	-
Loan impairment charges	85	131	-35%
Contribution to resolution fund	9	-	-
Bank tax and levy	10	9	11%
<b>Operating profit before taxation</b>	<b>689</b>	<b>604</b>	<b>14%</b>
Taxation	191	168	14%
<b>Net profit</b>	<b>498</b>	<b>436</b>	<b>14%</b>
Loan impairment charges (in basis points)	25	43	-42%
<b>Ratios</b>			
Cost/income ratio exclusive regulatory levies	53.3%	52.9%	
Cost/income ratio inclusive regulatory levies	54.4%	53.4%	
RAROC	27.4%	31.2%	
<b>Balance sheet information (in billions of euros)</b>			
Lease portfolio	35.7	33.0	8%
<b>Capital requirements (in billions of euros)</b>			
Regulatory capital	1.7	1.4	21%
Economic capital	2.0	1.5	33%
Number of internal employees (in FTEs)	5,402	5,217	4%
Number of external employees (in FTEs)	422	400	6%

## Notes to financial results of leasing

### Income up 9%

In 2015, total income from the leasing segment rose 9% to EUR 1,719 (1,578) million. The lease portfolio grew and the interest rate margin improved. As a result, net interest income increased by 9% to EUR 1,094 (1,000) million. In addition, the depreciation in value of the euro resulted in a positive trend for income. In line with the higher activity level, net fee and commission income rose by EUR 27 million to EUR 57 (30) million. Other income consist mainly of the result from sales of leased products and income from operational lease contracts. The income from these activities rose by 4% to EUR 568 (548) million.

### Operating expenses up 10%

In 2015, total operating expenses in the leasing segment rose by 10% to EUR 916 (834) million. The depreciation in value of the euro and the increase in the number of employees contributed to the increase in operating expenses. Internal staffing increased by 185 FTEs to 5,402 (5,217) FTEs with staff expenses increasing by 12% to EUR 601 (535) million. Other administrative expenses came out 10% higher at EUR 277 (251) million. In addition to currency developments, the higher costs for regulation and supervision contributed to this. Lower depreciation of intangible assets led to a decline in depreciation to EUR 38 (48) million.

### Loan impairment charges fell by 35%

Loan impairment charges for the leasing segment decreased by EUR 46 million to EUR 85 (131) million. In basis points of the average loan portfolio, the loan impairment charges amounted to 25 (43) basis points. With this the loan impairment charges were far below the long-term average of 66 basis points.

The lease portfolio of DLL is spread over more than 35 countries and nine industries – so the risks are also widely spread.

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.

DLL also works on the development of innovative products in the areas of Life Cycle Asset Management, Mobility Consulting and Fleet Management. In the financial area, DLL expects a limited growth of the lease portfolio in the United States and in Europe for 2016. The economic recovery in the Netherlands is expected to continue and the loan impairment charges will move more towards the long-term average. DLL strives to further expand Dutch activities and the food and agri share.

### Regulatory capital increased

The regulatory capital (the external capital requirement) for DLL rose to EUR 1.7 (1.4) billion in 2015. The increase of the credit risk is in line with the developments in the loan portfolios and currency effects. The economic capital (the internal capital requirement) increased to EUR 2.0 (1.5) billion as a result of the aforementioned development and the elimination of the diversification between the risk categories.

## Outlook

In 2016, DLL would like to continue supporting its partners with customised financial solutions. The strategic focus of DLL in the coming years is on, among other things, the expansion of its digital services. The requested speed of delivery continues to increase, and in the coming years, digitalisation will play an increasingly important role in business solutions. With its digital and mobile services, DLL helps its partners to do business faster and with more ease, allowing them to respond to the needs of their clients faster.

In addition to the unique possibilities offered by mobile and digital technology, in certain markets, DLL sees opportunities created by clients' seeking to finance equipment along with the associated services in one total package. Responding to this shifting trend is one of the greatest challenges for DLL in 2016. Hereby, the bundling of solutions without the client entering into long-term fixed financial obligations becomes important.

# Performance

## Real estate

### Recovery in the real estate market continues

The condition of the Dutch housing market improved in 2015. The number of transactions in the Netherlands, France and Germany increased, with home prices rising in many areas in the Netherlands and Germany. The market conditions developed favourably for area developer BPD and the results improved. The number of home transactions at BPD increased by 19% to 8,386. The reduction of non-strategic activities at Bouwfonds Investment Management (Bouwfonds IM) resulted in a slight decline of assets under management by EUR 0.1 billion to EUR 6.3 billion. The improvement of the economic situation also had an impact on the loan impairment charges at real estate financier FGH Bank. Loan impairment charges in the real estate segment fell by EUR 566 million to EUR 90 million. This amounts to 56 basis points of the average loan portfolio. The long-term average is 89 basis points. The decrease of the loan impairment charges was decisive for the recovery of the result. The net profit of the real estate segment rose by EUR 444 million to EUR 181 million. The loan portfolio came out at EUR 15.3 billion. Rabobank is undergoing strategic change, whereby the present knowledge and expertise within the group is increasingly being bundled. Within this 'One Rabobank strategy' it is fitting to link the proven and valued real estate knowledge, expertise and networks of FGH Bank to those of Rabobank in one strong real estate organisation. Therefore, FGH Bank is to be integrated into Rabobank. The FGH Bank shares were legally transferred to Rabobank on 31 March 2015 and FGH Bank is no longer part of the Rabo Real Estate Group.

### Strategy

Within the real estate segment, the results of Rabo Real Estate Group and FGH Bank are recognised together.

Rabo Real Estate Group operates with its BPD and Bouwfonds Investment Management brands. BPD develops integral residential areas, small-scale multifunctional projects and public facilities and wants to contribute to the realisation of living environments – meaning environments that are not just for living in but are also living themselves. It has a staggered project portfolio in the Netherlands, France and Germany. In these countries, BPD strives for a managed growth in economically strong regions via a local presence. Hereby, it strives for a market return on invested capital within a fitting risk profile.

Bouwfonds IM manages real estate funds and focuses specifically on investment products in the sectors of real estate, infrastructure and natural resources. Within these categories, Bouwfonds IM focuses specifically on five sectors: commercial real estate, housing, parking garages, communication infrastructure and agriculture & farming.

Public Fund Management Netherlands and SVn became independent as of 1 June 2015. From that date, they were no longer part of the Rabo Real Estate Group.

FGH Bank focuses on the funding of commercial real estate, and is engaged in the offices, retail, commercial space markets and the real estate investment market. FGH Bank mainly operates in the Netherlands. In addition to financing investments in commercial real estate, FGH Bank also funds new housing, renovation and transformation projects. In addition, FGH Bank plays a prominent role for the local Rabobanks as central centre of expertise for real estate financing issues.

## BPD

BPD is a market leader in the Netherlands. In France, the organisation operates under the name BPD Marignan and in Germany as BPD Immobilienentwicklung.

### *Recovery in the Dutch housing market*

In 2015, the initial improvement in the Dutch housing market continued. The number of home purchases in the Netherlands grew significantly. This was the combined result of lower home prices, low mortgage interest rates and recovered confidence in the housing market. Higher economic growth and increased consumer purchasing power also contributed to the increased number of housing transactions. The increase in home sales and the fall in unsold housing stock resulted in a smaller sales market, which boosted average home prices in 2015. Despite ongoing improvements, recovery was somewhat slowed by stricter lending standards, as buyers were more limited in the amount they could borrow. In addition, on 1 July 2015, the limit for the National Mortgage Guarantee was further decreased from EUR 265,000 to EUR 245,000. Nevertheless, the expectations for 2016 are that the housing market will continue to grow and that more new homes will be sold.

### *More houses are sold*

The positive developments in the Dutch housing market were visible in the increased sales of new homes in 2015. In the Netherlands, BPD's number of houses sold rose by 11% to 4,407 (3,985). The number of houses sold also grew significantly in France, as home buyers became less reluctant and the market for private investors increased. These developments resulted in a rise in the number of transactions to 2,791 (1,939). The housing market in Germany remained unaffected, with the number of transactions rising to 1,173 (1,126). Apart from in the Netherlands, France and Germany, some other countries saw slight increases in residential property transactions, bringing the total number of transactions completed by BPD in 2015 to 8,386 (7,064).

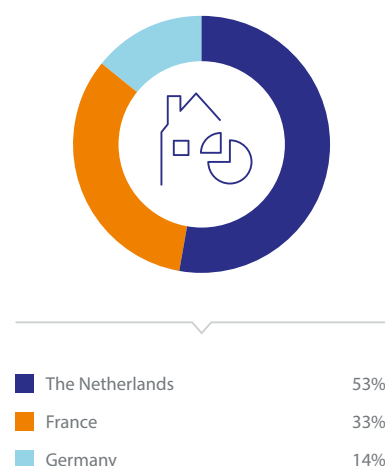
## Bouwfonds IM

### *Assets managed fall by 2%*

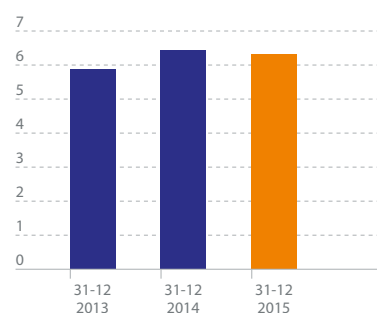
In 2015, Bouwfonds IM made several real estate acquisitions on behalf of the various funds. The Bouwfonds European Residential Fund, the Individual Mandate and the Student Housing Fund were expanded by the acquisition of the former Philips Lighting headquarters in Eindhoven. This was the second time that the three funds invested together in one location. In addition, the Bouwfonds European Residential Fund was expanded with the addition of home portfolios in Germany and Denmark. There was a successful first placement for the second Bouwfonds Dutch Private Parking Fund.

Within these categories, Bouwfonds IM focuses on the commercial real estate, housing, parking garages, communication infrastructure and agriculture & farming sectors. In 2015, the non-strategic activities were further reduced. As a result, the total assets under management fell by EUR 0.1 billion to EUR 6.3 (6.4) billion.

**Number of residential properties transactions by country at year-end 2015**



**Assets under management Bouwfonds IM in EUR billions**





## MAB Development

The MAB organisation had been phased out since 2013. BPD and the administrative centre of Rabo Real Estate Group took over the remaining ongoing projects in 2015, partly due to after care and warranty periods. These projects will be further completed by these organisations.

## FGH Bank

### *Integration of FGH Bank within Rabobank*

In early 2015, it was announced that FGH Bank would be integrated into Rabobank. All the knowledge, expertise and networks in the field of commercial real estate within both the FGH Bank and Rabobank will be brought together under a single real estate company. In anticipation, the FGH Bank shares were legally transferred to Rabobank on 31 March 2015 and FGH Bank is no longer part of the Rabo Real Estate Group. The employees of FGH Bank will (for now) remain in the employ of Rabo Real Estate Group and be seconded from there to FGH Bank.

This integration is part of the strategy and cultural change of One Rabobank. The financing of commercial real estate is an important activity for Rabobank. Rabobank's mission is to sustainably support (local) society and to play a meaningful social role. The financing of commercial real estate contributes to this. Knowledge of real estate and of the real estate market is crucial for this, just like knowledge of and experience with financing real estate.

The ambition is to remain a top player within the real estate financing market. In order to maintain the desired position, a strong organisation is required for financing commercial real estate.

The planning to create one organisation for financing commercial real estate within Rabobank is still in full swing. Until this organisation is set up, we will continue to service our real estate clients as before. This applies for FGH Bank as well as for Rabobank. The loan portfolio of the real estate segment, almost entirely provided by FGH Bank, came out at EUR 15.3 (16.7) billion.

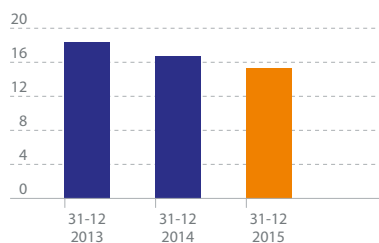
### *Loan portfolio shrank by 8%*

The loan portfolio of the real estate segment, almost entirely provided by FGH Bank, came out at EUR 15.3 (16.7) billion.

## Economic vitality and quality of life

Now and in the future, real estate must contribute to the quality of society. That is why Corporate Social Responsibility (CSR) is important within the real estate sector. CSR regulation outlines how we would like to work with our stakeholders and society in a broad sense. Our ambition is to reach a top position in the area of sustainability within the real estate sector. We have translated the main topics for our group to four pillars: durable real estate, doing business with integrity, doing business responsibly and social involvement. Based on these pillars, five group themes were formulated: energy consumption, mobility, employees and leadership, vital communities and circular economy.

**Loan portfolio of FGH Bank  
in billions of euros**



## Financial results of real estate

<b>Results</b>			
<i>in millions of euros</i>	2015	2014	<i>Movement</i>
Net interest income	348	313	11%
Net fee and commission income	29	36	-19%
Other results	302	267	13%
<b>Total income</b>	<b>679</b>	<b>616</b>	<b>10%</b>
Staff expenses	196	198	-1%
Other administrative expenses	124	104	19%
Depreciation	7	9	-22%
<b>Operating expenses</b>	<b>327</b>	<b>311</b>	<b>5%</b>
<b>Gross result</b>	<b>352</b>	<b>305</b>	<b>15%</b>
Impairment losses on goodwill	1	6	-83%
Loan impairment charges	90	656	-86%
Bank tax and levy	7	8	-13%
Contribution to resolution fund	8	-	-
<b>Operating profit before taxation</b>	<b>246</b>	<b>(365)</b>	<b>167%</b>
Taxation	65	(102)	164%
<b>Net result</b>	<b>181</b>	<b>(263)</b>	<b>169%</b>
Loan impairment charges (in basis points)	56	364	-85%
Number of houses sold	8,386	7,064	19%
Cost/income ratio exclusive regulatory levies	48.2%	50.5%	
Cost/income ratio inclusive regulatory levies	50.4%	51.8%	
<b>Balance sheet data (in billions of euros)</b>	<b>31-12-2015</b>	<b>31-12-2014</b>	
Loan portfolio	15.3	16.7	-8%
Assets under management	6.3	6.4	-2%
<b>Capital requirements (in EUR billion)</b>			
Regulatory capital	1.1	1.3	-15%
Economic capital	1.4	1.5	-7%
Number of internal employees (in FTEs)	1,358	1,519	-11%
Number of external employees (in FTEs)	229	134	71%

## Notes to financial results of real estate

### Income rose by 10%

In 2015, the total income of the real estate segment rose by EUR 63 million to EUR 679 (616) million. Higher receivables from penalty interest at FGH Bank caused

net interest income to rise with 11% to EUR 348 (313) million. Net fee and commission income fell by EUR 7 million to EUR 29 (36) million. In 2014, net fee and commission income was relatively high as a result of some non-recurring income. The increase of the number of home sales resulted in an increase in other income by EUR 35 million to EUR 302 (267) million.

### Operating expenses rose by 5%

In 2015, total operating expenses in the real estate segment rose by 5% to EUR 327 (311) million. A decline in the number of employees resulted in a fall in staff expenses of 1% to EUR 196 (198) million. 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 externals. This added to an increase in other administrative expenses by 19% to EUR 124 (104) million. Depreciation was almost stable and came out at EUR 7 (9) million.

### Loan impairment charges 86% lower

The loan impairment charges in the real estate segment fell by EUR 566 million to EUR 90 (656) million. In particular, the loan impairment charges for commercial real estate are substantially lower than for the same period last year. The economic recovery saw the situation in the residential rental market improve, whilst the property investment market saw foreign investors make an appearance. The demand of property users for offices remains historically low, whilst the available supply has increased. In addition, retail property has seen an increasing and high level of vacancies. There are also significant regional differences. Both of these have caused a clear division in the market, which has resulted in both additions and releases to the loan impairment allowance. Loan impairment charges amounted to 56 (364) basis points of average lending, against a long term average of 89 basis points.

### Regulatory capital declines

The regulatory capital or external capital requirement for the real estate segment declined to EUR 1.1 (1.3) billion in 2015. The credit risk fell as the result of the reduction in non-core assets. The economic capital (the internal capital requirement) fell slightly to EUR 1.4 (1.5) billion.

## Outlook

It is expected that the Dutch economy will continue to show a positive trend in 2016. The domestic housing market is expected to recover further in line with that. The recovery is supported by the low interest rates and a growth in consumer confidence, thanks to, among other things, more purchasing power and increasing employment opportunities. We also expect a positive movement in our activities and results at BPD in the core countries of Germany and France. Bouwfonds IM is expecting moderate growth in assets managed, especially in residential investments. Providing there are no unforeseen circumstances, the Rabo Real Estate Group is forecast to continue its recovery. The theme for 2016 at FGH Bank is the integration with Rabobank. Although the real estate exposure will decrease, the real estate financing business will continue to represent a substantial portion of Rabobank's activities in the Dutch market. The result is for the real estate segment is forecast to continue improving.

# Corporate social responsibility report

## Introduction

Our financial and social responsibility reports are bundled together in the Annual Review 2015 and the Annual Report 2015 published by Rabobank Group. This helps create a coherent overview of those relevant financial and social developments that are essential for Rabobank, its customers and other stakeholders.

The assurance covers three themes of the 2015 Corporate social responsibility report. Consequently, we are accounting for our performance in these areas in this part of the Annual Report:

- A. Our contribution to sustainable development
- B. Customer focus
- C. Empowered employees

The choice of subjects in these sections is based on our value creation model and a materiality analysis. This analysis is an inventory of events and subjects that are essential for Rabobank and our stakeholders. A complete graphic overview is included in the Annual Review. The subjects in the materiality analysis are almost all covered in the corporate social responsibility reporting, with the exception of two new material topics for 2015: 'financial laws & regulations' and 'corporate governance'. These two topics are addressed in the sections [Risk management](#) and [Corporate governance](#) in the Annual Report, but are outside the scope of social responsibility reporting. This document is based on the sustainability goals of our Sustainably Successful Together memorandum, which describes the bank's sustainability agenda.

The contents of Rabobank's Corporate social responsibility report (with the exception of references to sources and documents) have been fully verified by KPMG Sustainability and classified in their assurance report as having a so-called reasonable level of assurance. This part of the document contains the sustainability report, the reporting principles and the auditor's opinion. The Annual Report is published externally, primarily online on Rabobank.com. The information in the Annual Report is intended for members, customers, employees, investors, social welfare organisations, policymakers, academics and other interested parties.

The 2015 Corporate social responsibility report is based on the G4 guidelines for sustainability reporting produced by the Global Reporting Initiative (GRI) in accordance with the 'Comprehensive' option. In addition, we have included supplementary reporting criteria from the Financial Services Sector Supplement (FSSS) published by GRI. [Appendix 5](#) of this Corporate social responsibility report includes a table with about the GRI guidelines.

# Corporate social responsibility report

## *Our contribution to sustainable development*

In a rapidly changing world, Rabobank aims to remain a strong, socially engaged bank, which is why we have drawn up the Strategic Framework 2016-2020. Our ambition is to be the most customer-focused bank in the Netherlands and a leading food and agri bank worldwide. Based on our two strategic pillars of Banking for the Netherlands and Banking for Food, we are working with customers and business partners towards building a successful and meaningful cooperative Rabobank. One of the key aspects of these pillars is the Sustainably Successful Together memorandum in which describe our focus and ambitions regarding our contribution to sustainable development up to 2020.

We give our cooperative a recognisable, unique identity that sets us apart from other banks (see section [Strategy](#)). As a cooperative bank, Rabobank works with its corporate clients and retail customers to fulfil its ambitions for a sustainable society.

Not only do we want to support our retail customers and corporate clients in their efforts to become sustainable, we also want to help speed up the work to make global agriculture and food supply sustainable and to contribute towards more vital communities. The world's population can be fed responsibly if it is done in a sustainable manner, and the Netherlands is showing the way in that regard. Sustainability is integrated into the four pillars of our Banking for Food strategy: increasing the availability of food, improving access to food, promoting a balanced diet and improving the stability of food chains.

In 2015, the 193 Member States of the United Nations adopted a new, long-term development agenda with seventeen ambitious, long-term objectives. The ambition behind these Sustainable Development Goals (SDGs) is a world that is free of poverty, hunger and disease by 2030. Solutions are also needed for problems related to water, sanitation, climate and energy, among other things. Rabobank's sustainability ambitions contribute to the realisation of these SDGs. In [appendix 4](#), we show how our ambitions fit in with the SDGs.

### **Sustainability ambitions**

We become sustainably successful together by linking our financial services, knowledge and relevant networks to the ambitions of our customers. The group-wide sustainability goals are:

#### ***1. Strengthening community vitality***

In the Netherlands, we focus on topical and local social problems such as sustainability, economic vitality and quality of life in care facilities and in housing. In developing countries, we focus on contributing towards establishing and professionalising farming organisations and providing access to the local financial infrastructure for everyone.

#### ***2. Accelerating sustainable agriculture and food supply***

We focus on making food and agri value chains more sustainable on a global scale.

#### ***3. Collaboration with corporate clients***

We encourage and support all our corporate clients in their efforts to gradually make their businesses more sustainable.

#### ***4. Advising retail customers***

We combine the best financial advice with a positive contribution to sustainable development.

#### ***5. Our commitment***

Our contribution to sustainable development is provided by professional staff who consider sustainability an obvious part of customer service. We integrate sustainability into our internal business operations and communicate transparently about our vision and activities.

We use Key Performance Indicators (KPIs) to measure the progress towards realising our sustainability ambitions; sharing our results with our stakeholders via various channels such as the Annual Report, infographics, publications and in periodic meetings. We enter into dialogues with our stakeholders and sometimes adjust our goals as a result. We hope to be ranked by independent rating agencies as one of the most sustainable globally operating general banks by 2020. We have established fourteen group-wide sustainability KPIs for our five sustainability goals. We will discuss these KPIs and our scores in 2015 in more detail from section 3 onwards.

- Read background information about Rabobank's sustainability policy [here](#).
- Click [here](#) for the full document containing our sustainability ambitions.

## Management and organisation

With the Sustainably Successful Together memorandum in 2014, Rabobank established its sustainability as part of all relevant policy processes, products and services. The progress of the implementation of the memorandum is a regular topic for the Executive Board, the Supervisory Board, the annual plans of our divisions, internal and external reporting and performance management. The objectives are translated for each division of Rabobank Group as a fully integrated part of the management cycle. Responsibility for sustainability within the Executive Board lies with Berry Marttin. During the reporting year, the Supervisory Board met (in a plenary session and in committees) to discuss various issues related to sustainability as well as the implementation of the Sustainably Successful Together strategy.

Each group division is responsible at management level for the implementation of Sustainably Successful Together and has set their objectives accordingly. At local Rabobanks, each board member is responsible for sustainability within their portfolio.

In 2015, Rabobank Group divisions began or continued to draw up plans and implement activities that contribute towards the goals of the Sustainably Successful Together memorandum. Progress is reported to the Executive Board and the Cooperative Issues Committee (CIC). Divisions such as DLL and Retail Customers & Private Banking have made a good start and have already rolled out specific programmes such as Life Cycle Asset Management (page 64) and Banking Together (page 66).

Other divisions have first devoted themselves to exploring the possibilities and identifying future activities. In addition to central cooperative projects such as the client photo (page 65), local Rabobanks have also organised activities themselves, such as twenty Smart Renovation markets where customers who are homeowners had the opportunity to meet corporate clients from the sector who offer energy-saving solutions. These events will be organised by more local Rabobanks in 2016.

Based on the current sustainability performances outlined in this report, we are on course to reach our sustainability goals by 2020. Points that still require special attention are the pace of the implementation of the goals of Sustainably Successful Together and the consistency between entities. In 2016, our group's various divisions' plans will be updated to bring the work a step closer to the goals for 2020.

There are a number of challenges in the period ahead for the implementation of our sustainability ambitions. A challenge facing all group divisions is the fact that implementation of our sustainability ambitions coincides with radical decisions regarding strategic policy. The new strategy of which Sustainably Successful Together is part of emphasises the importance of sustainability for Rabobank.

We will also continue to develop initiatives launched in 2015. One example is the client photo. The client photo is already being used at our local Rabobanks, but the quality of the data still needs improving so that we can make even better use of it for customer meetings regarding sustainability. Our foreign offices are facing the challenge of finishing the technical implementation process for the client photo and feeding data into the client photo systems about our customers' sustainability performances. In addition, reducing CO<sub>2</sub> emissions per FTE at group level will be a challenge. With fewer people and increasing virtualisation, the goals formulated for 2020 are highly ambitious.

Finally, the KPI reporting procedures require further improvement. We are developing new reporting procedures for KPIs, which requires better data. This applies to measuring sustainability in the recruitment and selection process, for example, and refining how we measure sustainability in our customer satisfaction survey for business customers.



The Sustainability Department handles reporting and stakeholder management in the area of sustainability for Rabobank Group. We measure progress every year and report on it internally and externally. In 2015, we will be doing this for the first time using the new KPIs; this year will therefore serve as a 'baseline assessment'. Rabobank strives to ensure continuous improvement in its sustainability performance and communicates transparently on related activities.

## Key figures

Our progress in achieving our ambitions of sustainable development by 2020 is measured by KPIs. In the Sustainably Successful Together memorandum, we define fourteen Group-wide sustainable KPIs, divided over five themes:

1. Vital communities
2. Sustainable agriculture and food supply
3. Corporate clients
4. Retail customers
5. Our commitment.

The table below shows each of the KPIs. The progress on these KPIs is measured using information obtained both inside and outside the organisation. A number of KPIs have an absolute target. Others, especially the results of customer and employee surveys, are relative targets. For the latter group of KPIs in particular, we established new reporting processes this year, which means that there is no information available for comparison from 2014 for KPIs 6, 8, 9, 10, 12 and 14. For KPI 7, there is only information available for customers of local Rabobanks, and KPIs 4 and 13 need to be reformulated with a clearer objective.

Based on the KPIs for which data are available, we can conclude that Rabobank is on course to achieve the social objectives for 2020. The multi-year average of our investments in not-for-profit social goals is on target at 3.1%; the number of Roundtables we are taking part in is on target; we are displaying the sustainability performance of our major corporate clients' targets and helping to make them more sustainable. We have financed more sustainably; we support vulnerable groups in

<b>Vital Communities</b>			
	2015	2014	2020 target
<b>KPI 1: Community not-for-profit investments</b>			
Percentage of profit added to community not-for-profit investments	2.8%	3.5%	3%
<b>KPI 2: New collective local community initiatives</b>			
Number supported by local Rabobanks in the Netherlands (reported by local member banks)	710	865	500
Number supported by Rabobank Foundation abroad	230	n/a	500

<b>Sustainable Agriculture</b>			
	2015	2014	2020 target
<b>KPI 3: Our vision of food and agri value chains</b>			
Number of value chain visions updated during the reporting year	-	-	10
Number of roundtables we take part in	9	8	10
<b>KPI 4: Making the food and agri value chains sustainable</b>			
Declared by local Rabobanks in the Netherlands: Initiatives aimed at increasing sustainability of agricultural value chains	approximately 300	approximately 350	-
Declared by local Rabobanks in the Netherlands: Customers we are talking to about making food and agri value chains more sustainable	approximately 7,000	approximately 10,000	-

Corporate clients			
	2015	2014	doel 2020
KPI 5: Sustainability leaders			
Total sustainable financing (in millions of euros)	22,031	21,903	Doubling of services
Rabo Green Savings (in millions of euros)	1,957	2,093	
Volume of financial transactions supervised by Rabobank (in millions of euros) <sup>1</sup>	6,313	2,383	
KPI 6: Rabobank as a good partner to discuss sustainable enterprise (in % per corporate customer group)			
Companies with less than EUR 1 million in turnover (n=2,151)	10%	n/a	Annual growth
Companies with EUR 1-10 million in turnover (n=1,057)	10%	n/a	Annual growth
Companies with more than EUR 10 million in turnover (n=107)	23%	n/a	Annual growth
KPI 7: Customers with a client photo			
	Number	Percentage	
Assessed customers from local Rabobanks	53,903	94%	100%
Assessed customers from other Group divisions	-	0%	100%

<sup>1</sup> Including Greenbonds, IPO's and M&A transactions.

**Retail customers**

	2015	2014	2020 target
KPI 8: Satisfied retail and private banking customers <sup>1</sup>			
The products Rabobank advises me to choose are a good fit with my personal wishes	52%	n/a	Annual growth
KPI 9: Satisfied customers from vulnerable groups <sup>2</sup>			
You can handle your banking affairs at Rabobank with ease and without any problems	73%	n/a	Annual growth
KPI 10: Retail and private banking customers satisfied with sustainability interview <sup>3</sup>			
How satisfied are you with the way in which this subject was discussed with you? (28 out of 32)	88%	n/a	Annual growth

**Our commitment**

	2015	2014	2020 target
KPI 11: Carbon footprint			
CO <sub>2</sub> emissions in tons per FTE	3.5	3.6	3.2
KPI 12: Public perception in the Netherlands			
% of Dutch public with positive association of Rabobank with sustainability	42%	n/a	80%
KPI 13: Sustainability in recruitment and selection process			
In development			
KPI 14: Results of employee survey 'Cooperation with the customer' <sup>4</sup>			
Rabobank allows its customers to think with it and make decisions	58%	n/a	Annual growth
Rabobank is a cooperative bank in every sense of the word	65%	n/a	Annual growth
Rabobank makes an active contribution to making our society more sustainable	70%	n/a	Annual growth

1 Source: national NPS benchmark, n=2,000.

2 Source: Miles Research.

3 Source: national NPS benchmark, n=650.

4 Excluding subsidiaries DLL, Robeco Vastgoedgroep, Obvion.

gaining access to banking services and are creating less CO<sub>2</sub> output from our own business activities. On the other hand, the percentage of the Dutch public positively associating Rabobank with sustainability and the topics from our sustainability policy (42%) are still significantly lower than the goal of 80% by 2020. We think it is important that our employees apply sustainability in their daily lives and we measure the results in employee surveys. The way in which we handled sustainability in recruitment & selection processes was not yet being measured in 2015. In the coming year we will continue to improve our reporting processes, endeavour to further fine-tune our indicators where possible. The following sections will discuss each KPIs, including the data used.

## Vital communities

### Our ambition for 2020

We participate actively in our local communities. Rabobank strengthens economic and social vitality by supporting the business success of local collective initiatives in the countries where we operate. We focus on topical local social issues. In the Netherlands, these issues include sustainability, economic vitality and ensuring quality in healthcare and housing. In developing countries we focus on establishing and

professionalising farming organisations and providing access for everyone to the local financial infrastructure. To accomplish this, we supply human resources, knowledge, networks, facilities and financial services. In addition, we invest 3% of our profits in not-for-profit social projects each year. In this way we combine increasing self-sufficiency and collaboration with strengthening the vitality of communities. The following KPIs contribute to these ambitions.

### Progress in 2015

As a global customer-focused, socially responsible bank, we supported a large number of local initiatives and organisations in 2015. We did this, among other things, by making a financial contribution of EUR 62.2 million, and through a contribution 153,000 employee hours to social projects. With our knowledge, networks and monetary contributions, we support people and organisations who strengthen their local communities; we see that as a translation of 'Invested in each other'. For us, supporting new collective local social initiatives (for example new cooperatives) is an important part of this. For us, an initiative is 'new' if we did not support it before 2013.

## Results in 2015

KPI 1	We support social initiatives in the communities in which we operate with manpower, knowledge, networks and facilities and we invest the equivalent of 3% of our annual profit in social initiatives on a not-for-profit basis.		
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### Results

In % of profit	2015	2014	2020 target
Community not-for-profit investments	2.8	3.5	3%

### Commitment of employees during work time to support community initiatives<sup>1</sup>

Reported numbers of hours in thousands	2015	2014	2020 target
Local Rabobanks	117	101	n/a
Other organisational divisions	36	45	n/a

### Local Rabobank members joined the Rabobank Foundation

numbers of banks	2015	2014	2020 target
Rabobanks joined a link-in project in the Netherlands	61	64	80
Rabobanks joined an adoption project abroad	65	73	n/a

KPI 2	By 2020, we will be supporting 1,000 new local collective community-based initiatives achieving business success, including 500 in the Netherlands and 500 in developing countries.		
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### New collective local community initiatives as declared by local Rabobanks

	2015	2014	2020 target
Sustainable power supply	110	113	
Fibre-optic networks	28	34	
Entrepreneurs' cooperatives	150	166	
Care and neighbourhood	180	219	
Other	242	333	
<b>Total</b>	<b>710</b>	<b>865</b>	<b>500</b>

### New collective local community initiatives

Numbers supported by Rabobank abroad	2015	2014	2020 target
Farmers' organisations in developing countries supported by partner banks	nb	nb	
Number of initiatives supported by Rabobank Foundation	230	nb	
<b>Total</b>	<b>230</b>	<b>nb</b>	<b>500</b>

## Note

### Investing in vital communities in the Netherlands

Rabobank supports a large number of social initiatives in the communities in which we are active. In addition, we use our manpower, knowledge, network and facilities to strengthen these types of activities. At our local member banks, we call this 'cooperative dividend'. Our cooperative dividend totalled EUR 62.2 million in 2015. Support through employee hours increased to 153,000 hours in 2015. The objective is to invest a minimum of 3% of Rabobank's profits each year in not-for-profit social initiatives. The not-for-profit public investments were lower than the target in 2015. This is mainly because of the increase in Rabobank's net profit. In addition, the size of the awards made by Rabobank Foundation decreased slightly, caused by changing timelines and the reallocation of resources. The five-year average of not-for-profit public investments is 3.1%.

We consider our investments into vital communities as a distinctive part of our identity. It shows that we as a bank do more than just providing banking services. We would like to create more awareness of this contribution, and the platform Rabo Versterkt (Rabo Reinforces) helps do this. The challenge for 2016 is to also increase awareness of these activities among international group divisions. Our international branch offices also make contributions through hours and sponsoring, something that is not always visible enough to Rabobank's central divisions.

### Cooperative dividend

in millions of euros	2015	2014	2013	2012	2011
Cooperative funds (Local Rabobanks) <sup>2</sup>	38.1	36.8	44.5	44.2	38.8
Donation from Rabobank and other Group divisions	6.9	8.0	8.0	4.6	5.2
Rabobank Foundation (in the Netherlands and abroad)	16.3	19.5	16.4	19.8	15.7
Other	0.8	0.9	0.8	0.7	2.3
<b>Total community funds and donations</b>	<b>62.2</b>	<b>65.2</b>	<b>69.7</b>	<b>69.3</b>	<b>62.0</b>

<sup>1</sup> The commitment of employees is based on an estimate by the management of the units.

<sup>2</sup> The calculation of donations from cooperative funds was adapted in 2015 and has been corrected for all reported years.

All local Rabobanks in the Netherlands made substantial investments in their fields of operation this way in 2015. This resulted in new alliances and innovative projects. In order to increase the impact of these initiatives and to raise their profile, we have assigned three themes to these local activities: sustainability, economic vitality and liveability. The online platform Rabo Versterkt shows these social initiatives on an interactive map of the Netherlands. At the end of 2015, the registered total of social initiatives of our local Rabobanks was over 1,700. The examples shown (many in the form of short videos) relate to themes such as sustainability, economics, housing, healthcare and sponsorship. The website details how we contribute to the local community and to the Netherlands as a whole.

Rabobank pays special attention to a number of customer groups: youth, seniors and starters.

### Youth

Research by the Dutch National Institute for Family Finance Information, Nibud, seems to show that education at a young age in the area of finances can help prevent financial problems at a later age. That is why Rabobank helps youth to manage money responsibly. Each year, we organise the 'Week van het Geld' ('Money Week') together with other banks and the Dutch Association of Banks. The week is intended to motivate children to save and handle money responsibly. This includes the 'Bank voor de klas' ('Bank in the classroom') lesson week for 9-12 year-old primary school pupil, during which bank employees act as guest mentors. Furthermore, the bank sponsors educational events and creates opportunities for young people to make their way in society. All this takes place in dialogue with young people themselves. (Look at examples [here](#).)

### Seniors

Sometimes seniors need help to continue with new forms of banking, via mobile and internet. Rabobank assists them in this. (See also 'Banking together' on page 66.) Examples can be found on our [corporate website](#).

### Starters

An innovative idea can drive the economy or boost the creation of new jobs. That is why Rabobank supports new entrepreneurs with knowledge, funds and networks. We also regularly find inspiration in the refreshing plans entrepreneurs have for the future of the banking industry. The Netherlands has

a lot of so-called incubators, collected in 'knowledge clusters' around knowledge institutions such as universities, colleges and research centres. An incubator serves as an accelerator for talent in the world of innovative entrepreneurs. Starting businesses can get access to work space, services, networks and capital. If you stimulate your knowledge clusters, then you stimulate your economic growth. Rabobank wants to be a leader in the area of innovation and entrepreneurship. [Incubators](#) and knowledge clusters also fit perfectly in the cooperative philosophy. That is why we are involved in various of these initiatives, such as [Holland Fintech](#), the [Herman Wijffels Innovation Award](#) and [The Next Entrepreneur](#).

### Sponsoring

One of the ways in which Rabobank takes responsibility for creating a more vital society, is via its sponsorship policy. The three main sports we support are hockey, equestrian sports and cycling, ranging from amateurs to world champions. At the end of 2015, Rabobank announced that from 2017 it will be shifting its focus towards local sports sponsoring in order to get even closer to our customers. This shift means that the expiring contracts with the KNWU (Royal Netherlands Cycling Union), KNHS (the Dutch equestrian federation), the Rabo Development Team and the RaboLiv ladies team will not be renewed.

Rabobank is Partner in Sport of the NOC\*NSF (Netherlands Olympic Committee \* Netherlands Sports Federation). We are also an official '1% FairShare®' partner; this is a programme whereby businesses are asked to invest 1% in addition to their total sports sponsorship budget into disabled sports. In addition, we support the Jeugdsportfonds (Youth Sports Fund), which helps children from poorer families to join a sports club.

In 2015, a total of almost EUR 40 (46) million went into sponsoring.

 Read more about the subject [here](#).

### Support for new cooperatives

Due to our own cooperative background, we consider it our duty to let people participate in society independently and with dignity. We support new cooperatives by means of financial services, knowledge and networks. Local and regional cooperative initiatives can therefore contact Rabobank for:

- knowledge (for example industry knowledge for the SME or the public sector, or advice about establishing a cooperative);

- access to (business) networks, such as establishing contacts with other local or regional cooperatives;
- advice, support in manpower, sparring partner;
- resources and products such as payments or insurances, and
- raising awareness through online and offline promotion channels.

Support of collective local social initiatives has been in place at local Rabobanks, Rabobank Foundation and Rabo Development for some time now. As a result, we can see that the goals for 2020 that are mentioned in the KPIs in the Netherlands have already been realised (amply), and that we are supporting 230 cooperatives in developing countries. This strengthens our idea that we can reach our target groups and provide the desired support. A challenge in this area is the financing of new cooperatives as these inspiring initiatives often – for example due to a lack of equity – cannot be financed via traditional banking. A possible solution could be to combine various alternative forms of financing. In 2016, we aim to make more information about this available.

### Rabobank Foundation

Rabobank Foundation is the public fund of Rabobank, offering disadvantaged people a better outlook by making them self-sufficient. It has been active for over 40 years. In the Netherlands, the foundation focuses on vulnerable groups' participation in society. The foundation's activities include cooperating with social welfare organisations and social enterprises to encourage labour participation of people who are far-removed from the labour market, to make people financially self-sufficient and to make sports accessible for people with disabilities and for children who grow up in poverty.

In developing countries in Africa, Asia and Latin America, Rabobank Foundation supports small-holder farmers in building an independent existence. We strengthen cooperatives and their members and in this way also support to the Banking for Food strategy of Rabobank. The Rabobank Foundation provides cooperatives with working capital loans and investments. Sometimes this is done in the form of a guarantee via a local Rabobank or a partner bank of Rabo Development. As a result, the cooperative has access to resources to issue loans to its members under fair market conditions.

At the end of 2015, Rabobank Foundation was supporting a total of 290 projects with 230 project partners, chiefly production cooperatives and savings and credit cooperatives across 26 countries. In the Netherlands, the Rabobank Foundation supports 55 projects. At the end of 2015, Rabobank Foundation had more than EUR 29 (29) million in outstanding loans and guarantees. In addition, in 2015 an amount of more than EUR 2 (3.8) million was approved for technical assistance and small donations. 65 local Rabobanks are involved in an 'adoption project' of Rabobank Foundation outside of the Netherlands and 61 local Rabobanks have joined a Rabobank Foundation project in the Netherlands.

> Read more about Rabobank Foundation [here](#).

### Rabo Development

Worldwide, two billion adults do not have access to financial resources, especially in rural areas. The agribusiness sector, which in many development countries has a large share in the national economy, is neglected by financial institutions. Offering access to financial resources has been proven to result in a positive contribution to economic growth, and in a more equal division of welfare in developing countries.

Rabo Development is committed to improving access to financial resources in developing countries with substantial potential in the food and agri industry. The foundation of its approach is formed by the cooperative ideas and the banking knowledge of Rabobank.

Currently, Rabobank has non-controlling interests in seven banks in East Africa and Latin America. At the end of 2015, URCB (China) was no longer part of Rabobank; we sold our share of 9%. See also page 390 for the list of Rabobank entities. All partnerships are based on the shared ambition to promote access to financial services, especially in rural areas. Rabo Development helps these organisations to improve their growth, innovativeness and financial position by providing additional capital and expertise among other things.

> Read more about Rabo Development [here](#).

## Measuring social impact of Rabobank Foundation and Rabo Development

Rabobank measures the social effects of its policy and activities, but we take it a step further than just the direct, concrete result. We try to measure the social impact of policy to better understand Rabobank's role in plays in the realisation of changes. We see measuring social impact as an important development in the way we account for our sustainability performances. If we can better understand where exactly our influence lies, hopefully we can have a larger impact with our activities. Moreover, not all activities have an immediate impact, making it necessary to conduct research over a longer period of time.

Within Rabobank, Rabobank Foundation and Rabo Development are the most advanced when it comes to measuring their social impact. The collection, evaluation and aggregation of information take place during the year following the year-end close, so our current impact assessment is based on the figures at the end of 2014.

Our main goal is investing in the self-sufficiency. We measure our impact by collecting information from our partners and by carrying out case studies. We analyse trends in the professionalisation of organisations and take account of the number of people we can reach. In 2014 we achieved the following:

- The cooperatives that are financed by Rabobank Foundation indicate that they have over 4.7 million active members.
- Organisations that are supported by Rabobank Foundation in the Netherlands declare that over 400,000 people directly benefit from that support.

The mission of Rabo Development is focused on the expansion of access to financial services in developing countries and emerging markets. We call this 'financial inclusion', and implement it through strategic partnerships with financial institutions in Africa and South America. We these partner banks to report the numbers of people they reach in developing countries and the services customers purchase from our partner banks. The partner banks reported the following 2014 figures:

- Around 6 million people used the services of Rabo Development's partner banks.

- The combined financing portfolio of Rabo Development's partner banks totals over USD 14 billion, of which 47% in loans in food and agri value chains.
- Around 2.5 million of our partner banks' customers in developing countries have access to mobile banking, and almost 1 million of these partner banks' customers have access to internet banking.

## Social impact of DLL

DLL makes a social contribution by making a number of donations, for example to the Make-a-Wish Foundation of South-eastern Philadelphia, Foundation LEF (Living and Finances) and T+Home. Furthermore, 32% of DLL employees have invested time and expertise worldwide into charities that contribute to education and improvement of living conditions. In the Netherlands, DLL has organised matchmaking dinners for businesses and charities, linking them on the basis of their non-financial needs. In addition, DLL has continued the initiative Samen040 in cooperation with the County of Eindhoven and six other companies that wanted to enter into strategic relations with regard to social issues in the region.

## Sustainability in agriculture and food supply

### Our ambition for 2020

Food is a primary need and food supply comprises a global growth market, so the topic is both socially relevant and macro-economically attractive. According to the United Nations, food production needs to grow by 60% by 2050. A large part of the demand growth comes from the emerging markets in Asia and, after 2030, Africa. In view of our roots as an agricultural cooperative bank, we can and want to make a relevant and sustainable contribution to the global food production.

The vision Banking for Food means that we want to play a prominent role in the public debate on the broad issue of food. We connect producers with consumers, and farmers with people. We actively participate in roundtables on sustainability in agribusiness value chains globally. And we help our customers integrate the outcomes into their operations. In addition, Rabobank cooperates with innovative customers and social partners on ambitious sustainability projects in



agribusiness value chains. We hope that they then work to inspire others to further improve sustainability in their value chains. For example, we aspire to combine added value for the client with an acceleration of sustainability measures in global agribusiness and food. The following KPIs contribute towards fulfilling these ambitions.

### Progress in 2015

We consider sustainability knowledge a valuable form of support for the food and agri sector. In 2015, we operated within ten value chains (see the KPI below) and nine roundtables and shared this knowledge with customers in the form of events, reports and client meetings. We also worked together with partners in projects to bring this knowledge into practice.

### Results in 2015

KPI 3	We define our vision of how to improve the sustainability of the agricultural value chain for soy, palm oil, sugarcane, forestry, beef, dairy, fish, coffee, cocoa and bio-materials. We share our vision and actively participate in Round Tables or similar initiatives to accelerate the process of making these agricultural value chains more sustainable and work together with our clients to integrate the outcomes of these dialogues into their business operations and achieve commercial success at the same time.
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Results			
In numbers	2015	2014	2020 target
Number of published value chain visions	10	10	10
Number of value chain visions updated during the reporting year	-	-	10
Number of roundtables or similar initiatives in which we take part	9	8	10

KPI 4	We actively contribute to improving agricultural value chains due to sustainability being an integral part of our philosophy about sectors. We share this knowledge in dialogue with our clients.
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Results			
Activities by local Rabobanks in the Netherlands in numbers	2015	2014	Doel 2020
Declared by local Rabobanks in the Netherlands: Initiatives aimed at increasing sustainability of food and agri value chains	approximately 300	approximately 350	n/a
Declared by local Rabobanks in the Netherlands: Customers we are talking to about making food and agri value chains more sustainable	approximately 7,000	approximately 10,000	n/a

Source : C&D monitor member banks

### Note

#### Roundtables and value chains

The ten food and agri value chains are: Soybeans, palm oil, sugar cane, forestry, beef, dairy, fish, coffee, cocoa and bio materials. The choice for these chains is based on the following three criteria: many customers are active in the chain; our customers are spread out over the entire chain; there are relevant sustainability issues in the chain.

Sustainably agricultural food chains are important to ensure enough and good food for everybody. With our extensive knowledge of the food and agri sector, with our Involvement in the nine roundtables and in the cooperation with our customers, we are active in all parts of the chain, nationally and internationally. We also see that the theme is widely supported by our employees. This is anchored in Rabobank's strategy through the vision, Banking for Food and Sustainably Successful Together. With that, we have had an impact in 2015 on the dialogue around the enhancing of sustainability of food and agri value chains.

We see opportunities for the coming period for a better connection between the different elements of our involvement. An example of this is the translation of our role and contribution via the round tables into concrete knowledge and understanding that we can apply in our daily client contacts. For example, we want to raise a fundamental issue in agriculture: that we not only work on a maximum yield per hectare, but also at the same time, on a better and more sustainable use of resources and water.

As a financial institution, we work in multiple sectors. That is why we are dependent on a widely supported vision on sustainability in a chain. We integrate criteria that are created via a multi-stakeholder approach in our sector policy. For example, we require that customers who produce palm oil commit themselves to the criteria of the Roundtable on Sustainable

Palm Oil (RSPO). Our involvement enables us to also provide a contribution to the enhancing of sustainability of a sector also outside of the direct sphere of influence of the client relationship.

In addition, we collaborate with innovative customers and community partners on ambitious sustainability projects in food and agri value chains, projects that can inspire other parties to accelerate the enhancing of sustainability. In this way, we combine added value for the client with the acceleration of the enhancing of sustainability of the worldwide agriculture and food supply, which is happening in the various projects within the partnership of Rabobank and WWF.

Overview of ten value chains and the role of Rabobank in 2015:

Value Chain	Member RT/Initiative	Rabobank highlights 2015
Beef	Global Roundtable Sustainable Beef (GRSB) Brazil Livestock Roundtable (GTPS)	<ul style="list-style-type: none"> <li>- Active in discussions on Brazil guidelines for sustainable livestock production.</li> <li>- Participating in multiple meetings of the GRSB.</li> </ul>
Biomaterials	Associate member EU Bio-Based Industries Consortium Associate Member Dutch Biorefinery Cluster	<ul style="list-style-type: none"> <li>- Organiser Agri meets Chemicals event at Rabobank.</li> <li>- Publishing studies on role of biobased economy.</li> </ul>
Cocoa	-	<ul style="list-style-type: none"> <li>- Multiple deals with cocoa traders to support smallholders through supply chain finance with Rabobank Foundation.</li> <li>- Multiple partnerships with cocoa traders and companies, NGO's to support smallholders through supply chain finance &amp; capacity building of coops with Rabobank Foundation and Rabo Development.</li> </ul>
Coffee	Member 4C Association	<ul style="list-style-type: none"> <li>- Rabobank became member of the 4C Association.</li> <li>- Organiser of first high level coffee event together with SCTA where clients and stakeholders in the coffee chain discussed strategic sustainability topics.</li> </ul>
Dairy	Advisory Council Global Dairy Agenda for Action (GDAA) and Dairy Sustainability Framework (DSF)	<ul style="list-style-type: none"> <li>- In 2015 we were asked to be an advisor on the further development and implementation of the DSF.</li> <li>- We also became advisor to the Dutch pilot under the DSF (one of the 6 pilots globally).</li> <li>- Working with WWF and Friesland Campina on biodiversity project for dairy farmers in the Netherlands.</li> </ul>
Forestry	Banking Environment Initiative	<ul style="list-style-type: none"> <li>- As adopter of the soft commodities compact active in implementation group of BEI.</li> <li>- Promoting adoption of the BEI compact in producing countries through direct interactions and events.</li> </ul>
Palm oil	Member of Roundtable on Sustainable PO - Member of the Board of governors - Active in multiple working groups	<ul style="list-style-type: none"> <li>- Promoting uptake</li> <li>- FAR study on developments in market uptake</li> <li>- Founding member China WG on sustainable palm oil</li> <li>- Presentations in EU events to increase uptake</li> <li>- Increase FI involvement</li> <li>- Monthly meetings FIs in RSPO</li> <li>- Promoting RSPO at FI events in producing countries</li> <li>- Smallholder development</li> <li>- RIAS study on best practices in replanting to increase yields</li> <li>- Partnering with WWF to explore client-support in smallholder development</li> </ul>
Seafood	- Partner in Sustainable Seafood Finance initiative (SSF) - Partner to Global Salmon Initiative	<ul style="list-style-type: none"> <li>- Promoting transparency for seafood companies and benchmarking CSR performance in SSF project.</li> <li>- Promoting ASC certification in salmon in Chile together with partner WWF.</li> <li>- Supply chain finance transactions for small fisheries to increase sustainability.</li> </ul>
Soy	Member Roundtable Responsible Soy, President	<ul style="list-style-type: none"> <li>- Rabobank (Olaf Brugman) re-elected president RTRS.</li> <li>- Driver for EU strategy on increasing uptake.</li> <li>- Speaker on multiple events as president of the RTRS.</li> <li>- Strengthen position of RTRS amongst off takers soy.</li> <li>- partnering with WWF in project to support sustainable soy production in Brazil.</li> </ul>
Sugar Cane	Bonsucro	<ul style="list-style-type: none"> <li>- Participating as member in various Bonsucro meetings.</li> <li>- Partnering with WWF in India to support sustainable sugar cane production.</li> </ul>

We integrate our knowledge about sustainability in the food and agriculture sectors into our information systems in the Netherlands, so that account managers can access this information and discuss it with their customers. This is valuable input for the client photo process with these customers, as described in the section Business customers.

### Collaboration with World Wildlife Fund

The World Wildlife Fund (WWF) and Rabobank have been collaborating since 2011 with the purpose of setting up projects with customers in order to create an earnings model for sustainable food production. Rabobank finances these projects with funds from the partnership budget and is also involved in the projects as a knowledge partner. We provide a contribution, from our financial and content expertise, towards achieving the objectives established for each project.

> View our WWF partnership projects [here](#).

## Corporate clients

### Our ambition for 2020

Sustainability is essential for the long-term success of businesses. That is why we encourage and support all our business customers in the gradual development of sustainability within their business. Sustainability is part of our sector visions and we regularly share our knowledge with our business customers. We review our larger clients' performance periodically, explore further opportunities for improvement and work together with the client in order to improve their performance systematically. We also connect our customers with each other to exchange knowledge about sustainability and to create shared commercial opportunities. We also provide customised financial solutions in order to make optimal use of these opportunities. Moreover, we support leaders in sustainability by giving them priority in financing and by doubling the number of services we offer them. In this way, we combine business success for our customers with sustainable innovation for society. The following KPIs contribute towards fulfilling these ambitions.

### Progress in 2015

Many business customers are working on making their businesses more sustainable. In 2015, we supported our business customers with financing and through the launch of new services, such as the Rabo Impact Loan. We increased insight into our clients' sustainability performance through the 'client photo'. And we trained our employees to initiate

discussions about sustainability. Our subsidiary enterprises also incorporate sustainability into their customer service; we include their contributions in this section.

### Results in 2015

KPI 5 Rabobank gives priority to sustainability leaders in financing and will double the volume of the services provided to them.

Results		
Financing in millions of euros	2015	2014
Sustainable financing	18,004	17,271
Access to finance	1,403	1,659
Community services	2,623	2,973
<b>Total sustainable financing</b>	<b>22,031</b>	<b>21,903</b>

Results		
Sustainable funding in millions of euros	2015	2014
Rabo Green Bonds	23	24
Rabo Green Savings	1,957	2,093
Rabo Green Deposits	31	31
Rabo Socially Responsible Deposits	111	216
Rabo Agri Bonds	541	541
<b>Total</b>	<b>2,663</b>	<b>2,905</b>

Results		
Volume of other services in millions of euros	2015	2014
Financial transactions supervised by Rabobank (Including Green Bonds, IPOs and M&A transactions)	6,313	2,383

KPI 6 The percentage of corporate clients indicating they were satisfied with how sustainability was discussed in client meetings increases annually.

Customers who consider Rabobank a good partner in conversations about sustainable/socially responsible enterprise		
As % per corporate customer group	2015	2014
Companies with less than EUR 1 million in turnover (n=2,151)	10	n/a
Companies with EUR 1-10 million in turnover (n=1,057)	10	n/a
Companies with more than EUR 10 million in turnover (n=107)	23	n/a

KPI 7 By 2020, all our corporate clients will have maximum access to the sustainability expertise they require, and the sustainability performance of all our larger corporate clients will be recorded in a client photo.

In the reporting year, we improved our business customers' access to our sustainability expertise. We invested into knowledge of all of the sectors in the Netherlands, utilising this knowledge is utilised in consulting and lending. We distributed business news facts about sustainability over social media on a weekly basis.

### Clients of local Rabobanks in the Netherlands (exposure > EUR 1 million) with a client photo

Number of clients assessed	Number	%	2020 target
Local Rabobanks	53,903	94%	100%
Other Group divisions	-	0%	100%

### Sustainability performances of clients of local Rabobanks in the Netherlands (exposure > EUR 1 million)

Number of clients per sector	total	A	B	C	D+	D
Food and agriculture	15,999	472	14,951	555	14	7
Trade, industry and services (TIS)	20,067	719	17,643	1,642	20	43
Other and unclassified	17,837	834	15,885	1,060	20	38
<b>Total in numbers</b>	<b>53,903</b>	<b>2,025</b>	<b>48,479</b>	<b>3,257</b>	<b>54</b>	<b>88</b>
<b>Total in %</b>	<b>100%</b>	<b>4%</b>	<b>90%</b>	<b>6%</b>	<b>0%</b>	<b>0%</b>
Receivables from clients in millions of euros <sup>1</sup>	total	A	B	C	D+	D
<b>Total loans and advances</b>	<b>42,522</b>	<b>2,337</b>	<b>38,218</b>	<b>1,931</b>	<b>10</b>	<b>25</b>
<b>Total in %</b>	<b>100%</b>	<b>5%</b>	<b>90%</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>

<sup>1</sup> Based on the situation at end of November.

Categorie	Criteria
A	A customer is in the highest category if it is among the most active companies in sustainability in its peer group. These customers are (pro)actively engaged in preserving their core business, while also looking at innovative solutions.
B	The majority of our customers are in this category. They recognise that sustainability is an issue that they have to take into account in their business and they respond to demands from customers or from the market. Working on the sustainability of the core activities is done mainly from an economic perspective. For example, they seek a balance between investments and fast returns.
C	Customers in this category see sustainability as a necessary requirement imposed on them via (inter)national laws and regulations. Sustainability is seen as an increase in costs and therefore adopted only when benefits are proven or regulations amended.
D+	This client does not (yet) meet Rabobank's sustainability policy on one or more points or has not responded adequately to key questions. Specific agreements are made about a possible solution and timelines are established. Once the customer meets the sustainability policy of Rabobank, it is classified in category A, B or C.
D	The customer does not meet Rabobank's sustainability policy (any more) on one or more points or does not give Rabobank insight into their sustainability. Here no specific arrangements are made within certain periods or the client does not respect its commitments. Financing of prospects in category D will not be approved. The relationship with existing customers in category D will be phased out.

## Note

### Providing service to leaders in sustainability

We would like to provide an extra stimulus to sustainable enterprises. That is why Rabobank introduced the Rabo Impactlending ('impact loan') together with the European Investment Bank (EIB) at the end of 2015. The Rabo impact loan is a business loan with an interest rate rebate aimed at sustainable companies. Companies that meet selected sustainability criteria are eligible for an interest rate rebate on new financing: as much as 1.20% depending on the duration. Rabobank is the first Dutch bank that rewards customers financially for their sustainability efforts with an interest rate rebate via the EIB.

The Rabo impact loan starts with a budget size of EUR 50 million, facilitated by the EIB, and can be used for loans from EUR 250,000 up to EUR 2.5 million. In 2015, customers loans totalled EUR 11.6 million. Rabobank granted the first impact loan to De Verspillingsfabriek ('The Waste Factory') at the end of 2015. The Verspillingsfabriek generates new products from

waste products. The company has a distinctively positive impact on people, environment and society as a whole.

The Rabo impact loan contributes towards our provision of service with a positive social impact. The total amounted to EUR 22.2 billion at the end of 2015, a growth of 3.2% in relation to 2014.

### Leader in financing renewable energy projects

The Dutch and international wholesale banking division advises, structures and arranges customised financial solutions for renewable energy projects. We finance wind farms, but also solar energy and biomass projects. In the Netherlands, Rabobank is one of the leaders in financing such projects. We are financing the construction of the largest onshore wind farm (NOP Agrowind), for example, and the first near-shore wind farm (Westermeerwind) in the IJsselmeer. With 339 megawatts, these projects contribute significantly to the upscaling of renewable energy generation that was agreed upon in

the Dutch Energy Agreement. We delivered an important contribution in 2015 to the further growth of renewable energy in the Dutch market with the financing of various wind and solar energy farms. We are also leader in the U.S. and Canada in the wind and solar energy sectors. We further strengthened our top position in 2015 with the fifth place in the Bloomberg New Energy Finance League Table, an international ranking of financiers who are the most active worldwide in renewable energy generation.

### Rabo Groen bank

In 2015, Rabo Groen bank had a large market share in the Dutch market for green financing for the SME and food and agri customers, with EUR 310 million issued in new green financing. In addition to many wind and solar energy projects, we also financed a number of impressive circular projects in 2015. A number of geothermal energy projects also received financing; Rabobank is also the market leader in this sector. And finally, organic farmers and gardeners also represent an important segment for Rabo Groen bank. An adjusted Green regulation will take effect at the beginning of 2016, offering new opportunities for businesses in the area of biodiversity and investments in sustainable living.

### DLL

DLL searches continuously for innovative ways in which to combine profitability with social and environmental benefits.

#### *Life Cycle Asset Management (LCAM)*

DLL supports its partners in the transition to a circular economy by providing financial solutions through its LCAM programme. This means in concrete terms that DLL helps its partners by financing (re-)used and refurbished equipment and providing solutions based on usage, such as operational leasing. DLL is advanced in this area and views it as its responsibility to share its knowledge and experience via white papers, blogs, presentations, press releases and free webinars.

DLL's new business of used equipment grew from 1% in 2013 to 5% in volume terms in 2015. The aim is to reach 20% in 2020. In order to achieve this goal, DLL has started a number of pilots in various industries. For example, DLL's mobility branch – Athlon – began an initiative to re-lease cars that are three to four years old in a full-service solution to new customers for a period of 12 to 24 months. In addition, DLL has approached agricultural businesses to increase familiarity with the subject and to finance more used equipment. DLL has invested in reporting instruments in order to monitor progress in this area.

### *CleanTech*

Within DLL, the group unit CleanTech executed its strategy successfully in 2015. It saw the volume of new business increase by 50% in relation to the previous year, mainly due to increased demand in Europe and the U.S. In addition, its portfolio was diversified further with activities in renewable energy, energy efficiency, lighting, water and waste management. An example from the Netherlands is the first Pharmafilter, a unit for renewable energy and water purification. This deal was agreed upon with a hospital.

### *Mobility Solutions*

The market for mobility focused on enhancing sustainability in 2015. DLL's mobility branch, Athlon, broadened its product portfolio in this context. For example, it developed its mobility budget, car sharing, bicycle lease and a flexible income plan. In order to be able to provide further advice in this area to its customers, the consultancy branch was expanded to Germany and Italy, in addition to the existing activities in the Benelux and France. Another large trend in mobility is urbanisation. Athlon has therefore decided to participate in 'Smart Cities' projects in order to learn how mobility will be organised in urban areas in the future and how Athlon Mobility Solutions can contribute to this.

### *Micro-leasing*

DLL and Rabobank Foundation have already had a successful three years collaborating in developing and providing an alternative form of financing, microleasing, in Rwanda. The successful project has now been expanded to Kenya, where DLL and Rabobank introduced microleasing in cooperation with various SACCOs (Savings and Credit Cooperatives).

### Customer satisfaction

We measure, on an annual basis, the percentage of business customers who indicate that sustainability was discussed to their satisfaction in the customer meeting. In the Netherlands, we do that for customers of local Rabobanks after each customer contact via the so-called local customer monitor. The percentage of business customers that Rabobank views as a good discussion partner about sustainable business varies between 10% and 23%. The figures for 2015 are a baseline measurement. Our ambition is higher and we strive to increase this percentage each year. The figure is based on 40 of the 102 participating banks. We report over the percentage of customers that rate the statement, 'Rabobank is a good discussion partner for sustainable/social enterprise', with 'very good' or 'excellent'. Satisfaction figures regarding sustainability

from our customers abroad are not yet available. It is our goal to expand the measurement further, to reach a broader customer group and to have them connect even more closely with the KPI. It is also our goal to see the satisfaction grade increase each year.

### Client photo

Rabobank shows the sustainability performances of business customers in order to help them make the next sustainable step. In addition, we assess the sustainability performances of our business customers and rank them in five categories. In this way, the customer as well as the bank gains an understanding of the company's sustainability performance. We encourage the customer to improve their performance step-by-step. This contributes to their business success and at the same time improves the risk profile of our loan portfolio.

This 2015 Annual Report is the first time we report substantive KPI data regarding the client photos. It should be noted that not all customers have had a client photo made yet and that it is possible that the assessment may not yet have the required content in all cases. We will continue training our account managers, who are the ones responsible for the establishment of the sustainability category to further improve the KPI data in concrete terms.

Local Rabobanks have made client photos of almost 54 thousand Dutch customers with business exposure greater than EUR 1 million. Of these customers, 94% take sustainability into account. These are the customers who we assessed with a rating A or B. Some of them belong to the most active businesses in the area of sustainability. Fewer than 0.3% of the aforementioned group do not meet the requirements of Rabobank's sustainability policy. We will make agreements with these customers about how they can satisfy these requirements. If that fails, or if the customer does not fulfil the agreements, we will terminate the relationship with the customer.

There are no quantitative client photo data available yet for DLL, Rabo Real Estate and our international activities. We have been working since 2015 on also providing insight into the international client photo; we expect the first results in 2016.

### Controversies

In 2015, the central Sustainability department was involved in dialogues with customers across 74 issues in the area of environment, human rights, working conditions and governance. An important part of these talks was conducted in a decentralised manner and results were reported in instances where our central Sustainability division was not at the table itself. Significant results this year included exclusion by our customers of suppliers who did not want to adapt their behaviour and a first publication of a CSR report. We are or were in discussions with 48 (parent companies of) customers. (See [appendix 2](#) for more details)

## Retail customers

### Our ambition for 2020

We help our retail customers achieve their goals by focusing on reducing uncertainty about money through professional advice. We believe that financial independence is for everyone, regardless of whether you have a lot of money. That you can make conscious choices without being hindered by a sense of insecurity. How we provide support in this varies from customer to customer. We are committed to guaranteeing vulnerable groups such as people with dementia or the visually impaired access to appropriate financial services. We provide easy to understand, transparent products and services. For customers with a specific interest, we offer distinctive products and services for sustainable investment and sustainable living. Thus, we combine the best financial advice with a positive contribution to sustainable development. The following KPIs contribute to these ambitions.

### Progress in 2015

This year we have developed the theme of sustainability in financial services for retail customers further. Energy-efficiency in the housing market received a lot of attention and the range of sustainable investment products has expanded. We want to align our products and services with the sustainability requirements of our customers; we first measured customer satisfaction on this in 2015. In addition, we assist customers in vulnerable groups. In 2015, we began to expand the knowledge and capacity of our services to customers in vulnerable groups; we will also measure their satisfaction.

KPI 8	The percentage of retail and private banking clients indicating that they are satisfied about how they can match their finances to their sustainable ambitions with the appropriate products increases annually.
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#### **Satisfied retail and private banking customers <sup>1</sup>**

Numbers of customers in % who are 'Quite satisfied' + 'Reasonably satisfied'	2015
Rabobank gives me good advice on my financial affairs to best suit my wishes	44
The products Rabobank advises me to choose are a good fit with my personal wishes	52

1 Source - National NPS Benchmark, n=2000

We measure the progress after customer conversations, but there is still too few results available to draw conclusions yet.

KPI 9	By 2020, more than 80% of clients from vulnerable populations will find that Rabobank does a good job managing their banking business.
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#### **Satisfied customers from vulnerable groups <sup>2</sup>**

Numbers of customers in % who are 'Quite satisfied' + 'Reasonably satisfied'	2015
You can handle your banking affairs at Rabobank with ease and without any problems	73

2 Source - Miles Research

KPI 10	The percentage of retail customers reporting that they were satisfied with how sustainability was discussed in the client meeting increases annually.
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#### **Satisfied retail and private banking customers <sup>3</sup>**

Number of customers in % who responded 'Yes'	2015
The subject of Sustainability was discussed last year during an advisory interview with the customer (32 out of 650)	6
Numbers of customers in % who are 'Quite satisfied' + 'Reasonably satisfied'	
How satisfied are you with the way in which this subject was discussed with you? (28 out of 32)	88

3 Source - National NPS Benchmark, n=650

## **Note**

### **Customer satisfaction**

In 2015, in the nationwide Customer Loyalty Survey we measured the satisfaction of public and retail customers regarding sustainability for the first time. From now on we will do this every six months, only in the Netherlands. In this survey, 650 customers give their opinion on statements about Rabobank and about the way in which we bring up sustainability during customer meetings. This will help us measure customer satisfaction with our engagement and financial advice and the way we help the customer fulfil their ambitions and personal financial goals with suitable products. We strive for an annual improvement in the customer

satisfaction score. For the 2015 survey, there is still too few results available to already draw conclusions. This was also the first time we measured customer satisfaction among vulnerable customers. This measurement is considered baseline; we will measure this twice a year.

### **Banking Together**

Rabobank believes that everyone is entitled to financial independence. With the 'vulnerable customers' policy we bring accessibility to these groups so that they can take care of their own banking as long as possible and make financial choices confidently. If they can no longer do this, we offer solutions so that they can hand over (part of) their banking.

In 2015, we started the programme Banking Together, which gives substance to the 'vulnerable customers' policy. The implementation runs from October 2015 until the end of March 2016. In December 2015, 95% of the local Rabobanks have started with the programme. Each local Rabobank appoints a Banking Together coordinator who is responsible for services to vulnerable customers and for contacts with social partners, such as WeHelpen ('WeHelp') or associations for the elderly. For careful and optimal service provision to vulnerable customers, specific knowledge is required. The Banking Together qualification is therefore included in the requirement profile of the PB account manager and the Banking Together coordinator.

In the Netherlands, about 4 million people have physical disabilities. There are approximately 150,000 people with cognitive disabilities and about 260,000 people with dementia. The elderly group currently consists of 2.9 million people. Illiteracy also limits people in their access to digital banking; this group comprises 1.3 million people. The challenge we encountered in 2015 is that there is overlap between these groups; an older person who has difficulties with digital banking may also have a physical disability, for example. It is clear that a considerable number of Dutch citizens need some form of assistance with banking. We may be able to establish a sharper definition of the scope of the target group in 2016. We distinguish between the following groups of vulnerable customers:

- older customers who have difficulties keeping up with developments and performing digital banking independently
- customers with physical disabilities: visual, auditory, motoric, mobile
- customers with cognitive disabilities
- low-literate customers
- customers with dementia



## Sustainable housing

Sustainability of owner-occupied homes makes a significant contribution to energy saving, both for society and for individual homeowners. It lowers the energy bills and affects the value of the home. As a major mortgage lender, we have many homes as collateral. We therefore encourage people to invest in the preservation of their property. This leads to lower energy costs and lower CO<sub>2</sub> emissions. The CO<sub>2</sub>-emissions of the average home with a definite energy label in the Netherlands (around 35% of the homes) is 3,051 kg. For homes in our loan portfolio with a definitive energy label (around 10% of our loan portfolio) this is 2,638 kg on average.

In 2015, we organised 20 'Smart Renovation' information meetings. During these meetings, the question of making housing sustainable is combined with the offers from our business customers (see link). Approximately 3,200 retail customers have visited such an event, where 315 entrepreneurs were able to offer their products and services. In 2016, the objective is to organise a 'Smart Renovation' event at 50% of the local Rabobanks.

To further stimulate investment into energy-saving measures, in 2015 we worked to establish a special financial product to be marketed at the beginning in 2016 for the purchase of energy-efficient homes. Rabobank also actively contributes to 'Stroomversnelling Koopwoningen', by addressing the acceleration of the concept of Zero on the Meter property (NOM). We participate in financing the task force, the property value steering committee and have set up five pilot projects to finance the first NOM renovations.

## Socially responsible investments

Socially responsible investments are becoming increasingly important worldwide. Here we look at how companies and countries are performing in terms of people, the environment and good (corporate) governance, and we pay attention to the investment process. Rabobank wants to facilitate sustainability on the capital market and play a catalytic role by providing information to customers, by entering into dialogue with asset managers with which it cooperates and making conscious choices for the range of investments. Our approach (Retail and Private Banking) is based on three pillars: 1) respect for internationally recognised standards in terms of the environment, people and good governance, 2) the integration of these standards into the investment process, and 3) avoiding investments in controversial weapons. Rabobank also monitors whether the fund houses it works with meet the above criteria and enters into dialogue with them if that is not the case.

Rabobank expects fund managers to support the Principles for Responsible Investment (PRI). With that they declare that they will take the ESG (Environmental, Social and Governance) into account in their investment process. They also commit to speak to the companies in which they invest about these issues, for example if they are lagging far behind in one of the areas mentioned. To this end, Rabobank asks fund houses to use the United Nations Global Compact principles as a reference framework. These are ten principles for companies when it comes to human rights, the environment, labour rights and corruption.

In 2015, assets in sustainable investment funds amounted to EUR 1,915 million and assets under engagement (i.e. funds that meet our socially responsible investment criteria): EUR 17,638 million.

Furthermore, Rabobank actively responds to topical issues and customer needs. Thus, customers who want to invest in a more climate-friendly manner can include their preference more and more clearly in their investment choice. This way, Rabobank wants to give a concrete response to the concerns about climate change and the risks involved for investors.

### *Cooperation with Sustainalytics*

Rabobank works with Sustainalytics, a provider of credit ratings in the area of sustainability, to review the portfolios of institutions and charities (who appreciate this) in terms of CO<sub>2</sub> intensity. A number of these customers were offered such a portfolio analysis during the climate summit. So that they can focus on CO<sub>2</sub>, if they wish to do so. There are several reasons for this. For example, because it fits into their investment philosophy, or because they think that the biggest polluters will eventually be less profitable.

Rabobank has also had its own list of shares assessed.. It shows that the pool of shares which make up our investment specialist portfolios is already 47% less CO<sub>2</sub>-intensive (per converted dollar) than the worldwide reference benchmark (MSCI Developed Markets Index). The score is partly due to the fact that Rabobank has already taken account of sustainability criteria in the composition of the selection list in the past. The aim is to make this pool at least 50% less CO<sub>2</sub>-intensive than the benchmark next year. Via a special indicator, with the help of an advisor, customers can invest in individual shares that perform well in the area of CO<sub>2</sub> emissions.

### *Dialogue and cooperation with fund houses*

A survey by Rabobank Private Banking of thirty fund houses with which the bank cooperates shows that the issue of climate change is now on the radar of most fund managers. Yet there are large differences in the implementation. Rabobank will start a dialogue with asset managers about this. The goal here is to get the issue of climate change entrenched into their investment process. This can take many forms: for example the formulation of a climate policy, measuring the CO<sub>2</sub>-intensity of portfolios or entering into dialogue with companies that are really lagging behind with their efforts to reduce their environmental impact. Our experience is that just asking such questions leads to awareness and new initiatives for fund houses.

Rabobank will also continue to actively seek opportunities to preserve the assortment. Thus in 2015 the bank was a launching customer of a number of responsible index funds from Actiam and Northern Trust. These funds offer customers the opportunity to invest inexpensively and in a socially responsible manner. For example, these index funds exclude manufacturers of controversial weapons, as well as companies that seriously infringe the UN Global Compact principles on corporate responsibility. Last year Rabobank also teamed up with Triodos, which resulted in the Triodos Multi Impact Fund. The fund offers customers a low threshold access to impact investing: here the investor explicitly seeks a social return in addition to a financial return.

## **Our commitment**

### **Our ambition for 2020**

Our contribution to sustainable development is provided by professional staff who consider the topic to be an obvious part of customer service. We encourage and support our employees to continuously develop themselves in the area of sustainability, allowing us to stand out in daily collaboration with our customers. We integrate sustainability into our in-house business operations and communicate transparently about our vision and activities. So we are publicly accountable and contribute to the public debate on sustainable development. The following KPIs contribute to these ambitions.

### **Progress in 2015**

For the theme of Our Commitment, we look at the efforts Rabobank has made in the field of sustainable development. This includes the sustainability of our own operations, purchasing and consumption for example, but also how our efforts are assessed in the Netherlands. We also want to embed the issue into recruitment and into staff training. We then ask for their views on the identity of Rabobank and finally we mention the external appreciation we received for sustainable activities. These subjects are explained below in this section, in that order.

In 2015, we began to assess our suppliers' sustainability profiles in purchasing processes, based on ISO26000. We have also had ourselves assessed. This was done by FIRA, the independent platform focused on making Dutch companies' sustainability performance transparent. We are seeing a challenge arising in the desired CO<sub>2</sub> reduction per FTE, considering the announced reduction in the number of employees and the increasing virtualisation.

In addition, we began to measure the public perception in the Netherlands regarding our contribution to sustainable development and asked employees about their satisfaction with our cooperative characteristics. We received recognition from independent rating institutions that appreciate us for our sustainable efforts.

### **Results in 2015**

KPI 11	By increasing energy-efficiency and by reducing and making mobility and other services more sustainable, we aim to further reduce carbon emissions per FTE per year by 2020 by 10% from 2013.
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<b>Results</b>			
<i>Carbon footprint</i>	2015	2014	2020 target
total CO <sub>2</sub> emissions	182,066	198,275	
total CO <sub>2</sub> emissions per FTE	3.5	3.6	3.2

KPI 12	By 2020, 80% of the Dutch public should associate Rabobank with sustainability in a positive way, along with at least one of the following topics: sustainable agriculture and a sustainable food supply; and vital communities.
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### Results

In % of the Dutch public		2015	2014	2020 target
Positive association with sustainability		42		80
% who found the statement 'Rabobank contributes to sustainable development in the Netherlands' to be '(very) appropriate'/'(very) recognisable'	Appropriate	72	-	
	Recognisable	42	-	
% who found that at least 1 of the 4 stated aims for sustainable agriculture and food supply and/or vital communities to be '(very) appropriate'/'(very) recognisable'	Appropriate	85	80	
	Recognisable	67	61	

KPI 13	Cooperative and sustainable banking forms an integral part of recruitment and selection and the training programmes for all employees.
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### Results

no quantitative data available

KPI 14	We aim to increase our organisation's score on the criteria 'customer cooperation' and 'cooperative characteristics' in the employee survey each year.
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### Results of employee survey 'Cooperation with the customer'<sup>1</sup>

% '(entirely) agree', not including 'don't know'/'N/A'	
Rabobank allows its customers to think with it and make decisions	58
Rabobank brings different parties together to achieve more together	71
Rabobank employees make each other stronger	66
Rabobank has a culture of partnership	74
I operate on the basis of one Rabobank and across the boundaries of individual units.	80

### Results of employee survey 'Cooperative Characteristics'<sup>1</sup>

% '(entirely) agree', not including 'don't know'/'N/A'	
Rabobank is a cooperative bank in every sense of the word	65
Rabobank is engaged in society	90
Rabobank actively contributes to solving the global food issue	60
The policies of Rabobank always take into consideration the consequences for people, the environment and society	62
Rabobank makes an active contribution to making our society more sustainable	70

<sup>1</sup> Not including subsidiaries DLL, Rabo Real Estate Group, Obvion.

### Note

#### Increasing the sustainability of internal operational management

Rabobank practises sustainable purchasing as much as possible. In doing so, we try to use renewable raw materials wherever we can, as well as contracts based on circular economic principles. We collect and recycle our own equipment – such as the Rabo Random Reader, phones and network equipment. In addition, in the design of the newly introduced Rabo Scanner, circular principles were applied by using replaceable batteries. In 2013, Rabobank also signed the Green Deal Circular Purchasing.

The Business Management department also serves as the expertise centre for the entire Rabobank Group. We have made our facilities significantly more simple, sustainable and modern. To make the contribution to the sustainability ambition of Rabobank tangible, Rabobank wants to apply Socially Responsible Purchasing, influence the sustainability of all purchasing chains and create transparency in the chain. Our goal is to grade all suppliers with a purchasing volume of more than EUR 50,000 with regard to their sustainability efforts based on the demands set forth by ISO26000. By now, this test is applied to the vendors of the central business unit Operations. In 2015, the purchasing volume of operations amounted to almost 290 million. When compared with the total purchasing volume, this is approximately 24% of the total purchasing by the central units of Rabobank. In addition, in 2015, we have extended the progress report on the purchasing process to CVRS: reports for Cost, Value, Risk and Sustainability.

Rabobank expects the same sustainability goals from each company it does business with, such as vendors and parties with which Rabobank forms alliances. We strive to have a long-lasting relationship with our 6,000 suppliers, focused on the active sharing of knowledge, the permanent increase of our sustainability performance, and the stimulation of a cooperative for a sustainable economy. In contracts with vendors we include preconditions for sustainability performance. Rabobank expects the parties it does business with to meet the stipulations that arise from national or international laws and regulations. These stipulations have been documented in a Sustainability Statement, which must be signed by each vendor. We assess all our suppliers of a substantial size according to their sustainability performances, based on the ISO26000 subjects given a substantive assessment on the FIRA platform. We then discuss any issues with suppliers who (still) do not comply with the requirements. In this assessment, we involve their chain of vendors and prepare an analysis of the relevant sustainability risks. Furthermore, we actively encourage our vendors to apply sustainable product innovation, among other things with regard to logistics and document services.

Rabobank is purchasing partner of the FIRA platform. This is a digital register based on ISO26000, in which companies (vendors) make their MVO performance visible to customers (purchasers). FIRA verifies all sustainability information of vendors, so that Rabobank is able to evaluate the vendors based on sustainability. The FIRA platform and Rabobank improve transparency with this in the chain and contribute to the growth of vendors in this area. Rabobank itself has also increased its performance in the FIRA platform and received the highest status attainable for its report (Platinum).

Furthermore, Rabobank keeps working to reduce the CO<sub>2</sub> emissions per FTE by 10% and operates in a climate neutral manner. The focus is on energy consumption in homes, ICT and mobility. In 2015, it became clear that the challenge to reach these goals is becoming greater. This is due among other things to the (projected) decrease in the number of employees and virtualisation. Due to the latter development, our energy needs increase to support our digital services. In 2016, we searched for opportunities to save on IT energy, for example with more efficient equipment and applications.

## Public perception in the Netherlands

Rabobank measures its perception in the Netherlands among other things via the Societal Image Monitor – an initiative of the Hope & Glory agency, which performs the research in cooperation with Motivaction. Participants in the study in 2015 were presented with the following goals with regard to Rabobank and were asked to what degree they found these suitable or recognisable for Rabobank:

- Main goal: Contribution to sustainable development in the Netherlands
- Four sub goals related to 'sustainable agriculture and food supply' and 'vital communities', namely:
  - 1 stimulating the sustainability of agriculture and food supply in the world
  - 2 helping companies in the field of agriculture and food that are customers of Rabobank be economically successful
  - 3 supporting local and social initiatives with manpower, knowledge and money
  - 4 supporting farmers and small businesses in developing countries.

The main goal was measured for the first time this year and with the exclusion of the answer 'do not know', 42.3% indicated they found this recognisable. The end goal for 2020 is 80%. The percentage of respondents that found at least 1 of the 4 goals with regard to the social themes suitable and/or recognisable (excluding the answer 'do not know') has increased in 2015 when compared to the previous year. A majority of two-thirds indicates that it finds at least 1 of 4 goals recognisable and this percentage is increasing. An overwhelming 84.8% thinks at least 1 of 4 goals is suitable. This strengthens our idea that the social themes in Sustainably Successful Together are the right ones for Rabobank.

A challenge in creating the positive public association with the theme sustainability is the fact that this perception is influenced by other subjects related to the bank. If people are positive about Rabobank in general terms, they are also more positive about the subject of sustainability and vice versa. By asking specifically about the sustainability topics we are trying to avoid this effect as much as possible.

## Sustainability in recruitment and selection

In our recruitment we emphasise the competencies 'cooperation' and 'customer focus' and paint a picture of our bank in which our cooperative identity is central. We see sustainability as a part of our cooperative identity. This becomes clear among other things from the fact that we count sustainability as one of our core values. We indicate that the willingness and enthusiasm of our employees to display these core values on a daily basis form an important part of the selection criteria. The desired competencies are determined in function profiles and are part of the performance agreements and the individual evaluation of the employee. We think it is important that managers set the right example in this. In addition, all management courses encourage managers to carry out the cooperation on a daily basis.

Rabobank has an introduction programme for new employees, during which our identity and core values, including sustainability are explained. We also discuss how this translates into daily practices. Finally, Rabobank encourages a culture that fits the bank we want to be and in which sustainability plays an important role.

We see that the Sustainably Successful Together more and more often puts the topic of sustainability on the agenda of for example Management Teams and Board Member Teams of local Rabobanks. We must note, however, that there has not yet been a measurement of sustainability in the recruitment and selection. This is a focus point for 2016.

## Sustainability in the employee survey

Every year, Rabobank researches how employees experience the identity of Rabobank. In 2015, there was a new worldwide survey. Our goal is for the organisation to improve its score annually on the issues 'Cooperation with the customer' and 'Characteristics of cooperatives' in the Employee Engagement Survey. The follow-up research will show if there is an increase. We expect the culture programme to positively contribute to these scores.

## Appreciation

We strive to turn our commitment with regard to sustainability into achievements in the financial sector. This results in appreciation.

In 2015, Rabobank Brazil won the first prize of the 'Dutcham Sustainability Awards' for Dutch companies that are active in Brazil.

In 2015, Rabobank Brazil was also named the best bank in Brazil with regard to sustainability during the 'International Finance Magazine 2015 Awards'.

DLL was named the winner of the 'Alliance Trust Award for Circular Economy Investor'. This award was part of the Circulars Awards programme 2016, organised by the Young Global Leaders of the World Economic Forum, in cooperation with Accenture.

In 2015, DLL also received the 'Green Finance Transaction of the Year Award' of Leasing Life, one of the leading magazines in the leasing industry in Europe. Both awards recognise DLL for its LCAM vision and for the accompanying investments and results. In 2015, Rabobank was chosen to be a member of the board of the International Capital Markets Association (ICMA) Green Bond Principles. The Green Bond Principles were published by ICMA in 2014 to encourage transparency, disclosure and integrity in the Green Bond market.

In 2015, we further reinforced our top position with the fifth place in the Bloomberg New Energy Finance League Table, an international ranking of financiers who are the most active worldwide in renewable energy generation.

## Sustainability ratings

### Our ambition for 2020

In the financial sector, ratings are an important measure of an organisation's financial strength (see page 135). This is also the case when it comes to sustainability performance. Rabobank strives for continuous improvement in sustainability performance and a top position in the ratings of key agencies, as institutional investors use these studies and reports to help them achieve their socially responsible investment goals.

### Progress in 2015

We monitor the social appreciation of our worldwide sustainability efforts based on RobecoSAM's ranking of globally operating financial institutions, Sustainalytics' analysis and the Transparency Benchmark of the Netherlands Ministry of Economic Affairs.

### Results in 2015

Rabobank's sustainability performance scores have gone up in 2015. We are proud of these scores, but we keep ambitiously applying ourselves to improve our sustainability performance and in doing so, our scores in the sustainability ratings. Below is an overview of a few important evaluators and our scores.

<i>Evaluator</i>	<i>Description</i>	<i>Performance Rabobank Group in 2015</i>
RobecoSAM	In cooperation with S&P Dow Jones Indices RobecoSAM publishes the globally renowned Dow Jones Sustainability Indices (DJSI). Based on its own Corporate Sustainability Assessment of 3,000 listed and non-listed companies, RobecoSAM has built one of the most extensive databases in the world of financially relevant sustainability information.	In 2015, Rabobank received 87 points and with that ended in 5th place in the ranking of the banks category. This is an increase compared to 2014 when Rabobank was ranked 12th, with 83 points.
Sustainalytics	Sustainalytics is a global leader in sustainability research. Sustainalytics supports investors in the development and execution of responsible investment strategies. Investors use the research studies of Sustainalytics to integrate environmental, social and governance factors in their investment.	In 2015, Rabobank scores 80 points. That is 10 points more than last year. Rabobank rose to the 11th place with this score in a peer group of 422 financial institutions worldwide in the banking sector (40 in 2014). This is a ranking in the de top 5% and with this Rabobank is classified as an 'Industry Leader'.
Transparency benchmark	The Transparency benchmark is an annual research study in the Netherlands with regard to the content and quality of social reporting in Dutch companies.	Rabobank scores 169 points on the Transparency benchmark with the integrated Annual Report 2014. This is 1 point higher than last year. With this score Rabobank ranks 34th (22nd in 2014).
Fair Finance Guide	<p>The Fair Finance Guide (Eerlijke Bankwijzer) is an annual research report commissioned by the following social organisations: Amnesty International, Dierenbescherming, FNV, Milieudefensie, Oxfam Novib, and PAX.</p> <p>The Fair Finance Guide compares the most important Dutch providers of individual payment and savings accounts with regard to social topics it has selected.</p> <p>The report evaluates the investment and financial policy of eight Dutch banking groups and looks at for example 'climate change', 'labour rights', 'weapons' and 'animal welfare'.</p> <p>The goal of the Fair Finance Guide is to improve CSR for banks that are active in the Netherlands.</p> <p>Read the full report <a href="#">here</a>.</p>	Rabobank's Honest Bank Guide score has increased significantly in 2015. The Honest Bank Guide rates Rabobank 'satisfactory' to 'good' on most of the eighteen topics evaluated, but feels the Rabo needs to aim higher on six topics.

The reporting agencies provide feedback regarding Rabobank's methods for integrating sustainability into its business operation and its success in doing so compared to other parties. We take their recommendations seriously and work to improve the weaker points mentioned in the reports. These improvements are what led to Rabobank's higher ranking in 2015.

### Social debate

Rabobank has continuous dialogues with social welfare organisations. These discussions usually relate to the standpoints of the bank. A list of debated topics and the outcome of discussions is included in [appendix 2](#). Discussion in 2015 covered various sustainability matters, including land rights, livestock farming and the palm oil supply chain.

Rabobank is in contact with politicians, officials and financial regulators in The Hague and Brussels. For example, in 2015 Rabobank took part in round-table discussions regarding special asset management, sustainable banking and the tenure system, which were organised by the Dutch House of Representatives. The Parliamentary Standing Committee for Finance visited Rabobank's Chairman of the Executive Board, Wiebe Draijer. Rabobank regularly consults with members of the various political parties on a regular basis. In 2015, Rabobank participated in various international state visits and trade missions. The bank has set out its standpoints in a series of position papers, which are also available on our corporate website.

# Corporate social responsibility report

## *Complete customer focus*

Customer satisfaction is our goal, and this can only be achieved by really putting the customer first. In 2015, we began focusing more and more on what our customers were telling us. Often, their input was the starting point for the steps we made, the deals we closed and the products we introduced. In this manner, we were able to live up to our reputation as a customer-focused, cooperative bank with strong online and offline services for private individuals, home owners, entrepreneurs, farmers, starters and big companies. With our finance solutions, knowledge sharing and networking, we help customers move forward and stimulate economic development.

### 1 Satisfaction and trust

Our customers let us know that they have high expectations for Rabobank. They count on their ongoing relationships with involved advisors who think about solutions and are prepared to go the extra mile. They also expect a bank that is willing to help when times are financially difficult. Transparent products and clear conditions are also extremely important. It is up to us to live up to these expectations and win back their trust. In 2015, we made an important start in these areas.

#### Scores

Our customer satisfaction scores (average of individual, private banking and business customers) increased to 7.7 in 2015 compared to 7.6 in 2014 (based on internal measurements, at a scale of 1 to 10). We also see that the satisfaction with regard to our bank advisors has improved greatly in 2015.

We measure customer satisfaction based on the Net Promotor Score (NPS) of our advisors, the Customer Effect Score (CES) regarding the ease with which customers can do business with us, and the Customer Advocacy Score (CAS) concerning the extent to which customers feel we put their interests first.

Our research shows that the NPS for our individual customer advisors increases significantly in 2015. This positive trend is also noticeable with the CAS. Customers indicate that they are mainly very happy with the advisor with regard to 'good explanation of advice', 'contributing ideas' and 'expertise'. The CES can fluctuate between -100 and 100. Our CES is high and has remained stable throughout the year. Customers feel that questions with regard to everyday banking concerns, are handled properly and personally.

#### Customer feedback

We use customer feedback to improve our service. For example, customers indicate that there are areas of improvement with regard to clear and specific communication. We are working on improving our communication, so that this is better aligned with the situation of the customer. We will also communicate more clearly what customers can expect and what customers can take care of themselves.

For 2015, we see a slight increase in customer satisfaction with regard to the handling of complaints. Over all of 2015, the satisfaction score is 7.5. Rabobank's desired score for this is an 8 or higher, so there is still work to be done. We are constantly making improvements based on customer feedback. Starting in 2016 we will increase the transparency with regard to complaint handling by publishing on [www.rabobank.nl](http://www.rabobank.nl) which improvements have been made based on all customer feedback.

#### Confidence Monitor

In 2015, the Dutch Banking Association (DBA) published the Banking Confidence Monitor for the first time, an extensive research study with regard to the opinion of customers, supplemented with scores by The Netherlands Authority for the Financial Markets (AFM). The scores were telling: the general confidence in the sector received an unsatisfactory score. Read more information [here](#).

Three large points of improvement came to light in the DBA report: customer contact, the processing of complaints and handling payment arrears in mortgages. In the customer research studies of Rabobank the same themes



dominated. Based on the research results of the DBA and the recommendations of an independent advisory council, in 2015, Rabobank focused on these improvement points.

### Customer contact

Our digital tools will become more and more personal, so that we can get an even clearer idea of the financial situation of the customer and the choices that are involved as a result of this. For example, we encourage customers to share more information online in the Rabobank Mortgage File, so that we can understand their situation as much as possible during the consultation. The improved Banking App (also see: [Online Banking](#)) is also an important tool in this.

Of course, we want to have our service properly fit the current situation well. This is why we pay close attention to trends. For example, saving does not offer high returns right now, so many Dutch consumers have started to invest. Over eighty local Rabobanks organised meetings in 2015 discussing 'the benefits and drawbacks of investing', especially for customers who are wondering how they can do more with their savings, but who think the step to investing is still too big.

Investors meanwhile desire more transparency: they want more background info on their stocks and funds. That is why we expanded the Rabo Investment App in 2015, so that customers have even more insight into their portfolio.

In addition, sustainable investment is increasingly important. Thus, customers who want to invest in a more climate-friendly manner can show their preference more and more clearly in their investment choice. With this, Rabobank wants to specifically address the concerns with regard to climate change and the risks it poses for investors.

> Read more about [sustainable investments](#)

### Dealing with customer feedback better

In 2015, Rabobank has made it a lot easier for its customers to report complaints, tips and compliments. The 'contact' page on our website has been updated: customers can use it to report a complaint, tips or compliments directly online. We analyse all complaints to learn from them and improve our service. The focus is on a good conversation with customers and listening to their side of the story. We then try to resolve their problems in the best way we can.

### Help in the event of financial trouble

Rabobank wants to prevent financial trouble for customers. Therefore, we aim to try and better predict possible payment problems, so that we can find solutions with the customer sooner. We regularly check in with our mortgage customers to see if they are at ease financially or if they are worried about their financial situation. In the event of problems, the bank offers help, for example, by enlisting a budget coach. At the same time, we strive for a better, clearer communication, so that the customer knows what to expect from us.

### Companies in trouble

In 2015, AFM performed an exploratory research study to find out how banks handle SME customers in special asset management, the department that assists companies with payment problems. They conclude that there were no structural violations at the four big banks in the Netherlands. The supervisory body did emphasise that the provision of information and interaction with customers needed to be improved.

> Read more about the [AFM survey](#)

Rabobank has been working on the improvement of the working methods and communication with regard around special asset management for quite some time now. By listening to the customer, taking the (sometimes harsh) criticism seriously and adapting our policy accordingly, we once again made important strides in 2015. In our communication, we provide a clearer explanation with regard to the process. We also take more time to take into account the emotions that are involved in these type of trajectories.

In 2015, we organised various 'feedback meetings', during which we spoke with entrepreneurs with financial problems. We improved our customer procedures, published a brochure about the Special Asset Management department and had a film made in which entrepreneurs discussed their own experiences with Special Asset Management. Our corporate website ([www.rabobank.com](http://www.rabobank.com)) features various case stories.

Furthermore, we had a round-table discussion with members of the Dutch House of Representatives about special asset management, and together with the other banks within the DBA, we have drafted a guideline for special asset management.

The goal of special asset management is to help companies with financial difficulties survive, in the interest of the customer and the bank.

> Read more about [customers in trouble](#)

### ***Interest rate derivatives***

Approximately 8,000 of the 800,000 Rabobank business customers have an interest rate derivative. This is a derivative financial product with which interest rate risks and currency risks can be hedged. The interest rate derivatives were the topic of a reassessment trajectory in 2014 and 2015. During the course of 2014, Rabobank, partially at the request of the AFM, has increased the quality requirements if the reassessment of the interest rate derivatives. The individual reassessment of the 8,000 interest rate derivatives was mostly completed in December of 2015 in accordance with the agreements with the AFM. Over 90 percent of the outcome of the reassessment was sent to our customers via letter by the end of 2015. The rest followed in January of 2016.

In December 2015, Rabobank took note of the conclusion of the AFM that the reassessments of the interest rate derivatives by the banks is insufficient and that it has found shortcomings during its own review of the reassessments. Together with the AFM, Rabobank is currently working on a suitable solution for the situation that has arisen.

## **2 Online banking**

Rabobank wants to digitalise financial services. More and more customers do their banking via a mobile phone or tablet, contact with a bank employee happens via chat more often. The year 2015 brought improvements, expansions and innovations in this area.

### ***Improved app: getting back up after criticism***

In 2015, Rabobank introduced the new Rabo Banking App for its Dutch customers. In a short time, more than one and a half million Dutch customers (private and business customers) switched to this updated version of the app.

Beforehand, we spoke with 1,500 customers of eleven local Rabobanks to get an idea of their wishes. We used this information in the creation process. Unfortunately, the introduction was not entirely perfect: there were various forms of criticism.

Several important improvements were already implemented in 2015, such as searching in transactions, a different overview of accounts and an option to view capital invested. In 2016, there will be more developments based on customer feedback.

> Read more about the [Rabo Banking App](#)

### ***Chat takes flight***

The chat option had been available on [www.rabobank.nl](http://www.rabobank.nl) for a while, but in 2015 we introduced an even wider audience to this low-threshold source of personal advice. The chat function is a big hit. On a daily basis, approximately 6,000 chats take place, and are given a positive rating by most of the users. Especially in the evening, customers like to use the chat function. This service puts the bank just 'one touch away'.

> Read more: [Customers embrace virtual banking](#)

### ***Online solutions for entrepreneurs***

Entrepreneurs can take care of more and more banking activities via their mobile phones, whenever it suits them best. In 2015, we again added many functionalities to our online services, such as requesting lease products and financing, opening savings accounts and the simple submission of annual results.

> Read more about [online banking](#)

### ***Rabo Wallet: contactless payments***

In February of 2015 we introduced the Rabo Wallet, a digital wallet with which our Dutch customers can pay with their smartphone in stores. They simply swipe their phone over a device at the register; entering a PIN number is no longer necessary. Via the Rabo Wallet, they can also check their balance and keep track of customer cards. By the end of 2015, this app was available on three of the best-selling models of the Samsung brand. In 2016, we will expand this service, so that more customers can use it.

Because most mobile phones are not yet equipped to pay with the de Rabo Wallet, we also put chips on many of our debit cards in 2015, making contactless payment possible. 1.8 million customers currently have one of these cards, enabling them to pay for items up to EUR 25 without needing to enter a PIN number. Approximately a third of all ATM machines in the Netherlands are already compatible with these cards.

## Availability of systems

By far most of our customers take care of their banking online. Therefore, the availability and stability of our online systems are of the utmost importance. We make every effort to ensure the availability of our internet and mobile banking services and Rabophone. This is not always 100 percent successful, but the improvements we made in 2015 have paid off. The number of outages decreased from 152 in 2014 to 84 in 2015. The availability further increased in 2015 compared to 2014.

<b>Availability</b>		
	2015	2014
Internet banking	99.8%	98.9%
Mobile banking	99.8%	99.0%
Rabophone	99.9%	99.7%

We post the availability numbers on [www.rabobank.nl](http://www.rabobank.nl) every month. In addition, we publish the numbers for Internet and Mobile Banking on the site of the Dutch Payments Association. Maximum availability remains our main goal. To achieve this, we will continue to invest in the knowledge and expertise of our employees and systems in 2016.

## Fraud

Cybercriminals keep trying to commit fraud through online banking. In this, we see that criminals are more and more focused on business customers. We received a lot of reports of customers with regard to internet scams and invoice fraud. The damages have not increased in 2015. This is mainly thanks to our policies with regard to fraud detection and the roll-out of the Rabo Scanner (the successor of the Random Reader, the device that customers can use to log into their online banking account). Internationally the damages as a result of fraud attempts on our internet channels are marginal.

The Security Operations Centre of Rabobank saw a substantial increase in the number of attacks on the infrastructure of the bank itself. We view cybercrime as a remaining and increasing threat, which is a direct result of the increased digitalisation of society. By acting prudently and making timely investments, we can conquer the threats.

## Privacy

Rabobank places great value on the privacy of customers and employees and the safety of personal information. We process personal information in accordance with the stipulations of the Personal Data Protection Act and other legislation and regulations that apply. We pursue a globally mandatory internal privacy policy for customers and employees. This applies to all business units over which we have more than 50 percent control. Within the bank, the Chief Privacy Officer serves as an independent official. He monitors the compliance with the privacy requirements and the maintenance of a good balance between all other legislation and regulations.

## Tailor-made services for wholesale customers

For our wholesale customers (income EUR 30 to 250 million) and large corporate customers (income more than EUR 250 million), we introduced a new online environment for corporate banking in 2015: Rabo Corporate Connect.

Via this portal, they have access to their accounts, payments and an overview of interest rates and currency positions, price information and other relevant knowledge. The platform is intended for customers who are located in the Netherlands, are internationally active or have complex product requirements. For example, transportation companies, retailers, food companies and temporary staffing agencies. Rabobank is the first major Dutch bank to provide financial insight and an overview on a single corporate customer platform.

> Read more about [Rabo Corporate Connect](#)

## Direct banking scores high

Online banking does not only get a lot of attention in the Netherlands. Our internet savings bank RaboDirect has been keeping in touch with international depositors on a daily basis for years, only via e-mail, online media, social media and phone. This happens in Belgium, Germany, Ireland, Australia and New Zealand.

In 2015, our online savings banks again scored extremely well. A random sample among a thousand customers of RaboDirect Germany showed that 94 percent is satisfied with the service provided. RaboDirect Ireland was even declared one of the most beloved brands of the country. The main compliments concerned customer convenience, the friendly service, and the fact that no complicated financial language is used.

> Read more: [Loyal customers despite limited contact](#)

### 3 Nearby bank

Our customers make use of online banking more and more. Therefore, fewer customers came to our offices and Rabobank has closed a lot of locations in the Netherlands in the past few years. So, personal contact with employees has decreased and we expect this trend to continue in the future. However, we do aim to get closer to the customer in various ways:

- socially: as an involved bank customers can count on
- virtually: through smart technology with which customers can take care of their banking quickly and easily
- personally: through involved advisors who help the customer get ahead in crucial times

In 2015, we started new initiatives that emphasise our local involvement. Advisors at approximately thirty Rabobanks will visit (free of charge) customers for whom the bank office is too far away or who are less mobile due to a handicap. The advisors will meet the customer at their home, in the hospital or another location.

Many banks organise walk-in hours, for example in care homes, libraries or doctor's surgeries. For customers who are unable to independently take out cash money from an ATM, Rabobank delivers cash money at home.

In 2015, several banks created 'Regional teams', consisting of employees who have lived and worked in the same area for years. They do not only visit as an advisor, but can also be in touch with the village council or local interest groups, for example. In this way, Rabobank is known in villages and shows its involvement in what is happening in the local community.

➤ Read more about the social role of Rabobank in the [Annual Review](#)

### 4 Mortgages

Customers looking for a mortgage also find us online more and more often. Within the Rabobank Mortgage File (part of [www.rabobank.nl](http://www.rabobank.nl)) customers can learn more about mortgages, calculate how much they can borrow and what the monthly costs would be. If they themselves upload the necessary documents and data in the system in advance, they will receive a discount on their consultation with the bank. In 2015, 1.1 million customers used the Mortgage File and there are over 150,000 online Mortgage Files shared with Rabobank.

In 2015 it became possible to start a chat in the Rabobank Mortgage File with an employee. We can now directly answer many questions that come up during the online process.

Every week, more than a thousand chats take place. Research shows that customers appreciate our good accessibility, as well as the speed and quality of responses. Beginning in 2016, we introduced video chat, as a result of which the customer and advisor can also see each other while chatting. This makes the contact much more personal.

#### *Conversation within 24 hours*

Many customers appeared dissatisfied with the turnaround of our mortgage process: it took a long time to be called back and making an appointment proved difficult. Based on these complaints, Rabobank decided to radically change direction in 2015. 'Call today, talk tomorrow' is the promise to our Dutch mortgage customers that we have tried to uphold as of 1 June 2015. Admittedly it is a major challenge to keep this promise, but we purposely set the bar high. Beginning in 2015, in 41 percent of cases it was possible to arrange an appointment within a day, by the end of 2015 the rate was 74 percent.

➤ Read the story and [watch the video](#) about our customers Felie and Bart

#### *Mortgage for flexible workers*

Flexible workers should be able to get a mortgage more easily. With this premise, the subsidiary Obvion began a trial with Randstad and Vereniging Eigen Huis at the end of 2013. In 2015 Rabobank also joined this initiative, together with other banks and financial institutions. The idea of the mortgage for flexible workers is that financiers now look at income security rather than job security in obtaining a mortgage. This gives flexible workers the possibility to obtain a mortgage on perspective.

#### *Interest rate averaging available to mortgage customers*

Customers who want to change their interest rate contract early from 1 July 2016 can make use of interest rate averaging, penalty-free. For this, the mortgage rate and the remaining term of the interest rate contract that the customer currently holds are averaged with the actual fixed rate and term which they select. This service is intended mainly for customers who do not have the funds to pay penalty interest in a single payment.

### 5 SMEs

Rabobank wants to be a reliable partner for entrepreneurial Netherlands. We want to help customers achieve their ambitions. For each customer with a solid business plan, Rabobank provides various possibilities. In addition to offering appropriate products, we are also able to establish valuable connections with investors and we contribute to initiatives that make life easier for the life of an entrepreneur.

### Financial linking pin

The ultimate solution for business financing is not always an old-fashioned bank loan. The role of private investors is growing. Last year, Rabobank organised seven 'Meet & Grow' meetings, enabling entrepreneurs to meet a group of local investors. We are also delving extensively into the phenomenon of crowdfunding. For example, we are a partner in the comparison website Fundipal that shows entrepreneurs the way to crowdfunding initiatives that best meet their business needs.

> Read the story and watch the video about our client [Active Ants](#)

> Read more about [Meet & Grow](#)

### Higher loan, less interest

Many business owners could use a little boost. That's why in 2015 we signed with our leasing subsidiary DLL and the European Investment Bank an agreement to support Dutch companies. Thanks to this credit facility a total of 400 million euros will be available. This money is distributed among approximately 300 companies who receive an interest discount on their funding. This facility is intended to encourage Dutch companies that need investment to develop. The total amount is split between Rabobank and DLL, who lend 200 million euros each.

### The New Shopping Street

Changing habits, increasing competition and lack of distinctive character are impacting on the Dutch retail sector and therefore on shopping areas and city centres. Along with the platform De Nieuwe Winkelstraat ('The New Shopping Street') we are taking on our role of finding solutions to these problems. For example, we talk with shopkeepers, restaurateurs, property owners and municipalities. Fifty of our local Rabobanks participate in these meetings.

> Read more: [A silent revolution right on the shop's doorstep](#)

### Insight for entrepreneurs

Through our Knowledge App and the website [www.cijfersentrends.nl](#) website, we continuously provide Dutch entrepreneurs insight into current developments in their sectors. In the Benchmark Tool entrepreneurs can compare their own financial performance with that of their peers. In addition, we discuss sustainability services with our larger business customers, to share our knowledge about this and to support them in taking the next step.

> Read more about [sustainability](#)

We offer a site full of tips to new entrepreneurs:

[www.ikgastarten.nl](#). This page attracted around 130,000 unique visitors per month in 2015. We are a partner of the online platform [www.Port4Growth.nl](#), which focuses on the exchange of knowledge between entrepreneurs.

> Read more about [start-ups](#)

## 6 Agriculture and food

Healthy common sense and entrepreneurial instinct are innate at Rabobank. We have long had the broadest portfolio of customers in global food and agri, with the vast majority of customers in the Dutch agriculture sector. We are happy to share our large amount of high-level knowledge of the markets with our customers. This also applies to our networks. For example, we help customers do smarter business and make a greater contribution to the economy.

### Banking for Food

Do we have enough to eat in the coming years for everyone on earth? This question affects us all. The global population is growing and becoming more prosperous. This will increase food demand by 2050 by sixty per cent. Businesses in agriculture and the food chains will thus have to produce more, with fewer raw materials. Only in this way can they ensure sustainable food production and a healthy economic situation in the long-term.

Banking for Food is Rabobank's vision for food security and the bank's role in this. Here we combine our in-depth knowledge of food and agri, our global network and our customer focus. We serve the entire food chain: from small farmers to mega companies, from the kitchen to the boardroom, from grower to supermarket chain. Our specialists share their industry knowledge, consulting power and solution-oriented approach with our customers in over forty countries.

### Exchanging knowledge

We are constantly expanding our knowledge of the food chain through contact with customers and interest groups. In 2015, for example, we announced a partnership with UC Davis, a university in California with a world-renowned College of Agricultural and Environmental Sciences. We will exchange knowledge and carry out studies together. We are strengthening our collaboration with the Nuffield Farming Scholarship. This Australian institute wants to make the agriculture sector more dynamic and innovative. Nuffield offers experienced farmers the opportunity to explore an important topic thoroughly. It starts with a scholarship, but Nuffield also opens doors to relevant companies, experts and knowledge

centres. Rabobank also shares its knowledge in this process. The results of the study findings are shared in reports and presentations with a broad audience.

Rabobank often organises local and regional knowledge and networking events, but there are also programmes with participants from all over the world. Thus since 2012 we have brought more than 150 farmers from different countries together in the Global Farmers Master Class. In addition, we share knowledge about the sustainability in food and agri chains that we gain in roundtable meetings and during projects in cooperation with the World Wide Fund for Nature.

- Read more about the [Global Farmers Masterclass](#)
- Read more about the [roundtables](#) and the [World Wide Fund for Nature](#)

### Netherlands

Within the Dutch food and agri sector, we contribute with our knowledge and networks for helping farmers in their opportunities and challenges. For example, greenhouse horticulture is doing badly. To achieve the necessary improvement, producer organisations, the government and Rabobank joined forces in 2015. This coalition is going to work with the problem areas in the industry and hopes to bring about a reversal within a few years. This concerns mainly market, infrastructure and logistics.

- Read more about [food & agri](#)

### 7 Wholesale

As a leading wholesale bank in the Netherlands, we serve wholesale customers in all sectors. Abroad, we focus on food and agri. We serve the entire chain, from farm to plate. Also when stepping into the international market, we accompany our Dutch customers with appropriate products and services. Through the optimal use of our international network, knowledge and expertise, we encourage the qualitative growth of businesses and we contribute to the earning capacity of the Netherlands.

The financing of a large wind farm is often a complicated puzzle. There are many parties and interests at issue. With its knowledge, skills and understanding, Rabobank regularly plays a crucial role in solving the financing issue. For instance, with a recent deal in Finland, in 2016 eleven wind turbines higher than 100 metres will be built.

- English: [Driving force in Finnish wind turbine deal](#)

### Mergers, acquisitions and IPOs

Rabobank also advises on mergers, acquisitions and IPOs. Our international specialists in this field accompanied a number of leading transactions in 2015. Some transactions in 2015: the sale of a non-controlling interest in Hendrix Genetics to NPM Capital, the sale of mail-order firm Wehkamp to the private equity business Apax, the acquisition of the Brazilian company Nova Agri by the Japanese Toyota Tsusho group, the acquisition of the Czech activities to supermarket chain SPAR by Ahold, the sale of the Indonesian Poliplant Group to Cargill, and the flotation of the 100% Dutch beverage business Lucas Bols.

### 8 Innovation

The desires and needs of customers are changing fast. This requires continuous innovation in products and services. Rabobank wants to be a leader in modernising its own services and excellent customer service. With innovation we can achieve these goals and quickly respond to market opportunities.

Innovation is therefore higher on the agenda than ever. Since 2015, we have had an Innovation Board with participants coming from different corners of the bank. They stimulate and accelerate innovation across the group in economic, technological and social areas.

### The new nearby

To ensure that customers can always do more themselves, we are ensuring improvement of current processes with 24/7 digital availability. Digitisation not only leads to standardisation, but also offers extensive possibilities for customisation. We therefore closely monitor developments and trends within the bank so we can respond to them. We are nearby in a new way. Through events such as Footbytes, we put start-ups from the 'agri-tech' in touch with large food and agri companies who are looking for innovation. Thus, we also help our customers to renew. During hackathons groups of developers come together to develop solutions for the bank in a short time.

### Contributions to society

An innovative idea can be the driving force behind the economy or a boost to job creation. That is why Rabobank supports new entrepreneurs with knowledge, funds and networks. We regularly get inspiration from the refreshing plans entrepreneurs have for the future of the banking industry and seek cooperation opportunities with them. We do this by working with national and regional incubators. These are breeding grounds such as Startupbootcamp, UtrechtInc and Yes! Delft, which help entrepreneurs accelerate their plans.

- Read more about [hotbeds of innovative talent](#)

We also give out several innovation awards annually to give a helping hand to innovative thinkers. In addition, we join up with start-ups: since 2015 we have been partners with Facturis. This company can take over and digitise all incoming and outgoing invoice and payment flows of companies. Often, as a result the financial logistics become much cheaper and more efficient, while giving a company more insight and control. We are also a shareholder in Fundipal, the crowdfunding portal. Rabobank sees crowdfunding as an important financing solution in addition to bank financing.

- Read more about [innovation](#)
- Read the more detailed section [Complete customer focus](#) in the Annual Review



# Corporate social responsibility report

## *Empowering employees*

One of the strategic pillars of the bank is Empowered employees. This particularly reflected in the attention that is being given to embedding the culture transition processes that have been initiated, an integrated approach to talent and management development, and diversity.

The results of the culture survey indicate that the employees see a beginning of the desired change, but that we are not there yet. Colleagues worldwide discussed dilemmas in the workplace together during the Values Week in June.

In striving for continuity of the organisation, talent management focuses on sufficient potential for key positions. Developments within Rabobank and in the labour market have led to a renewed global traineeship. In an organisation that is shrinking, it is necessary to recruit young talent that is committed to the strategic goals of the bank. It is therefore necessary to be an attractive employer. Employees who have to leave because of the bank reorganisations are given help in finding a new job inside or outside the bank. To support the diversity policy, a diversity board was established. The bank does not want to leave any talent untapped: we are convinced that diversity contributes to a better bank both for our customers and for our employees.

In 2015 preparations started for the transition to the new cooperative, operational since 1 January 2016. Working as one cooperative also means that cooperation will play an even greater role. From January 1, all employees are employed by the same Rabobank. This will further reinforce the joint ambition to continue to improve our customer service.

### Participation

Within Rabobank, we frequently organise consultations on participation, both formally and informally. In view of the new governance as of 1 January 2016, in the spring of 2015 (Rabobank Nederland Works Council and Group Works Council of Affiliated Banks) a dialogue was started with the relevant works councils to achieve a new participation structure. This process is in the final phase and implementation is expected mid-2016.

### Employment, workforce reduction and social plan

As a result of Vision 2016 at Rabobank in the Netherlands between 2012 and 2016, around 6,000 jobs have been lost and 3,000 more will go. In December, it was announced that in the period 2016-2018, the number of jobs will decrease by 9,000, mainly in the back office and the supporting services of the bank. This is in view of the envisaged increase of performance, and the resulting efficiency improvements that all business units will make. At year-end 2012, Rabobank employed a total

of 41,858 people in the Netherlands, at the end of 2015 this number has decreased to 34,105. These figures do not include external employees. This loss of jobs is necessary to remain a strong bank in the future as well. A bank that anticipates the changing customer behaviour and that continues to strengthen the Dutch economy. Thereby we would like to offer our employees as much perspective as possible.

Rabobank maintains its own Collective Labour Agreement (CLA). In order to ensure that the workforce reduction proceeds as scrupulously as possible, the bank signed a Social Plan with the trade unions in 2013, as part of the Agreement for 2013-2015. The negotiating partners agreed in 2014 that the Agreement would be renewed until 2016, including the Social Plan. This ensures that the employees who are to be made redundant between now and the end of 2016 will clearly be informed about the way they will be supported and about the terms of severance that will apply.

In the current collective labour agreement 2013 - 2015 it was agreed that there will be no collective pay rise in those years. In the extended collective labour agreement 2016 it is established that wages will not rise collectively in 2016. We would like to emphasise however that we made this decision in good conscience and in conjunction with the trade unions. We consider it extremely important to act meticulously and in accordance with the highest principles in parting ways with employees, a great number of whom have served the company for many years. In addition, the general pay freeze is also consistent with Rabobank's wish to scale back its terms of employment.

The social plan aims to avoid redundancy and forced dismissals as much as possible. The Social Plan also provides for a phase of 'active mobility', as part of which employees whose position will be eliminated in the near or more distant future will be offered additional opportunities to find work, either within our organisation or elsewhere. The plan provides that employees who are made redundant will receive support from a mobility centre. The plan also specifies severance pay to which the employee is entitled.

### Talent development and management

Rabobank invests in the career development of all employees. Management and Talent Development (MTD) focuses on the identification and development of talent and managers in order to realise the strategic ambitions of Rabobank. Developing talent and management is the primary responsibility of line management. In this context, HR plays a facilitating role by providing advice and by furnishing the right processes, development programmes and systems recording employee data.

#### *The best people in the right places*

The objective of talent management is to try to get the best people in the right places. This is done through a group-wide, uniform process of talent identification, talent development, talent management, succession planning and appointments. This input is discussed in our talent and rotary tables. Periodically on the agenda of these tables room, is made for discussing the talent pipeline and succession management in the short and long term. Attention is also paid to diversity in the composition of executive and management teams.

### Management

The provision of training for this group of employees is regularly updated. This year we are working on redesigning the management programme, in which a group of managers, during a period of nine months, works on the improvement of management skills in their current position. The offered training opportunities are in line with the strategy and the four themes of the management agenda of Rabobank. For new inflows into the pool of directors at local Rabobanks, the interim management programme being used has proven to be successful for many years. Conducting interim assignments and development go hand in hand in the IM process.

The members of the Executive Board and the supervisory board have had several meetings on substantive issues (including customers, innovation, risk and IT) in the framework of Permanent Education. In addition, the Executive Board has paid particular attention to culture in a number of off-sites.

### Trainees

In addition to offering the current trainee programs, work is being done on setting up a single international program for potential talent. The revamped program is more in line with the target audience and future requirements of the bank. There is even more emphasis on aspects such as rotation, advancement within the various parts of the bank, targeted career guidance and matching at the end of the first year traineeship.

The market for young graduate talent is highly competitive, in response to which further professionalisation of campus recruitment activities will be required. We take various initiatives and try to make top talent enthusiastic about Rabobank while they are still undergraduates. For instance, we launched RaboBattle, organised guest lectures by Rabobank employees as well as 'deal teams' with colleagues, who visit their former university city in view of the recruitment of future colleagues. The policy of Rabobank also aims at the recruitment of talent from less obvious disciplines. In addition, the bank aims to attract as many men as women in order to build up a diverse workforce.

### Strategic Resource Planning

The Rabobank organisation is changing significantly and therefore control of the quantitative and qualitative staffing is increasingly important. Based on the strategy of the organisation, it is necessary on the basis of a longer-term perspective to get a view of the employees of the future and to make an analysis of the potential gap with current staffing.

In 2015, there has been a lot of attention on the changing Rabobank organisation. Employees of local Rabobanks have become more favourable about the time course of the changes and the way they are involved. For employees of central units the issues of future development and investment focus require attention<sup>1</sup>. Gaining clear insight into the changing organisation and the desirable staffing is very important. This should be developed by management to a functional level. Gaining insight into the changing organisation and the impact on their own role is also important for each employee. This requires ongoing management attention and it helps the employee to assume personal responsibility for his or her future and employability. This calls for a 'proper conversation' between management and staff. This conversation is about the current performance and potential of employees within this changing context. These conversations should be conducted in a timely and regular basis and require courage and openness.

### Employee Value Proposition

An Employee Value Proposition (EVP) is the promise of the employer, made to its current and future employees. Major changes within the bank and in the banking environment caused Rabobank to change its employers' proposition. For example, in the past, employment relationships were characterised by lifetime employment. This is no longer the case. Reorganisation, cost reduction, staff cuts and modified terms of employment require re-evaluation of the (implicit) employer's offer. Therefore, in 2015, a project was started to redefine the EVP Rabobank and to establish what Rabobank, as a special cooperative bank and employer, actually has to offer to current and future employees, as Rabobank wants to be and remain an attractive employer for people it wants to retain. It remains important that (future) employees connect their talent with the story, the mission and the ambitions of Rabobank. When developing the new EVP, we made sure there was a connection with the labour market proposition Space for you, which was chosen in 2015. In 2016, the new EVP Rabobank will be reviewed within Rabobank and subsequently be anchored in the HR policy.

### Cultural movement

In 2014, Rabobank launched the Culture Collective programme, which focuses on the daily interaction with customers and between employees. In various ways, Culture Collective challenges executives, managers, team leaders and staff to

reflect on their own attitudes and behaviour and the impact on others. Rabobank subsidiaries DLL and Rabo Real Estate Group have launched their own cultural paths.

In 2015, management teams of local Rabobanks and teams at the central units, including those of Wholesale, Rural & Retail participated in meetings that were themed on 'Individual', 'Employee' and 'Organisation: Full customer focus'. Subsequently, this group of managers is responsible for transposition to their own unit, and acts as a role model in this cascading transfer. They receive support and guidance from facilitators: colleagues who are fully exempted and trained for this role in the organisation. Additionally, in each domain culture coaches are appointed who talk about attitudes and behaviour with directors.

To foster cooperation and increase mutual understanding between the local Rabobanks and the central units, the participants in Culture Collective visited each other's unit in 2015. All the foregoing took place under the heading Your Culture, My Culture.

### Values Week

To encourage dialogue about dilemmas regarding attitude and conduct in day-to-day work situations, Rabobank organised, from 15 to 19 June, a Values Week worldwide. This week is also the kick-off for making and signing the banker's oath as set out in the package Future-oriented Banking. Additionally, within Rabobank, we developed a 'value range' for all employees in which the desired behaviours are identified.

The resulting debates this week concerned our culture and the dilemmas we encounter in our daily work; not about any legal repercussions. With this approach, Rabobank has shown that the banker's oath and the associated values are much more than a protective barrier to avoid getting into trouble. It is a forward impulse to improve as a financial institution, to better serve our customers, to give Rabobank more inspiration and to empower colleagues. In 2016, Values Week will take place again.

### Culture survey

Following the first cultural measurement among all employees of the bank at the beginning of 2014, a culture survey was held among a random sample of employees worldwide was held in June 2015. The results showed that initial steps of awareness of personal attitude and behaviour have been made. The results also indicate that after a period of reflection, employees seem to want to look ahead and give substance to the future role of Rabobank as an innovative, efficient and social bank. A yearly culture survey will measure how employees experience and assess the culture.

<sup>1</sup> Source: Health Monitor ARBO, 1st half 2015.

## Future

In 2016, the culture within Rabobank will remain a focus of attention. There will be new meetings, tying in with the strategic themes of the implementation agenda Rock-solid bank and Empowered employees and Meaningful cooperative. Several events have been organised, including the Values Week and the Week of Cooperation, where we talk to each other about our values and our own behaviour across domains and hierarchical levels. We then anchor the culture movement awareness into existing internal programs, meetings and structures.

## Diversity, a question of doing

As from 2012, the diversity policy was mainly focused on gender diversity, but this was widened in 2015. Rabobank is committed to a culture in which we do not exclude anyone, where everyone feels valued and where all talents are used, regardless of one's gender, cultural background or sexual preference. Through more diversity, we become a better bank in all respects, both for customers and employees.

To ensure commitment and involvement from the top, a diversity board has been set up. It consists of two members of the Executive Board and a number of directors of central units and local Rabobanks. The diversity board oversees the implementation of the diversity policy.

Targets are set for the proportion of women at the top of the company. In 2020, the top tier of Rabobank should consist of 30% women and the second tier of 40% women. Although we still need to take significant steps in this respect, 2015 saw a positive trend in appointment of women at the top. At executive management level, the proportion of women increased slightly from 12% to 14%. This is the result of targeted measures, such as the participation of women in management and talent development meetings, the agreement that there should always be 20% of women on the short-list and the sponsoring of female talents.

Agreements have also been made about the deployment of people with a work disability. According to the agreements, made between social partners, to make 100,000 jobs available to people with an occupational disability, it was agreed within Rabobank that each local Rabobank and each central department should at least have one job occupied by an employee with an occupational disability in the coming years.

Finally, we also strive to reflect society from a cultural point of view. With a number of ambassadors of local Rabobanks and central units, therefore, at the end of 2015 a long-term plan was initiated. In 2016, this plan will be implemented.

12 October was dedicated to Coming Out Day, organised by the Rainbow network for lesbian, gay, bisexual and transgender (LGBT) employees within Rabobank Group.

## Vitality, resilience and absenteeism

A good organisation has an interest in healthy employees. For this reason, Rabobank attaches a lot of importance to vitality, resilience and minimising absenteeism. We noted in 2015 that employees at local Rabobanks felt less engaged and experienced a higher degree of work-related stress. Therefore, we offer a variety of tools to help empower our staff.

A total of 64% of employees of local Rabobanks reported feeling a sense of vitality in 2015 (67% stated that they felt 'engaged'). 59% of employees have proactively taken measures to shape their career.

46% of employees did not call in sick at all in 2015 (2014: 45%). Of those who called in sick, 80% were back at work within a week (2014: 80%).

In 2015, a relatively large number of employees were at risk of becoming unfit for work due to a high workload or work-related stress. 31% of the employees of Rabobank in the Netherlands have an increased workload. 18% suffer from work-related stress. Both of these key figures exceed the standards established in the company Working Conditions Policy (25% and 15%, respectively). It should be noted that there are marked differences between individual departments and positions. The scores provided by advisors and employees in sales and marketing positions, for example, indicated higher levels of workload pressure and work-related stress and a lower level of engagement.

The absenteeism of Rabobank employees increased in 2015 by 0.03% compared to 2014 (3.69%). This 3.72% is marginally higher than the norm of 3.7%. 46% of long-term absenteeism is related to psychological problems (2014: 46%).

The rate of work-related absenteeism fell slightly in 2015. The absenteeism of 28% of all employees who were ill for an extended period of time was related to the work situation (2014: 29%<sup>1</sup>). The causes of work-related absenteeism include mental and psychosocial factors and impaired working relationships.

In 2015, 68% (2014: 71%) of trusted persons were consulted; by an average of 2.5 workers (2014: 2.2).

1 From 2014, work-related absenteeism has been recorded in a slightly different way. The percentage of 32% for 2014 after recalculation amounts to 29%.

## Vitality

Vitality is the basis of resilient employees. In 2015 as well, employees were encouraged and facilitated to take responsibility for their vitality. This year the emphasis was on a 'proper conversation' between employee and manager. Topics in 2015 were: Family care, Working together for vitality, Moving together and Sharing together. In the vitality campaigns, the information and available tools are always referred to. On the HR portal, employees will find a digital vitality scan, providing insight into the degree of vitality, while giving tips on how to improve vitality. In 2015, the vitality scan was completed 3,047 times.

## Work-related stress

The cause of work-related stress lies partly in the organisation of work and partly in the way in which employees and managers deal with pressure and uncertainty. Therefore, a proper approach to work-related stress focuses both on the organisation, the manager and on the individual employee. In 2015, the Occupational Health and Safety Service launched targeted advice to departments/banks with peak scores on work-related stress. Rabobank also participated in the national campaign Check Your Work-related Stress. During this campaign, employees and executives of Rabobank were held accountable for their role in work-related stress. The Executive Board has contributed to the campaign by acknowledging the high stress levels at Rabobank, taking responsibility for work-related stress, for example, by calling on people to jointly address work-related stress and by inviting employees and managers to talk to each other.

## Industrial Relations Disputes Procedure

The Industrial Relations Disputes Procedure provides managers and employees with the opportunity to submit an awkward situation to an impartial and independent third party. The aim of the advisors/mediators is to, insofar as possible, have differences of opinion settled in the workplace by the parties themselves, preferably as part of an open discussion between the bank and the employee. If this does not succeed, or if the possibility exists that the mutual relationships will get too burdened, the Disputes Committee may be asked to issue a binding decision.

In 2015, the majority of disputes was related to the functioning of an employee, whether or not in combination with organisational changes and/or concerns regarding future prospects. Many employees suffered from uncertainty or the fear that they would lose their position or their employment at Rabobank altogether. The mutual working relationship and application of terms of employment also played an important role.

254 disputes were dealt with in 2015 (2014: 243) by the GRA (Industrial Relations Disputes Procedure). In 197 cases, disputes were handled by means of advice; arbitration took place 24 times and mediation 24 times. The Industrial Relations Disputes Committee was presented with nine files. The Committee issued a binding ruling on 8 occasions, after having consulted with both parties, both in writing and orally. For one file parties reached a solution prior to the session.

# Risk management

Rabobank pursues a risk policy aimed at maintaining a moderate risk profile. The risk strategy focuses on continuity and realises protection of our profits and profit growth, the retention of robust balance sheet ratios and the protection of our identity and reputation. This is reflected, for instance, in the comfortable liquidity position and our strong capital position, as can be seen for example from our standards capital ratio and liquidity coverage ratio.

## Risk strategy

**EDTF 6** Rabobank's risk strategy supports the management in the realisation of the business strategy by defining boundaries within which the bank must operate. An important starting point for the risk strategy is that running risks is an inherent part of banking. Without risks (profitable) banking activities are not possible. Therefore, it is natural to not only accept a certain degree of risk but also to pursue it. The risk strategy focuses on

- a healthy risk-return ratio;
- protection of profit and growth in profits – Rabobank's business strategy is based on its cooperative background, and thus maximisation of profit is not an objective;
- retention of solid balance sheet ratios: solid balance sheet ratios are essential to ensure continuity in the provision of services to customers on sustainable and favourable conditions, and
- protection of Rabobank's identity and reputation: Rabobank wants stakeholders to continue to have confidence in the bank.

The mission of the Risk Management department is to ensure the financial stability and continuity of Rabobank by monitoring its risk profile. The Risk Management department ensures that risk management is implemented correctly, in line with legislation and best practices in the market.

## Risk culture

Risk is everybody's business. Rabobank expects all employees to contribute to a sound risk culture focused on long term relationships with customers and on the best interest of the customer. Employees are explicitly expected to deal responsibly with risks and dilemmas, make careful considerations in the interests of stakeholders, to always be honest and reliable and take responsibility. Each individual employee contributes to Rabobank's risk profile and the way in which risks are

managed. Desired behaviour is encouraged and undesirable behaviour is corrected. An important principle is that we create an environment where staff can freely discuss risks and be open about dilemmas that arise at work. Tunnel vision must be avoided when assessing risks. It is important to learn from mistakes and avoid repetition by removing causes and sharing learning experiences. Risk management activities ensure that risks stay within the set risk appetite and support the assessment of possible consequences of choices, careful risk/return considerations and appropriate measures based on current risk analyses.

The risk culture is further elaborated in the codes for different topics such as integrity, credit risk, information security, privacy and sustainability.

## Risk appetite

**EDTF 7** Rabobank uses an integral risk management model and a clearly defined risk management cycle, both at group level and within group entities. This consists of the determination of the risk appetite, the preparation of integrated risk analyses and the measurement and monitoring of risks. The risk appetite is in line with the risk strategy and provides insight into the types and level of risks that Rabobank is prepared to take in realising the business objectives.

## Significant risks and developments

Rabobank follows external developments and closely monitors the risks which could impede the organisation in achieving its objectives. Top-down and bottom-up risk analyses are regularly carried out to identify various types of risks and specific stress tests are conducted to calculate the impact of negative scenarios. The integral overview of the most important risks, the changes therein and the measures taken are a regular subject of discussion in the Executive Board and Supervisory Board.

Banking is taking risks. When we see market opportunities, recognise possibilities, take decisions, we also weigh up the risks. Every day, Rabobank takes thoroughly considered risk decisions in its lending operations for instance, in entering into interest rate contracts and in its other services. To manage the material risks, risk and control processes are designed to ensure that the risks incurred remain within the bank's risk appetite and that risk and return are appropriately matched. These cover the regular banking risk types: credit risk, market risk, interest rate risk, liquidity risk and the non-financial risks including compliance. Rabobank nonetheless recognises a number of fundamental residual risks:

<i>Sustained historically low interest rate levels</i>	have an adverse impact on profitability of Rabobank mainly due to the impact on the result from Rabobank's interest rate business.
<i>Sustained exceptional market developments</i>	influence the Value at Risk (VaR) and require continuous mitigation by adjusting the market risk position based in strict limits.
<i>Unexpected loan losses</i>	despite an effectively diversified business model and prudent lending criteria loan losses may be higher than estimated.
<i>Balance sheet imbalance</i>	funding costs may undesirably increase due to dependence on the capital market and the increasing regulatory capital requirements.
<i>Increase and complexity of regulations</i>	the additive effect of new regulations has a direct impact on the available strategic alternatives and imposes a heavy burden on scarce human and financial resources.
<i>Negative public opinion</i>	restore of confidence in the financial sector is an important condition to maintain a healthy customer base.
<i>Geopolitical and economic instability</i>	geopolitical unrest in the Eurozone and in the emerging markets and continued economic instability lead to uncertainty in the financial markets.
<i>IT systems and security</i>	technology and digitalisation contribute to more efficient business processes and improved service but at the same time lead to greater reliance on IT systems. Cybercrime is a main focus area.
<i>New market players and disruptive technology</i>	lead to increased competition in areas such as payment systems and credit.

The abovementioned risks are inherent to the business model of Rabobank. The recent changes in the governance model and the announced cost savings operation are part of the renewed strategy. Successful implementation of this strategy is important for the future of Rabobank.

## Credit risk

**EDTF 27** Credit risk is the risk that the bank will suffer economic losses if a counterparty cannot fulfil its contractual or other financial obligations arising from a credit contract. Credit is any legal relationship on the basis of which Rabobank, in its capacity as a bank, has or could have a claim against a debtor as a result of providing a product. In addition to loans and facilities (committed or uncommitted), credit used as a generic term also includes guarantees, letters of credit, derivatives and the like. Rabobank has a robust framework of policies and processes in place to measure, manage and mitigate credit risks.

## Risk management framework

### Credit acceptance

Rabobank's prudent credit acceptance policy is typified by careful assessment of customers and their ability to repay the loan that was issued (continuity perspective). As a result, the loan portfolio has an acceptable risk profile even in less than favourable economic circumstances. Rabobank aims to have long-term relationships with customers that are beneficial for both the client and the bank. Approval of larger credit applications is decided on by committees. A structure consisting of various committee levels has been established, with the competent committee being determined by the amount of the credit application. Decisions on the largest loans are made directly by the Executive Board.

An important starting point in acceptance policy for business loans is the 'know your customer' principle. This means that the bank only issues loans to business customers whose management Rabobank considers to be ethical and competent. In addition, Rabobank closely monitors developments in the business sectors in which its customers operate and can properly assess the financial performance of its customers. Risk appetite criteria are also applied when issuing loans.. Corporate sustainability also means sustainable financing. Sustainability guidelines have been established for use in the credit process.

### Risk measurement

#### Credit monitoring and reporting

With the introduction of the Basel II framework, Rabobank developed the Rabobank Risk Rating (RRR) master scale, comprising 21 performing ratings (R0-R20) and 4 default ratings (D1-D4). The performing ratings are linked to the probability of default of the client within a period of one year (PD), for which purpose the ratings are determined on a cycle-neutral basis in principle. D1-D4 refers to default classifications: D1 represents 90 days' arrears, D2 indicates a high probability that the debtor is unable to pay, D3 indicates the debtor's inability to meet its commitments and that their properties will most likely be sold off, and D4 indicates bankruptcy status. In accordance with this approach, all D-ratings constitute the total non-performing exposure.

In addition to the RRR referred to above, Rabobank uses the Loan Quality Classification System (LQC) for internal reporting. This system distinguishes five different categories: Good, OLEM, Substandard, Doubtful and Loss. The focus is on developments in the classified portfolio, comprising the classifications Substandard, Doubtful and Loss. The exposures in this portfolio are reviewed and addressed (at least) twice a year by the Special Asset Management department.



In external reports 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 debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or the number of days past due.

Rabobank has developed a policy for monitoring its forbearance portfolio on a quarterly basis. Forbearance can be understood to mean 'clemency' or 'respite'. The forbearance portfolio consists of Rabobank customers for whom such measures were taken. The measures under that name comprise concessions to debtors with (imminent) financial problems. A concession concerns one of the following actions:

- A change to the originally agreed conditions for a loan as an adequate solution as a result of financial problems affecting the debtor ('problem loans'). These solutions or changes would not be applied if the debtor was not experiencing financial difficulties.
- A full or partial restructuring of the funding of a problem loan which would not have been offered if the debtor had not been experiencing financial difficulties.

The rationale for the monitoring of this part of the portfolio lies in the concerns of the European regulators on the deterioration of the quality of the portfolio. Forbearance measures would be able to camouflage this deterioration of the portfolio because thanks to the concession debtors can meet their financial obligations for longer.

### CRR (CRD IV) compliance

For the most part Rabobank uses the Advanced IRB approach in its loan portfolio to calculate its regulatory capital requirements in accordance with CRR (CRD IV). This is the most sensitive form of the CRR (CRD IV) credit risk approaches and also means that Rabobank uses internal rating models. Rabobank combines CRR (CRD IV) compliance with an internal economic capital framework. This working manner comprises the most important risk components for internal risk management and for risk management processes. The most important advantages are a more efficient loan approval process, improved internal credit risk monitoring and reporting and the use of economic capital. Another important aspect of the credit application is the Risk Adjusted Return on Capital (RAROC). This facilitates better decisions on credit applications. The Advanced IRB approach uses the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

The EAD is the bank's expected exposure at the time a counterparty would default. At year-end 2015, the EAD of Rabobank's total Advanced IRB loan portfolio was EUR 594 (582) billion. This EAD includes the expected future usage of unused credit lines.

At year-end 2015, the EAD weighted average PD of Rabobank's total performing Advanced IRB loan portfolio stood at 0.98% (1.05%). The slightly improved PD was caused by a change in the PD of existing debtors as well as by changes in the composition of the portfolio (inflow and outflow of clients) and the implementation of new models and policy changes.

The PD reflects the extent to which customers are expected to be able to meet their obligations. The PD does not provide any indication as to the potential losses, because Rabobank has in many cases secured additional collateral. This additional collateral is reflected in the LGD, which also takes the possibility of restructuring into consideration. The LGD is the estimated economic loss that will result if the debtor defaults, expressed as a percentage of the EAD. At year-end 2015, the LGD percentage of Rabobank's total Advanced IRB portfolio was 25.0% (23.2%).

### Loan impairment charges and loan impairment allowances

After a loan has been granted, continuous credit management takes place. New financial and non-financial information is assessed. The bank ascertains whether the client complies with the agreement made and whether it can be expected that this will be the case in the future. If this is expected not to be the case, credit management is stepped up, monitoring becomes more frequent, and a closer eye is kept on credit terms. Guidance is provided by a special department at Rabobank if the business continuity is compromised for larger and more complex loans: Special Asset Management. If it is likely that a debtor will be unable to pay the amounts owed to Rabobank in accordance with the contractual obligations, this will give rise to an impairment (impaired loan). In addition to the process of timely establishment of impairment in 2015 so-called impairment triggers were introduced bank-wide. If necessary, an allowance is formed that is charged to income. The allowance for loan losses consists of three components, as described below:

- The **specific allowance** is determined on an individual basis for impaired corporate loans representing significant sums. This allowance is equal to the exposure to the customer less the cash value of future cash flows to be received (including any selling off of collateral). Any specific provision with an impact of 7.5 million euros or more on the results account is dealt with by the Provisions committee.

- The **collective allowance** is determined for impaired loans which individually are not significant, i.e. primarily loans to private individuals and small businesses. The allowance is set at portfolio level, using CRD IV model parameters adjusted to IFRS guidelines.
- The **general allowance** is determined for the portion of the portfolio that is actually impaired in the reporting period but has not yet been identified as such (IBNR: incurred but not reported). This allowance is determined because there is always a mismatch between an event causing a customer's default and the time that the bank identifies this default as such and records it in its systems. Also in this case, CRD IV parameters are used (adjusted to IFRS guidelines) to determine the amount of the allowance.

Over and above these allowances, additional coverage is raised through collateral and other securities. Rabobank applies the one-obligor principle, which means that the exposure to the debtor and all related counterparties is included. Furthermore, the full exposure on the client is then considered as impaired; therefore also for the part for which there is adequate coverage in the form of collateral, where the risk of a loss is obviously lower.

<b>Loan impairment charges and loan impairment allowance</b>						
<i>in millions of euros</i>	2015			2014		
	<i>Loan impairment charges</i>	<i>Loan impairment charges (in basis points)</i>	<i>Allowance</i>	<i>Loan impairment charges</i>	<i>Loan impairment charges (in basis points)</i>	<i>Allowance</i>
Domestic retail banking	343	12	3,963	1,422	48	4,836
Wholesale banking and international retail banking	526	53	2,962	420	44	2,881
Leasing	85	25	344	131	43	403
Real estate	90	56	1,175	656	364	1,270
Other	(11)	n/a	34	4	n/a	48
<b>Rabobank Group</b>	<b>1,033</b>	<b>24</b>	<b>8,478</b>	<b>2,633</b>	<b>60</b>	<b>9,438</b>

In 2015, the loan impairment charges were at a considerably lower level compared to 2014, in particular for the Dutch portfolio. The most important reason for this was the economic recovery resulting in few new defaults, the recovery of existing defaults or the foreclosures at better than anticipated collateral values, and adequate existing allowances.

Expressed as basis points of the average private sector loan portfolio, this stood at 16 in the first half of the year and at 32 in the second half of the year. The ten-year average (period 2005-2014) for loan impairment charges is 36 basis points.

<b>Development of loan impairment allowance</b>						
<i>in millions of euros</i>						
<i>Allowance</i>	<i>Write-down</i>	<i>Net increase</i>	<i>Other</i>	<i>Allowance</i>	<i>Received after write-down</i>	<i>Loan impairment charges</i>
<i>31-12-2014</i>	<i>2015</i>	<i>2015</i>	<i>2015</i>	<i>31-12-2015</i>	<i>2015</i>	<i>2015</i>
<i>(I)</i>	<i>(III)</i>	<i>(IV)</i>	<i>(V)</i>	<i>(VI)</i>	<i>(VII)</i>	<i>(VIII=IV+VII)</i>
9,438	(2,307)	1,134	213	8,478	(101)	1,033

## Forbearance

The identification of forbearance measures for the corporate portfolio is performed based on the current Loan Quality Classification framework. Forbearance measures only apply to the classified portfolio. If forbearance measures are applied to a debtor, the debtor will by definition be dealt with by the Special Asset Management department. In addition, all debtors in the retail portfolio to whom forbearance measures are applied must be included in the Special Asset Management portfolio. Lastly, items in the forbearance category must be reported for up to two years after recovery. This period of two years is referred to as the 'probation period'.

<b>Forborne assets on 31-12-2015</b>									
<i>in millions of euros</i>	<i>Private sector loan portfolio</i>	<i>Forborne assets (gross carrying value)</i>	<i>Performing forborne assets</i>	<i>Of which (a): instruments with modifications in the terms and conditions</i>	<i>Of which (b): refinancing</i>	<i>Non-performing forborne assets</i>	<i>Of which (a): instruments with modifications in the terms and conditions</i>	<i>Of which (b): refinancing</i>	<i>Loan impairment allowance on non-performing forborne assets</i>
Domestic retail banking	281,941	7,773	3,586	3,290	296	4,187	3,796	391	1,592
Wholesale banking and international retail banking	98,798	4,138	1,121	706	415	3,018	2,414	603	1,171
Leasing	29,656	211	50	39	11	161	117	44	44
Real estate	15,287	2,358	138	138	-	2,219	2,162	58	765
Other	475	-	-	-	-	-	-	-	-
<b>Rabobank Group</b>	<b>426,157</b>	<b>14,480</b>	<b>4,895</b>	<b>4,173</b>	<b>722</b>	<b>9,585</b>	<b>8,489</b>	<b>1,096</b>	<b>3,572</b>

<b>Non-performing loans</b>		
<i>in millions of euros</i>	<i>31-12-2015</i>	<i>31-12-2014</i>
Domestic retail banking	9,166	10,492
Wholesale banking and international retail banking	5,644	6,437
Leasing	681	576
Real estate	4,012	3,745
<b>Rabobank Group</b>	<b>19,503</b>	<b>21,250</b>

On 31 December 2015, the value of non-performing loans were EUR 19,503 (21,250) million. This represents a coverage of 43.5% (44.4%) if the allowance is related to the non-performing loans. On 31 December 2015, the non-performing loans as a percentage of the private loan portfolio stood at 4.6% (4.9%).

## Developments in the real estate portfolio

Rabobank's commercial real estate portfolio in the Netherlands is managed by FGH Bank and the local Rabobanks. The commercial real estate market showed some signs of recovery in 2015. The demand of real estate end users for offices and business premises increased slightly, although this demand remains low from a historical perspective. The supply of vacant buildings is decreasing, both for offices and retail premises. This is not the result of an increased growth in demand, but extra initiatives to convert vacant buildings in combination with low levels of new housing development. However, rental prices

are still under pressure in areas outside core locations in large cities. This has led to an increasingly visible distinction between properties with little, or no prospect of viability and those with a chance of success. Long term trends such as demographic ageing, the 'New Way of Working' and online shopping are all important factors in this development. The pressure on retail property will continue for the coming years, in particular causing difficulties for mid-market retail chains. This is in contrast to the positive demand on the investment side, in which there is significant activity from both domestic and international investors. Low interest rates and limited returns on other investment segments are stimulating investments in real estate. All real estate segments are in demand among investors. Under the current market conditions, the quality of the commercial real estate loan portfolio is showing signs of stabilisation, especially in the second half of the year, whereby the aforementioned distinction in the market shows differences at sub-sector level.

Within Rabobank Group, management of the commercial real estate portfolio in the Netherlands has been intensified for several years now and steps have already been taken in recent years to tighten the financing, revision and valuation policy. At the beginning of 2015, in the context of One Rabobank, a vision in which Rabobank will combine its

operations to provide an optimal customer service, it was disclosed that FGH Bank would be integrated with Rabobank as a centre of expertise. The preparations for this process are in full swing.

The table below provides insight into the commercial real estate loan portfolio in the Netherlands on 31 December 2015. The Property Development segment is presented separately. Rabobank's lending in this segment was relatively low, at EUR 1.9 (2.3) billion. The commercial real estate portfolio of Rabobank in the Netherlands declined again in 2015 mainly due to repayments, foreclosures and write-downs, loan sales and a lower risk appetite.

#### Commercial real estate loan portfolio on 31-12-2015<sup>1</sup>

<i>in millions of euros</i>	<i>Net loan portfolio</i>	<i>Gross non-performing loans<sup>2</sup></i>	<i>Loan impairment allowances</i>	<i>Loan impairment charges</i>	<i>Write-downs</i>
- Property investment domestic retail banking	7,729	1,447	588	(8)	105
- Property investment real estate segment	13,794	3,614	1,040	142	217
<b>Total property investments</b>	<b>21,523</b>	<b>5,061</b>	<b>1,628</b>	<b>134</b>	<b>322</b>
- Property development domestic retail banking	784	495	301	26	83
- Property development of real estate segment	1,101	172	62	5	1
<b>Total property development</b>	<b>1,885</b>	<b>667</b>	<b>363</b>	<b>31</b>	<b>84</b>

#### Commercial real estate loan portfolio on 31-12-2014

<i>in millions of euros</i>	<i>Net loan portfolio</i>	<i>Gross non-performing loans<sup>2</sup></i>	<i>Loan impairment allowances</i>	<i>Loan impairment charges</i>	<i>Write-downs</i>
- Property investment domestic retail banking	8,586	1,509	673	249	152
- Property investment real estate segment	15,099	3,394	1,098	544	333
<b>Total property investments</b>	<b>23,685</b>	<b>4,903</b>	<b>1,771</b>	<b>793</b>	<b>485</b>
- Property development domestic retail banking	1,062	586	342	23	26
- Property development of real estate segment	1,211	146	43	8	2
<b>Total property development</b>	<b>2,273</b>	<b>732</b>	<b>385</b>	<b>31</b>	<b>28</b>

In recent years, market developments have led to heavy pressure on the quality of the portfolio, which is reflected in the increased level of loan impairment charges. The year 2015 has been characterised by a clear bifurcation of the portfolio. On the one hand, amongst other things the increased interest of investors has caused some sub-markets to bottom out or to

even show signs of some recovery. The allowances made for this part of the portfolio proved to be adequate. On the other hand, structural problems in other sub-markets result in continuing higher loan impairment charges.

Nearly the entire real estate portfolio outside the Netherlands is provided by ACC Loan Management. This portfolio is being gradually scaled down. In 2015, the extra additions to the loan impairment allowance for this portfolio were limited (EUR 40 million). Rabobank expects to make a few further allowances in 2016, albeit at a lower level than in previous years.

#### Country risk

With respect to country risk, a distinction is made between collective debtor risk and transfer risk. Collective debtor risk is the risk that a large number of debtors in a country cannot

1 The table above only concerns identified loan impairment charges and identified loan impairment allowances.

2 Non-performing loans are identified in accordance with the EBA definition of 'non-performing'. The reporting of these loans is in line with general practice in the sector and deviates from the impaired loans that were reported last year.

comply with obligations due to the same reason. For example war, natural disasters, political or social unrest but also government policy that does not allow for macro-economic and financial stability to be realised.

Transfer risk relates to the possibility of foreign governments placing restrictions on fund transfers from debtors in their own country to creditors in other countries. Rabobank uses a country limit system to manage collective debtor risk and transfer risk. After careful review, relevant countries are given an internal country risk rating, after which general limits and transfer limits are set. The transfer limits are set at the so-called net transfer risk. This is equivalent to the total loans granted less loans granted in local currency, guarantees, other collateral obtained to cover transfer risk and a deduction related to the reduced weighting of specific products. The limits are allocated to the offices, which are themselves responsible for the day- to-day monitoring of loans that have been granted and for reporting on this to the Risk Management department. At Rabobank Group level, the country risk outstanding is reported every quarter to the RMC Group and to the Country Limit Committee.

Since concerns about the euro increased, the outstanding country risk, including the sovereign risk for relevant countries, has been reported on a monthly basis. Special Basel II parameters, specifically EATE (Exposure at Transfer Event), PTE (Probability of Transfer Event) and LGTE (Loss Given Transfer Event), are used to calculate the additional capital requirement for transfer risk. These calculations are made in accordance with internal guidelines and cover all countries where transfer risk is relevant.

### Market risk

Market risk is the risk that the bank's earnings and/or economic value may be negatively affected by changes in interest rates or market prices. Exposure to a certain degree of market risk is inherent in banking and creates the opportunity to realise profit and value.

In the management and monitoring of market risk, a distinction is made between market risk in the trading environment and market risk in the banking environment. The various market risks are discussed in the sections below.

Paragraph	Description	Most important risk indicators	Monitoring
Market risk trading environment	Market risk arising from the bank's trading activities. The trading activities are customer-focused or for the bank's balance sheet management and take place at the Markets and Treasury departments.	Value at Risk, Event Risk, interest rate delta	Daily
Interest rate risk banking environment	Interest risk arising from the bank's non-trading activities. Mainly in the Retail banking business because of the difference in interest typical term between assets and liabilities and implicit options in various customer products.	Equity at Risk, Income at Risk, Basis point sensitivity	Weekly/Monthly
Currency risk banking environment	Currency risk arising from the bank's non-trading activities. In particular translation risk that is run on capital invested in foreign activities.	Value at Risk	Monthly

**EDTF 22** A large part of the structural interest rate and currency risks arising from the banking activities are transferred through internal derivative transactions to the trading environment. Within the trading environment these risks are for the most part hedged in the market.

It is not possible to make a direct link between the items on the bank's balance sheet and the various figures for market risk. This is because the bank's balance sheet only contains transactions with third parties. The published market risk figures for the trading books are based on both transactions with third parties and transactions with internal parties in the banking environment. The same applies for the published interest and currency risk figures for the books in the banking environment. These are based on both transactions with third parties and transactions with internal parties in the banking environment.

## Market risk in the trading environment

**EDTF 23** Market risk in the trading environment concerns changes in the value of the trading books as a result of factors including interest rates, credit spreads, foreign currencies and equities. The trading books are located primarily in the departments Markets and Treasury.

<b>Value at Risk by Group entity</b>		
<i>in millions of euros</i>	<i>31-12-2015</i>	<i>31-12-2014</i>
Markets	4.4	2.8
Treasury	1.0	1.1
Other	0.0	0.0
Diversification	(0.3)	(0.7)
<b>Total</b>	<b>5.1</b>	<b>3.2</b>

## Risk management framework

An appropriate system of limits has been developed to manage market risk. Each year the Executive Board, under the supervision of the Supervisory Board, determines the total risk appetite and the related limits. These limits are then translated into limits at book level and monitored on a daily basis by the market risk departments.

## Risk measurement

**EDTF 24** At the consolidated level, the risk is represented by the Value at Risk (VaR), interest rate delta and Event Risk.

The VaR indicates, based on one year of historical market movements, the maximum loss for a given confidence level and horizon under 'normal' market conditions.

The daily management uses a confidence level of 97.5% and a horizon of 1 day. Under this method, Value at Risk is calculated on the basis of historical market movements and the positions taken. In 2015, the VaR fluctuated between EUR 2.5 million and EUR 8.7 million, the average being EUR 4.8 million. This means that under normal circumstances, losses on any single day can be expected not to exceed a maximum of EUR 8.7 million, subject to a confidence level of 97.5%. The VaR amounted to EUR 5.1 million as at year-end.

**Value at Risk**  
in millions of euros



Movements in the VaR were limited and mainly caused by volatility on the financial markets, in particular in the first half of 2015. The VaR remained well within the internal 40 million euro limit throughout the entire year.

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 the end of the year the interest rate delta was 1.4 million euros negative. The interest rate delta remained well within the set limit of EUR 2.5 million during the reporting year.

<b>Interest rate delta</b>	
<i>in millions of euros</i>	<i>31-12-2015</i>
Euro	(1.2)
US dollar	(0.4)
British pound	0.1
Other	0.1
<b>Total</b>	<b>(1.4)</b>

The event risk, which is measured by performing sensitivity analyses and stress tests, was also well within the set limit of EUR 200 million during the reporting year.

## Interest rate risk in the banking environment

Rabobank considers transforming amounts and maturities of money as a major source of earnings and economic value. To meet the needs of its customers, the bank also offers options and products including optionality. This exposes the bank to interest rate risk in the banking environment. Interest rate risk in the banking books is the risk that the earnings and/or economic value of banking books, investment books and capital books will be adversely affected by changes in interest rates on the money and capital markets. Interest rate risk at Rabobank is caused mainly by four factors:

- **Maturity mismatches between loans and funds entrusted.** Rabobank provides mortgages and commercial loans with long fixed-interest terms. These mortgages and loans are partly financed by customers' savings, customers' current account balances and with funding provided by professional money market and capital market players.
- **Quotation risk.** The majority of homebuyers with a mortgage proposal will pay the lowest of two rates: the rate offered or the rate when the loan is drawn down;

- **Prepayment risk.** Customers wishing to repay their loans early are not required to pay an early redemption fee in all cases.
- **Withdrawal risk.** A large proportion of the customer credit balances in current accounts, payment accounts and savings accounts is callable on demand.

Customer behaviour is an important determining factor with respect to interest rate risk in the banking environment. It is actually the most important differentiating factor between interest rate risk in the banking environment and interest rate risk in the trading environment. The risk that customers incur as a result of an increase in their financial obligations due to movements in interest rates does not affect the extent to which Rabobank is exposed to interest rate risk; however it may lead to a situation in which the bank has to deal with a higher level of credit risk.

### Risk management framework

Rabobank accepts a certain degree of interest rate risk in the banking environment because this is an essential part of banking. At the same time the bank endeavours to avoid material unexpected fluctuations in earnings and economic value because of movements in interest rates. The Executive Board, under the supervision of the Supervisory Board, therefore annually approves the risk appetite for interest rate risk as well as the corresponding interest rate risk limits. Reports on the size of interest rate risk in the banking environment are submitted to the responsible asset & liability management and risk management committees on a monthly basis. The asset & liability management committees are in charge of the strategic management of the interest rate risk in the banking environment, while the risk management committees monitor and safeguard the size of this risk. The various treasury departments at the bank are charged with the operational management of interest rate risk in the banking environment. They carry out this task by means of hedging transactions. The triggers and timing for the initiation of a hedge depends among other things on the view with respect to interest rates and the expected development of the balance sheet. Business units have limited freedom to make their own choices within the limits set.

Interest rate risk in the banking environment is not only measured and managed on the basis of end dates and interest rate reset dates in contracts, but the bank's interest rate risk models also take account of customer behaviour. Account is therefore taken of the early redemption of mortgages for example. Demand deposits, such as balances in immediately callable variable interest savings accounts and credit balances in

payment accounts and business current accounts, are modelled using the replicating portfolio method. This method is used to select portfolios of money and capital market instruments that most closely replicate the behaviour of the balance sheet items.

### Risk measurement

Rabobank uses three standard measures for the management of interest rate risk in the banking environment:

- Equity at Risk (EatR);
- Basis Point Value (BPV) or the delta of equity (total and per maturity);
- Income at Risk (IatR).

The EatR, the BPV of equity and the IatR are used to control and manage the interest rate risk in the banking environment arising from changes in the level of interest rates. The delta per maturity or the delta profile is used to control and manage the risk of changes in the shape of the yield curve, which shows the yield per maturity. The risk appetite of Rabobank is expressed in these standards.

In addition to the three standard measures for interest rate risk in the banking environment, Rabobank regularly analyses the impact of one or more macroeconomic scenarios on its earnings and economic value. The results of this analysis are important for integrated rate risk management purposes and are included in reports to senior management. Furthermore, the amount of capital required to compensate for the effect of unfavourable interest rate developments on the books in the banking environment is calculated taking into account both historical interest scenarios and interest scenarios based on the opinions of experts.

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



## Risk appetite and developments in relation to EatR and BPV of the equity

In order to manage interest rate risk from the perspective of economic value, Rabobank uses the EatR as main standard. The EatR shows the percentage decline in the economic value of equity if money and capital market interest rates rise by 1 percentage point. For 2015, the Executive Board set a lower limit of 0% and an upper limit of 6%.

<b>EatR</b>		
	31-12-2015	31-12-2014
EatR	2.4%	0.4%

In 2015, the EatR increased from 0.4% to 2.4%. This rise was mainly caused by an increase in the volume of new mortgages, mortgage extensions and customers' shift in preference towards longer fixed-interest periods.

In addition to the EatR, Rabobank uses the BPV or delta of equity to control and manage interest rate risk from the perspective of value. The BPV of equity shows the change in the economic value of equity if all interest rates in the money and capital markets were to rise by 1 basis point (or 0.01 of a percentage point). The application of the delta profile is designed to control and manage the risk of changes in the shape of the yield curve from the perspective of value. For each individual maturity, the delta profile represents the change in the economic value of equity as a result of a 1-basis point increase in the market interest rate for the maturity concerned. In 2015, both the BPV of equity and the delta profile remained within the limits set.

## Risk appetite and developments with regard to latR

In order to manage the interest rate risk from the earnings perspective, Rabobank uses the latR as main standard. The latR is the largest negative deviation of the expected net interest income in the next 12 months as a result of a gradual rise in all money and capital market interest rates in this period by 2 percentage points and of a gradual decline in all money and capital markets interest rates in this period by 2 percentage points. The limit for this measure was EUR 500 million in 2015. The latR analysis does not take account of active management intervention, but it does take account of the changes in savings behaviour of customers associated with this interest rate development and of changes to the pricing policy for savings products.

<b>latR</b>		
	31-12-2015	31-12-2014
	Decline by 2 basis points	Decline by 2 basis points
Euro interest rates		
latR in millions of euros	19	15

Throughout 2015, Rabobank's net interest income was exposed to an interest rate decrease. On 31 December 2015, the latR stood at EUR 19 million. This low level was mainly due to the basic premise that interest rates will no longer show a significant decline when they are already (partially) in negative territory. For this reason, the assumed maximum decline in Euro interest rates as of 31 December 2015 was 2 basis points instead of 200 basis points. This assumption was the same as at 31 December 2014.

## 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. The policy of Rabobank is to fully hedge the currency risk in 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.

## Risk management framework

Translation and currency risks on the bank's books are controlled and managed applying the policy as described in the Rabobank Group Foreign Exchange Risk Policy. The main purpose of the introduction of this policy was to protect the Common Equity Tier 1 ratio against negative effects of currency volatility.

Group entities must hedge their open positions in currencies other than their functional currency. Among other things, this is done by concluding FX forward contracts or concluding spot transactions combined with cross-currency swaps with the trading desks within the trading environment. Within the trading environment, these currency risks are managed within the market risk limits for the trading books.

## Liquidity risk

**EDTF 18** Liquidity risk is the risk that the bank will not be able to meet all of its (re)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, 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. A comfortable liquidity position and retaining the confidence of both professional market parties and retail customers have proved to be crucial over the past few years. It ensured unimpeded access to the public money and capital markets for Rabobank.

### *Risk management framework*

Rabobank has long recognised liquidity risk as a major risk type. The policy is focused on financing liquid assets using stable funding, i.e., funds entrusted by customers and long-term wholesale funding. Responsibility for the day-to-day management of the liquidity position, the raising of professional funding on the money and capital market, and the management of the structural position lies with the Treasury department.

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 as to generate liquidity immediately. The size of the liquidity buffer is attuned to the risk Rabobank is exposed to in its balance sheet. Besides, Rabobank Group has securitised a portion of the loan portfolio internally, which means it can be pledged from the central bank and therefore serves as an additional liquidity buffer. Since these are retained securitisations, they are not reflected in the company balance sheet.

The third pillar for setting limits to the liquidity risk is a good credit rating, high capital levels and prudent funding policies. A 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. This prevents Rabobank from becoming overly dependent on a single source of funding.

## *Risk measurement*

### *Liquidity position*

**EDTF 18** Rabobank's liquidity position remained robust in 2015.

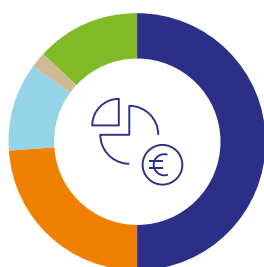
On 31 December 2015, the total liquidity buffer measured in High Quality Liquid Assets (HQLA) was EUR 98 (2014: EUR 80) billion. This increase (in absolute terms) is a result of an increase in funds deposited with the central bank. Rabobank's liquidity buffer, measured in terms of the 'Liquidity Coverage Ratio' (LCR) at 128% (144%) and 'Net Stable Funding Ratio' (NSFR) at 116% (115%), remained well above current (and future) limits. Moreover, the available liquidity exceeded the minimum DNB requirement by an average of 23% (26%).

**HQLA liquidity buffer**

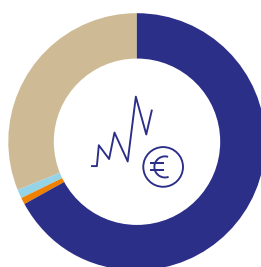
<i>in millions of euros</i>	<i>31-12-2015</i>	<i>31-12-2014</i>
	<i>principal/ market value</i>	<i>principal/ market value</i>
<b>Level 1 assets</b>		
Cash and central bank reserves (after deduction of statutory reserves)	61,447	39,933
Assets issued or guaranteed by government agencies, central banks and multilateral development banks	33,900	36,432
<b>Total holdings of Level 1 assets</b>	<b>95,347</b>	<b>76,365</b>
<b>Level 2a assets</b>		
Assets issued or guaranteed by government agencies, central banks and multilateral development banks	1,553	2,231
Non-financial corporate bonds, rated AA- or better	128	107
Covered bonds, not self-issued, rated AA- or better	137	129
<b>Total holdings of Level 2a assets</b>	<b>1,817</b>	<b>2,466</b>
<b>Level 2b assets</b>		
Residential mortgage-backed securities (RMBS), rated AA or better	252	542
Non-financial corporate bonds, rated BBB- to A+	308	412
<b>Total holdings of Level 2b assets</b>	<b>560</b>	<b>955</b>
<b>Total HQLA holdings</b>	<b>97,724</b>	<b>79,786</b>
Central banks' eligible self-kept RMBS's	43,789	43,184
Central banks' other eligible assets	6,312	6,769
Other assets and illiquid shares	3,235	7,122
<b>Total assets</b>	<b>151,061</b>	<b>136,861</b>

Of the HQLA buffer 62% consists of deposits at central banks, mainly held at the DNB, the Bank of England, the Swiss National Bank and the Federal Reserve Bank of New York. The most liquid category of buffer assets (Level 1 assets) constitutes approximately 98% of the HQLA buffer (and 63% of the total buffer). The HQLA buffer reported contains unencumbered assets and is managed by the Treasury department.

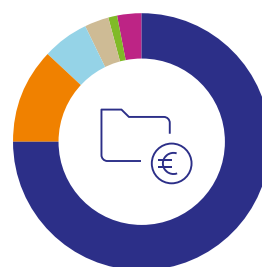
In addition to this HQLA buffer, a significant amount of eligible, retained RMBS notes are held as a buffer for liquidity purposes, secured by residential mortgages issued by Rabobank. In total, the liquidity buffer is EUR 151 (2014: EUR 137) billion. In addition, there is a portfolio of EUR 29 billion short term loans, mainly collateralized by stocks, which can be made liquid in the short term. This portfolio has not been included in the table 'HQLA liquidity buffer'.

**Currency split HQLA at year-end 2015**

■ Euro	50%
■ US dollar	24%
■ Pound sterling	11%
■ Australian dollar	2%
■ Other	13%

**Total buffer composition (including retained RMBS) at year-end 2015**

■ Total stock of level 1 assets	67%
■ Total stock of level 2a assets	1%
■ Eligible retained RMBS	31%

**Level 1 assets issued by sovereigns at year-end 2015**

■ The Netherlands	75%
■ United States	12%
■ France	6%
■ United Kingdom	3%
■ Germany	1%
■ Other	3%

## Funding mix

**EDTF 21** The table below presents the various funding sources.

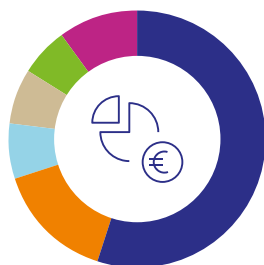
<b>Access to funding</b>		
<i>in billions of euros</i>	<i>31-12-2015</i>	<i>31-12-2014</i>
Due to customers	337.6	326.3
<b>The Netherlands, retail</b>	<b>212.4</b>	<b>208.9</b>
- Private savings	117.1	119.9
- Private other	13.3	13.0
- Businesses	82.1	76.0
<b>The Netherlands, non-retail</b>	<b>51.2</b>	<b>45.7</b>
- Private savings	0.0	0.0
- Private other	0.0	0.3
- Businesses	51.2	45.5
<b>Cross-border</b>	<b>74.0</b>	<b>71.6</b>
- Private savings	23.5	22.7
- Private other	8.0	7.9
- Businesses	42.5	41.0
<b>Wholesale funding</b>	<b>203.1</b>	<b>216.5</b>
<i>Short-term wholesale funding:</i>	<i>53.1</i>	<i>56.2</i>
- CD/CP	48.0	51.6
- ABCP	5.1	4.6
<i>Long-term wholesale funding:</i>	<i>150.0</i>	<i>160.3</i>
- Of which Medium Term Notes	119.4	131.7
- Of which RMBS	14.4	16.6
- Of which subordinated loans	15.5	11.9
- Of which Asset Backed Securities	0.7	0.2

The domestic retail banking business is to a large extent funded by funds deposited by retail customers. For the group as a whole, due to customers have increased from all segments in 2015. This increase is mainly due to an increase in short-term deposits placed by public sector entities and central banks. This increase in due to customers and a decrease in assets contributed to a reduction in the dependency on wholesale funding.

**EDTF 20** In 2015, Rabobank issued EUR 19 billion of senior unsecured long-term bonds in twenty-two different currencies. By operating on a global scale, the bank aims to avoid becoming too reliant on a single source of funding. The average maturity of the newly issued unsecured long-term bonds is approximately five years (four years).

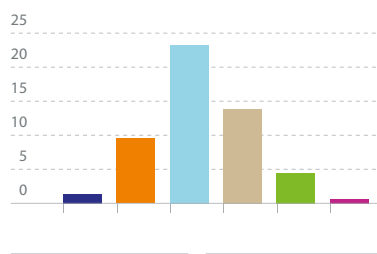
Of the total wholesale funding, excluding commercial paper and certificates of deposit, more than EUR 51 billion matures after five years or more as at year-end 2015.

### Unsecured long-term bonds by currency, at year-end 2015



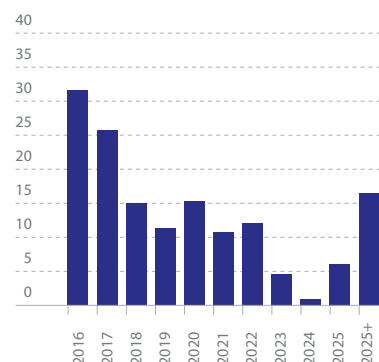
Euro	55%
US dollar	15%
Japanese yen	7%
Australian dollar	7%
Pound sterling	6%
Other	10%

### Maturity date calendar, short-term wholesale funding at year-end 2015, in billions of euros



< 1 week
1 week - 1 month
2 - 3 months
4 - 6 months
7 - 12 months
> 12 months

### Maturity date calendar, long-term wholesale funding at year-end 2015, in billions of euros



1 Of the total amounts due internationally, EUR 30 (30) billion comes from International Direct Retail Banking activities.

Rabobank is a frequent and flexible issuer of short-term debt securities and has seen a solid inflow of funds in the past years, reflecting its good creditworthiness. In the past year, the average remaining maturity of the short-term debt decreased by one day to 90 days (2014: 91 days).

### Additional contractual commitments in case of a rating downgrade

In the event of a downgrade to Rabobank's credit rating, the bank could be required to provide additional collateral or be faced with an outflow of resources. The table below shows the potential maximum outflow if the rating of Rabobank is lowered by one, two or three notches.

<b>Potential maximum outflow 31-12-2015</b>				
<i>in millions of euros</i>	<i>Funding</i>	<i>Derivatives</i>	<i>Other</i>	<i>Total</i>
<b>Rating downgrade:</b>				
0 notch	57	-	97	154
1 notch	1,285	78	482	1,845
2 notch	488	1,153	3,078	4,719
3 notch	1,939	839	451	3,229
<b>Total in case of three notches</b>	<b>3,769</b>	<b>2,070</b>	<b>4,108</b>	<b>9,947</b>

These outflows are based on rating triggers that will be hit in the event of a credit rating downgrade.

In this table a split has been made between funding, derivatives and other instruments. Funding instruments include fixed-term deposits, bonds, loans and professional funding with rating triggers. Two important components within the funding category presented here are funding from the European Investment Bank (EIB) and Guaranteed Investment Contracts (GIC) accounts. Derivative documentation can also contain rating triggers on Rabobank that could potentially result in additional liquidity risk for Rabobank. In some cases, a rating trigger may have been agreed on services provided to a client. For instance, a Letter of Credit or a guarantee on behalf of a client granted by Rabobank may sometimes contain a rating trigger. This means that, under certain circumstances, the beneficiary of this guarantee may request that the guaranteed sum be paid out if the Rabobank rating drops. In that case, Rabobank has direct claim on the customer for whom the guarantee was provided. This initial outflow is recognised under 'Other'.

### Asset encumbrance

**EDTF 19** In certain cases, assets on the bank's balance sheet are encumbered (encumbrance). An asset is considered 'encumbered' if it has been deposited or if it is part of an arrangement intended to provide hedging or additional security for a transaction. In that case, the asset requires permission for withdrawal.

On 31 December 2015, EUR 63<sup>1</sup> (2014: EUR 55) billion of the total balance sheet assets was encumbered. Total assets include both on-balance assets and off-balance assets. Off-balance assets mean: collateral received in, mainly, secured funding transactions. The total encumbrance at the year-end 2015 was 9% (8%) of the total assets. The average encumbrance over 2015 was 8% (2014: 8%). The encumbered on-balance sheet items were mainly due to the clearing of derivatives positions and funding-related transactions, such as securitisations and asset backed commercial paper, for which loans are placed as collateral.

### Operational risk

**EDTF 31** Rabobank defines operational risk as the risk of losses incurred as a result of inadequate or dysfunctional internal processes, people and systems, or as a result of external trends and developments. Potential legal risks and reputational risks are considered in the assessment and management of operational risk.

In measuring and managing operational risks, Rabobank uses the most advanced Basel II approach, the Advanced Measurement Approach. For the management of operational risks, Rabobank 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, measure, mitigate and monitor various types of operational risks. The risk quantification process supports the management responsible for prioritising the actions to be undertaken and the allocation of people and resources.

<sup>1</sup> In conformity with the EBA asset encumbrance definition

Within Rabobank, the departments involved in the bank's primary processes constitute the 'first line of defence'. These departments are fully responsible for the day-to-day risk acceptance and integrated risk management and mitigation within the established risk appetite framework. The risk management functions within the group entities and within Risk Management together constitute the 'second line of defence'. The risk management functions have a monitoring role with regard to risks and challenge 'the first line of defence' with respect to the manner in which it manages risks. In addition, they report on the risk profile to the management and to the Executive Board, independently from the first line. Internal audits form the 'third line of defence'.

At group level, the Non-Financial Risk Committee (NFRC) is responsible for formulating policy and setting the parameters. In addition, Risk Management also reports each quarter to the NFRC on changes in operational risks at group level. A number of risk management committees have been established within the group's entities. Their responsibilities include monitoring the operational risks (including system continuity risks and fraud risks) of the relevant entity.

The annual risk management cycle contains, among other things, a group-wide Risk Self Assessment and scenario analyses with senior managers from the complete Rabobank Group. The Risk Self Assessment consists of an inventory of the most important operational risks and, if risks fall outside of the risk appetite, identification of mitigating measures. Risk Management coordinates the annual scenario analyses through which insight is gained in the group's risk profile.

# Remuneration

At Rabobank, remuneration means much more than just payment. In addition to salary and a set of employment conditions aligned with responsibilities and performance, each employee is given ample room for personal growth and developing their talents. Rabobank is also an organisation that fosters personal accountability in an inspiring working environment, where employees are encouraged to collaborate and give each other feedback. Furthermore, we are committed to current issues and concerns in our society, both as an organisation and as an employer of individuals who want to make a difference. Within the legislation and regulations framework, Rabobank navigates its own, comparatively moderate, strategy in determining remunerations.

Over the past few years, Rabobank has implemented various retrenchment measures in the remuneration policy, bringing remuneration levels in the bank's Collective Labour Agreement (CLA) further in line with general market levels in the Netherlands. For example, no inflation adjustment or other increase in the remuneration package has been applied for the Executive Board members or other executives since 2008, no employee pay rises were allowed between 2012 and 2016, and career growth percentages were reduced in 2013.

Also in 2013, variable pay was discontinued for all employees subject to the Rabobank CLA as well as the Executive Board. In 2014, variable pay for executives (the layers immediately below the Executive Board) was likewise eliminated, as were employee discounts for insurance and consumer financing in the banking domain in the Netherlands, while employee discounts for mortgage loans were scaled back as of 2015.

Austerity measures will continue to be applied to our employment conditions in 2016 and the years that follow.

## Remuneration policy

Within the framework of Rabobank's Vision on Remuneration and Group Remuneration Policy, several entities pursue a remuneration policy of their own. The Rabobank CLA serves as remuneration policy for most employees within Rabobank Group. However, there is a separate remuneration package for the Executive Board and other executives, and DLL and Rabo Real Estate Group have each adopted remuneration policies of their own. A separate CLA is in place for most employees of

Rabo Real Estate Group. Remuneration policies for Wholesale, Rural & Retail (WRR), DLL and Rabo Real Estate Group entities located outside the Netherlands are partly based on local legislation and regulations, and market conditions.

## Vision on Remuneration

The remuneration policy's basic principles are laid out in [Vision on Remuneration](#). The policy is designed to promote fair and consistent employee compensation, based on an effective position classification system. Variable remuneration is no longer offered to most employees. In areas where Rabobank Group still awards variable remuneration, it has been maximised and guaranteed variable remuneration is not permitted.

The annual performance appraisal and remuneration cycle is a stimulus for putting customer interests first and for acting in the interest of Rabobank's long-term continuity and financial strength. Setting and assessing result and competency targets is part of this cycle.

An external benchmark is regularly used to compare the level of remuneration with that of the relevant market. In conducting this kind of study, Rabobank deliberately selects a benchmark – in principle, we aim to set our remuneration on or just shy of the median<sup>1</sup> paid in the relevant market for comparable work.

<sup>1</sup> This is the middle value.



## Group Remuneration Policy

The principles and guidelines of the Vision on Remuneration are detailed in the Group Remuneration Policy. The requirements under external legislation and regulations are also enshrined in this policy, including the Financial Undertakings Remuneration Policy Act (Wbfo), the Regulations on Restrained Remuneration Policies, the Capital Requirements Directive IV (CRD IV) and the Dutch Banking Code.

The Group Remuneration Policy applies to Rabobank Group as a whole. The boards of the subsidiaries (DLL, Rabo Real Estate Group, Obvion) are responsible for adopting and implementing a remuneration policy in line with the Vision on Remuneration and the Group Remuneration Policy. The remuneration policies for local Rabo banks are set by the Rabobank Nederland Executive Board. The Supervisory Boards of local Rabobanks monitor the execution of Rabobank's remuneration policies in local Rabobanks.

The Group Remuneration Policy is in line with Rabobank Group's business strategy, core values and desired risk profile. It supports solid and effective risk-management processes and discourages employees from taking undesirable risks. At the same time, it enables Rabobank to hire and retain appropriately qualified employees. It also encourages employees to aim for lasting results in line with the long-term interests of both Rabobank Group and its clients.

## Variable remuneration

The large majority of Rabobank employees do not receive variable remuneration. In 2013, variable income was rescinded in the CLA and for the Executive Board. In 2014, variable pay for executives was likewise eliminated.

However, certain groups of employees, primarily within the Wholesale, Rural & Retail domain, DLL and Rabo Real Estate Group, continue to be eligible for variable remuneration. In 2015, 4% of total remuneration was variable, which boils down to EUR 195.8 million for Rabobank Group worldwide.

The risk-controlling measures below apply to employees with variable remuneration.

## Maximisation of variable remuneration

Wherever variable remuneration still applies, a maximum is imposed. In the Netherlands, on average, any variable remuneration must not exceed 20% of an employee's fixed income.

## Deferred variable remuneration

A deferral policy applies to variable remuneration, which means a portion is paid on a deferred basis. The deferred payment covers a sufficient period of time, of at least three years, to allow the ex-post test to be performed.

## Balanced mix of performance targets

In performance management, client interests come first. Rabobank's performance objectives do not contain any stimuli that encourage sloppy behaviour or behaviour that is not in the clients' best interest. Instead, Rabobank's performance objectives constitute a balanced entity of financial and non-financial criteria. At least half of the performance objectives comprise non-financial objectives.

## Ex-ante test

On an annual basis, the Executive Board verifies whether payment of the proposed variable remuneration is responsible, based on Rabobank Group's qualifying capital and solvency ratio. This 'ex-ante' test therefore centres on the question of whether Rabobank is able to make the payments without any resulting financial problems. Subsequently, the test is submitted for approval to the Supervisory Board.

## Ex-post test

Before deferred amounts and amounts awarded on a conditional basis are released and awarded unconditionally by the bank, they are tested to see if there is any reason to downgrade the amounts. This test centres on the question of whether the award of the variable remuneration is still justifiable, even in the light of what we know today.

## Claw back

In special cases, Rabobank can withdraw an awarded sum with retroactive effect. This is called 'claw back'. Rabobank Group is authorised to reclaim all or a portion of variable remuneration from both employees and former employees in the following cases:

- Payment was made based on inaccurate or misleading information regarding the achievement of the performance targets or the conditions on which the variable remuneration was made dependent.
- The employee concerned has been found guilty of fraud.
- The employee has participated in, or been responsible for, behaviours that have resulted in substantial losses and/or damage to the bank's reputation.
- The employee has failed to satisfy the relevant standards for competence and appropriate conduct.

In addition to the measures mentioned above, the prohibitions below apply to all employees:

- It is not possible to award guaranteed variable remuneration to employees.<sup>1</sup>
- Personal hedging strategies are not permitted under any circumstances whatsoever.
- A severance payment must reflect the quality of an employee's performance. An employee will not be rewarded for failure or misconduct.
- In the event the termination of the employment relationship is the initiative of the employee, no severance pay will be awarded, unless this termination is the result of serious imputable acts or culpable omissions committed by the employer.

### Identified Staff

Employees who could have a significant impact on Rabobank's risk profile are designated as 'Identified Staff'. There are over four hundred such employees distributed across all entities of Rabobank Group, with only a portion eligible for variable remuneration under strict rules to minimise the risks involved. The most important of these risk-mitigating measures are briefly discussed below.

### Balanced mix of performance targets

As is the case for all other employees, Identified Staff must meet a proper balance of performance objectives. Any variable remuneration is awarded based on a minimum of 50 percent non-financial objectives. Identified Staff are specifically subject to performance measurements at the Group, business unit and individual levels.

### Deferred variable remuneration and use of financial instrument

A minimum of 50% of the variable remuneration for eligible Identified Staff is awarded conditionally and paid on a deferred basis after a period of at least three years. Half of the variable remuneration is awarded in the form of Deferred Remuneration Notes (DRNs), which are linked directly to the price of Rabobank Certificates. A retention period of one year applies to DRNs awarded unconditionally. This means that payments are

<sup>1</sup> Awarding compensation for the discontinuation of (deferred) variable remuneration an employee received from a previous employer is only possible when recruiting new employees, and only for the first year of employment. The full cycle of risk management is applied in this process.

made on DRNs one year after they have vested. The Executive Board can withdraw or reclaim this variable remuneration in accordance with the applicable legislation and regulations.

## Rabobank Supervisory Board

### Fee structure

Supervisory Board directors are not employed by Rabobank and therefore receive a predetermined fee commensurate with their position on one of various committees in place of a salary. Membership of these committees is set out in the section [Report of the Supervisory Board](#). The remuneration structure for 2015 (exclusive of VAT and other charges) is outlined in the figure below.

<b>Fee structure for Supervisory Board</b>			
<i>in euros</i>	<i>Chairman</i>	<i>Vice chairman</i>	<i>Member</i>
Supervisory Board	288,750	71,500	55,000
Audit Committee	32,500	15,000	15,000
Risk Committee	32,500	15,000	15,000
Appeals Committee	7,500	-	7,500
Cooperative Issues Committee	15,000	-	15,000
Appointments Committee	3,750	-	3,750
HR committee	3,750	-	3,750

Part of the total fee received by the Chairman of the Supervisory Board relates to his participation in the various committees of the Supervisory Board. The rest of the fee is for ensuring the effective representation of cooperative members' influence that is unique to Rabobank's cooperative structure.

### Individual payments

Expenses related to members and former members of the Supervisory Board totalled EUR 1.2 million (2014: 1.6), including the VAT and employer's contributions. The table below shows the remuneration (excluding VAT and other charges) for individual members of the Supervisory Board.

<b>Payments to individual members of the Supervisory Board</b>	
<i>in thousands of euros</i>	<i>Remuneration</i>
W. Dekker	341
I.P. Asscher-Vonk	100
C.H. van Dalen (temporarily stepped down on 6-11-2015)	66
L.N. Degle	85
S.L.J. Graafsma	110
E.A.J. van de Merwe	103
R. Teerlink (Vice Chairman as of 1-4-2015)	99
C.P. Veerman (in office until 7 March 2015)	17
A.A.J.M. Kamp	85
M. Trompeter (in office as of 23 September 2015)	24
<b>Total 2015</b>	<b>1,030</b>
<b>Total 2014</b>	<b>1,084</b>

## Loans per member of the Supervisory Board

The loans, advances and guarantees secured by members of the Supervisory Board in office on 31 December 2015 and the average interest rates were as follows:

<b>Loans per member of the Supervisory Board</b>		
<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
<i>On 31 December 2015</i>		
A.A.J.M. Kamp	1.0	2.7
M. Trompetter	0.4	4.9

Movements in the loans, advances and guarantees provided to members of the Supervisory Board in office on 31 December 2015 were as follows:

<b>Movements in loans, advances and guarantees provided to Supervisory Board</b>		
<i>in miljoenen euro's</i>	<i>2015</i>	<i>2014</i>
<b>Outstanding on 1 January</b>	<b>2.6</b>	<b>1.5</b>
Provided during the year	-	0.1
Redeemed during the year	(0.7)	(0.1)
Reduction as a result of members leaving office	(0.9)	-
Increase as a result of members taking office	0.4	1.1
<b>Outstanding on 31 December</b>	<b>1.4</b>	<b>2.6</b>

At year-end 2015, the members of the Supervisory Board not listed in the table above had not received any loans, advances or guarantees. These transactions were concluded in line with market rates, which partly depend on the currency as well as the agreed fixed-interest period and the time the transaction was completed or a new fixed-interest term becomes effective.

## Certificates per member of the Supervisory Board

Some members of the Supervisory Board have invested in Rabobank Certificates in person and/or through their own pension B.V. At year-end 2015, certificates totalled 28,784.

<b>Number of certificates per member of the Supervisory Board</b>	
I.P. Asscher-Vonk	6,894
L.N. Degle	4,640
S.L.J. Graafsma	4,050
C.H. van Dalen	13,200

## Benchmark

Supervisory Board remunerations are periodically subjected to a benchmark study for comparison against remunerations paid in the market. The latest study took place in 2013 and compared remunerations paid to the Supervisory Board from three perspectives, including remunerations paid to supervisory boards of larger AEX companies, remunerations based on time use combined with an hourly rate, and remunerations based on the points system for supervisory board membership in relation to the fixed salary of the supervisory board chairperson. The results of the study showed no reason to make adjustments in remunerations.

## Remuneration of the Executive Board

### Remuneration package

The primary remuneration package of the members of the Executive Board consists of fixed pay and pension entitlements. Additionally, Board members receive a management supplement that serves as a fixed reimbursement of expenses, and they are eligible for a package of fringe benefits in line with market standards. Executive Board members became ineligible for variable remuneration in 2013.

### Fixed income

As with employees subject to the CLA, salary scales have been set for the Executive Board, including a scale minimum and maximum. These scales include both holiday and annual allowances, and as of 31 December 2015 are as follows:

<b>Executive Board salary scales</b>		
<i>in euros</i>	<i>Minimum</i>	<i>Maximum</i>
Chairman of the Executive Board	923,500	1,154,400
Members of the Executive Board	707,200	884,000

### Pension

The Rabobank pension scheme applies to members of the Executive Board and qualifies as a collective defined contribution scheme. As of 1 January 2015, the maximum income on which Executive Board members may accrue pension is EUR 94,600, which means Board members now receive an individual pension contribution (IPC) of 24% of their fixed annual income above the threshold for pension accrual. The IPC can be deposited into an individual net pension savings product.

### Fringe benefits

Members of the Executive Board are eligible for a package of fringe benefits in line with market standards.

## Expense allowance

Members of the Executive Board are eligible for a fixed expense allowance to cover costs relating to the performance of their duties. These costs cannot be claimed separately as the underlying principle of the allowance is that the amount of the expense allowance is based on customary practice in the market for similar positions.

## Severance payments

Rabobank complies with all existing laws and regulations concerning severance payment levels, meaning Executive Board members would receive a maximum of one year's salary.

## Individual remuneration

In 2015, the remuneration of members and former members of the Executive Board totalled EUR 6.3 (6.3) million. Five members of the Executive Board received total remuneration, including pension premium and contribution, above EUR 1 million.

<b>Remuneration per member of the Executive Board</b>						
<i>in thousands of euros</i>	<i>Total salaries</i>	<i>Pension contributions</i>	<i>Individual pension contribution</i>	<i>Redemption of remuneration component</i>	<i>Other</i>	<i>Total</i>
W. Draijer	980	25	212	-	1	1,218
A. Bruggink	884	26	189	-	1	1,100
B.J. Marttin	884	26	189	-	1	1,100
R.J. Dekker	807	26	171	-	2	1,006
H. Nagel	807	26	171	-	1	1,005
J.L. van Nieuwenhuizen	779	25	165	-	-	969
<b>Total 2015</b>	<b>5,141</b>	<b>154</b>	<b>1,097</b>	<b>-</b>	<b>6</b>	<b>6,398</b>
<b>Total 2014</b>	<b>4,993</b>	<b>1,302</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>6,299</b>

Since the variable remuneration for members of the Executive Board was discontinued in 2013, the number of DRNs granted to members and former members of the Executive Board was 0 (0) for the performance year 2015. There were a total of 11,647 DRNs outstanding with members and former members of the Executive Board at year-end 2015 (12,133). This total includes the DRNs awarded to members and former members of the Executive Board in previous positions.

## Loans per member of the Executive Board

The loans, advances and guarantees secured by members of the Executive Board in office as of 31 December 2015 and the average interest rates were as follows:

<b>Loans per Executive Board member</b>		
<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
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

Movements in the loans, advances and guarantees provided to members of the Executive Board in office on 31 December 2015 were as follows:

<b>Movements in loans, advances and guarantees of members of the Executive Board</b>		
<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
<b>Outstanding at beginning of year</b>	<b>4.9</b>	<b>3.4</b>
Granted during the year	1.2	-
Repaid during the year	(1.8)	(1.1)
Decrease due to members leaving office	-	(0.2)
Increase due to new members joining	-	2.8
<b>Outstanding on 31 December</b>	<b>4.3</b>	<b>4.9</b>

These transactions have been entered into on employee terms and/or at market rates, which partly depend on the currency as well as the agreed fixed-interest period and the time at which the transaction was completed or the commencement of a new fixed-interest period.

## Certificates per member of the Executive Board

Several members of the Executive Board have invested in Rabobank Certificates personally and/or via their own pension B.V. (private limited liability company). At year-end 2015, the number of certificates totalled 12,166.

### Number of certificates per member of the Executive Board

A. Bruggink	12,166
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## Benchmark

The remuneration of the Executive Board members was compared with two external reference markets – one financial and one non-financial – by an external agency (Hay Group) in 2014. It was decided not to use a single combined group, as there are too many differences in the underlying dynamics within those two groups. Both reference groups include listed and non-listed companies. The financial, sector-specific reference market was defined within an international/European context and includes the following companies: Crédit Agricole, Banco Santander, Société Générale, Groupe BPCE, UniCredit, ING Bank, Nordea Bank, Intesa Sanpaolo, BBVA, Commerzbank, Danske Bank, DZ Bank, ABN AMRO and Caixabank. The non-financial group of cross-industry companies in the Netherlands was determined by selecting companies that are comparable in terms of their size and complexity and includes the following companies: ABN AMRO, AEGON, Ahold, Akzo Nobel, DSM, FrieslandCampina, Heineken, ING Bank, ING Verzekeringen, KPN, Philips, Randstad, SHV Holding and TNT Express.

The aggregate remuneration of all the members of the Executive Board was within the bottom 25% of both reference groups, and was therefore well below the median of the reference market. The Executive Board is not eligible for short-term or long-term variable remuneration, although these are elements of remuneration that are customarily offered in the rest of the market. The current scale maximums for the Executive Board were set on the basis of a representative peer group in 2008 and have not been changed since that time. The Supervisory Board saw no reason in the results of the benchmarking in 2014 to adjust the levels of remuneration of the Executive Board. As a cooperative bank, Rabobank feels comfortable with the current remuneration of the Executive Board and will continue to consider developments in the market in future decisions concerning levels of remuneration.

## Performance management

The members of the Executive Board are all designated as Identified Staff. Accordingly, the performance targets of the Executive Board comply with the distribution prescribed for Identified Staff between group targets, business unit targets

and individual targets. At least 50% of the performance targets consist of non-financial targets. In 2015, all members of the Executive Board were subject to joint targets in the following areas:

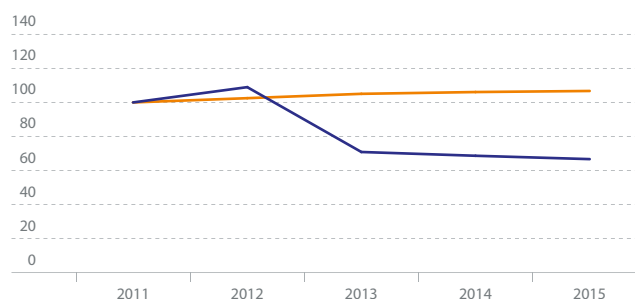
- customer satisfaction and reputation (NPS, CES),
- overall financial performance (ROIC, CET1),
- strategy,
- control and compliance,
- employee satisfaction and motivation (employee satisfaction survey),
- management development and diversity,
- culture change (culture survey),
- collaboration,
- sustainability, and
- risk management and risk awareness.

## Development of remuneration package

As previously stated, the salary scales for the members of the Executive Board have not been adjusted for inflation or increased in any other way since 2008. Furthermore, the variable pay for the Executive Board was eliminated in 2013, while the rest of the remuneration package remained unchanged.

The chart below shows the development of the overall Executive Board remuneration package, including pension (policy levels), over the past five years as indices compared to 2011. The index for 2015 is 67, meaning the overall remuneration package has fallen by 33% in a period of five years, while the consumer price index rose by almost 7% in that same period. The peak in the graph in 2012 is connected to the elimination of the senior management supplement for the Executive Board in that year; a non-recurring compensation

### Overall remuneration package for the Executive Board 2011 = 100



■ Executive Board  
■ Consumer price index

was provided in return in 2012. The decrease since 2013 is connected to the discontinuation of the variable pay for the Executive Board.

### Domestic banking domain: Executives

Executive-level employees, also known as senior management (SM), work directly below the Executive Board. Senior management comprises five position scales, ranging from SM-I to SM-V. In 2015, more than 200 employees were part of the senior management team.

### Remuneration package

The primary remuneration package for executive-level employees consists of fixed pay and pension entitlements. Executives also receive a management supplement that serves as a fixed reimbursement of expenses, and they are eligible for a package of fringe benefits in line with market standards. With the exception of a small group of specialist positions, executives have not been eligible for variable remuneration since 2014. Two executives had total remuneration of more than EUR 1 million.

### Fixed income

The senior management position scales are based on the Hay Group's system for evaluating jobs. There are five position scales for SM, covering a broad salary range, which includes both holiday allowance and 'thirteenth month' bonus, as shown in the table below.

<b>Senior management position scales</b>		
<i>in euros</i>	<i>Minimum</i>	<i>Maximum</i>
Senior management	153,700	476,900

### Pension

The senior management pension scheme qualifies as a collective defined contribution scheme. The maximum income for pension accrual was reduced to EUR 94,600 as of 1 January 2015. The senior management allowance was also discontinued as of 1 January 2015. Executives at this level have since received an individual pension contribution according to the level of their position, which can be deposited into an individual net pension savings product.

### Fringe benefits

Members of senior management are eligible for a package of fringe benefits in line with market standards.

### Management supplement

Executives are eligible for reimbursement of expenses to cover costs relating to the performance of their duties. These costs cannot be claimed separately as the underlying principle is that the allowance is based on customary practice for similar positions in the market.

### Benchmark

The maximum salaries for senior management were determined based on a representative peer group in 2008, which was last compared by an external in 2014. The comparison was based on the level of difficulty of the position relative to the Dutch market in general and the Dutch financial sector in particular.

The outcomes from the market comparisons show that the total remuneration for all senior management scales is well below the median for the Dutch market in general. The senior management scales are also well below the median compared to the Dutch financial sector, as neither short nor long-term variable remuneration – typical remuneration components in the rest of the market – are included in the package. The comparison with the external market did not show any reason to adjust the senior management remuneration level. As a cooperative bank, Rabobank is comfortable with the senior management's current positions.

### Performance management

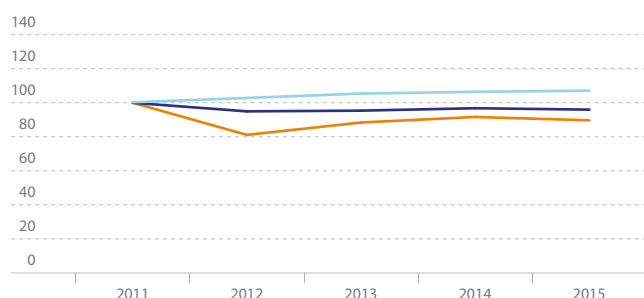
For executives classified as Identified Staff, the performance targets comply with the distribution prescribed for Identified Staff between group, business unit and individual targets. Executives are also assessed on three to six result targets and three to six competence targets, including mandatory targets pertaining to customer focus and collaboration. Individual salary increases are determined based on the assessment of these targets.

### Development of remuneration package

The salaries for the senior management have not been adjusted for inflation or increased in any other way since 2008. However, a shift in remuneration took place as of 1 January 2014, when the variable pay for senior management was cancelled and an agreement was reached to increase the final position salaries by 13%. These modifications combined amounted to a watering down of the remuneration package.

The chart below shows the development of the total senior management remuneration package, including pension (policy levels), over the past five years. The index for 2015 is 96 for the lower position scales and 90 for the higher ones. In other words, the overall remuneration package has fallen by 4% to 10% in a period of five years, while the consumer price index increased by almost 7% in that same period. The sharp fall in incomes from the higher senior management scales in 2012 is connected to the one-off elimination of variable pay.

**Overall remuneration package for executives**  
2011 = 100



■ Lower EK scales  
■ Higher EK scales  
■ Consumer price index

### Domestic banking domain: CLA population

The position scales below senior management are within the scope of the CLA and consist of two position scales for senior management (SM A and SM B) and the scales 1 to 11.

#### Remuneration components

The remuneration package for position scales 1 to 11 and SM A and SM B consists of fixed income, the employee benefits budget, pension and fringe benefits. Employees are also eligible for an employee discount on mortgages. The CLA population has not been eligible for variable pay since 2013.

#### Fixed income

The position scales in the Rabobank CLA are based on the Hay Group's system for evaluating jobs. The initial and final position salaries can be found in the Rabobank CLA.

The median remuneration in the Dutch banking sector is EUR 50,227, which gives a ratio in the Dutch banking sector of 1:19.5 between the median remuneration and the employee with the highest earnings. The median remuneration increased

by 1% in the Dutch banking sector in 2015 compared to 2014, while the highest remuneration remained unchanged.

#### Employee benefits budget

The employee benefits budget allows employees to buy extra leave, save for extra pension, purchase a bicycle in a tax-efficient way or pay union fees. The level of the employee benefits budget varies per position scale and can be found in the [Rabobank CLA](#).

#### Pension

The pension scheme in the Rabobank CLA qualifies as a collective defined contribution scheme. The maximum income for pension accrual was reduced to EUR 94,600 as of 1 January 2015. Employees with an income higher than EUR 94,600 receive a personal budget which can be deposited into an individual net pension savings product.

#### Fringe benefits

Employees are eligible for a package of fringe benefits in line with market standards.

#### Benchmark

The remuneration for the CLA population is periodically compared with the general market in the Netherlands in order to follow developments and maintain a remuneration policy that attracts and retains the right employees. In doing so, we aim to take up a position at or just under the median for the general market. The most recent benchmark was established in 2015, with market comparisons showing a varied picture for the different position scales. The remuneration for some scales is around the median level in the general market, while it is higher than the median for other scales. The remuneration for these scales, in accordance with policy, has been moving towards the median since 2012, partly through the applicable baseline.

#### Performance management

In our view, we can only achieve Rabobank's strategic targets by properly directing and coaching the employees and giving them regular feedback. In the performance management (PM) system, we conduct employee interviews regarding their contribution to both the client's and the organisation's targets. The PM interview cycle is based on the dialogue between manager and employee, which is focused on 'doing the right things well'. Feedback interviews also support Rabobank's culture transition, aimed at establishing an open dialogue with each other. Interviews take place regularly throughout the year and are intended to motivate employees, ensure that performance remains up to standards and offer the opportunity



to adjust performance where necessary, promoting continuous employee performance improvement and therefore the bank's performance.

In PM, client interests come first, and any performance targets should not include incentives that might lead people to careless conduct or behaviour that is not in the interests of the client. Managers and employees work together to agree on a balanced set of both financial and non-financial targets, including three to six result targets and three to six competency targets. The competency targets must include 'client centricity' and 'collaboration'.

### Development of remuneration package

The most recent general salary increase for the salary scales within the CLA took place in 2011, which means salary scales have a baseline from 2012. However, in 2013, variable pay was cancelled, as was the personal budget and non-statutory leave. These cancellations have been partially offset by a one-off salary increase of 1.5% from the beginning of 2014 and the paying out of the employee benefits budget since 2014. All in all, these changes have slightly watered down the package on offer. In 2014, the CLA was extended by one year and is now due to expire at the end of 2016. The extension of the CLA also means that the baseline continues. The effects on pensions will also continue to be felt, as shown in the chart below.

The chart below shows the development of the total remuneration package (policy levels) of three CLA scales over the past five years as indices compared to 2011. The average index figure of 2015 calculated over all CLA scales is 104. This means that the total remuneration package has increased by 4% in five years – less than the consumer price index which increased by almost 7% in that same period.

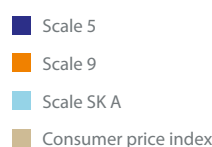
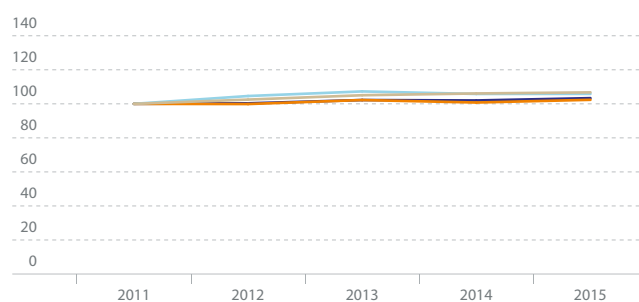
### Remuneration in the Wholesale, Rural & Retail domain

The majority of the employees in Wholesale, Rural & Retail work outside of the Netherlands. Within this domain, remuneration is primarily driven by the market practice in the respective country within the guidelines of the Group Remuneration Policy.

### Remuneration components in the Netherlands

The employees under Dutch contract in the Wholesale, Rural & Retail domain fall under the Rabobank CLA. That which is mentioned above under 'Domestic banking domain: CLA population' thus also applies for this group. A limited number of specialised positions also qualify for variable remuneration. The variable remuneration for this group will never exceed 20%

### Overall remuneration package for CLA population 2011 = 100



on average. In addition, a salary exit scheme is possible for the most specialised positions within Wholesale, Rural & Retail in the Netherlands.

### Remuneration components international

The remuneration package in the foreign offices of Rabobank includes three elements: fixed income, variable remuneration and fringe benefits. Rabobank strives for a position just below the median for the total package. In general, this is achieved in the various countries by letting the fixed income and fringe benefits come out around the median and the variable remuneration just below the market average.

### Fixed income international

The fixed income differs per country and is based on the remuneration level in the local labour market.

For Rural & Retail the salaries are based on salary scales with a minimum and a maximum. These salary scales are linked to the same position scales as in the domestic banking business: 1 to 11 and SK A and SK B. In the Wholesale domain, salaries are driven by the relevant market level per position. For Wholesale, a project was started in 2015 to develop a global salary structure linked to the position scales 1 to 11 and SK A and SK B.

### Variable remuneration international

Contrary to the Dutch banking business, the variable remuneration outside of the Netherlands is still a regular part of the total remuneration package. For Rural & Retail, a model applies in which the variable remuneration is linked

to the position (scale) and the performance of the employee. The maximum achievable percentage of variable remuneration in general equals the position level. For the Wholesale domain, the variable remuneration is based on a bonus pool. The bonus budget per pool is determined by the performance of Rabobank Group, Wholesale, Rural & Retail and the respective business. These performances are measured based on financial and non-financial factors. Employees receive a bonus from this pool based on their individual performance, which is determined by a mix of qualitative and quantitative goals. In 2015, a project was started to further structure the variable remuneration within Wholesale, bringing it more in line with the method that already applies within Rural & Retail.

### **Fringe benefits international**

The package of fringe benefits strongly varies per country. The primary remuneration policy (fixed income and variable remuneration) is determined centrally in terms of its structure. The package of fringe benefits is primarily determined locally. This has to do with difference in local laws and regulations and market practice.

### **Benchmark**

Benchmarking in principle takes place per country and is based on a comparison with peers in the relevant remuneration market(s). Rabobank uses a central framework for benchmarking within the Wholesale, Rural & Retail domain. This framework provides a guideline for choosing the market position, the way in which the peer group is selected and the remuneration elements that are provided. It also determines the way in which positions are linked to positions in the benchmark study, in order to ensure that positions with Rabobank are correctly compared with the positions in the external market.

### **Performance management**

Since 2015, Rabobank uses one system and process for performance management for the entire banking business. We also use one IT system for the support thereof. Therefore, the performance management requirements for Domestic Banking also apply for Wholesale, Rural & Retail.

### **Development of remuneration package**

Within Wholesale, a project was started in 2015 to enrich remuneration and structure it more from a system perspective. This was already accomplished in the Rural & Retail domain in 2012. The basis within Wholesale was set up by the introduction of a job evaluation framework in 2015, whereby all

positions worldwide are evaluated and classified in one of the position scales 1-11, SK A or SK B, based on the so-called Hay Group method.

These position scales will form the basis for local remuneration structures per country: salary scales with a minimum and a maximum per position scale and a variable remuneration structure that is linked to these position scales. The height of the remuneration within these structures is determined by the remuneration in the relevant market and the position Rabobank and the respective unit would like to take in the market with regard to remuneration. For 2015, as part of the first phase of the project remuneration structures were developed based on the aforementioned principles for three units. In 2016, this project will be further rolled out within the Wholesale domain. Hereby the experiences from the 2015 remuneration round will be used as important input.

### **Remuneration policy for other group entities**

#### **DLL**

DLL has its own remuneration policy that has been implemented worldwide. DLL has around 5,300 employees of whom 4,000 work outside of the Netherlands. In 2015, DLL had one employee with a total remuneration of more than EUR 1 million.

### **Remuneration components**

In the Netherlands, DLL uses a remuneration package that consists of fixed and variable remuneration components and various fringe benefits, including a pension scheme. The variable remuneration percentages vary from 5% to 20%, depending on the position level. Outside of the Netherlands, the remuneration package with regard to the height of the fixed income, the variable pay and the benefits is based on the local market of the respective country.

### **Benchmark**

Benchmarking in principle takes place per country and is based on a comparison with relevant remuneration market(s). Traditionally, in the Netherlands, the pay is above the median of the financial services market. That is why we strive to moderate the relatively good position with regard to the labour market. Outside of the Netherlands, we strive for a position between the median and the third quartile.

## Performance management

DLL uses its own system for performance management.

It focuses on achieving results, bringing the DLL core values into practice and the personal development of employees.

This instrument contributes to the following goals:

- Regular contact between the manager and employee about the plans functioning,
- The personal development of employees,
- Clarity in mutual expectations between the manager and the employee,
- Direction with regard to the realisation of business goals, and
- Transparency in evaluation.

As part of the PM cycle, the manager and employee have a number of meetings each year: the agreement meeting, the progress interview and the evaluation interview.

## Development of remuneration package

In 2015, DLL took further steps in the area of the moderation of variable remuneration: for most of the Identified Staff the variable remuneration is limited to 20%, also outside the Netherlands. In the Netherlands, the general increase was 1.0% in 2015. For 2016, a general increase of 0.5% is granted.

For the activities of DLL in the American continent, there is an ongoing pilot programme aimed at making the granting of the variable remuneration less complex. This pilot will continue through 2016, and a fundamental discussion about the performance management system will be held.

DLL has taken further steps in the management and monitoring of the terms of employment worldwide. A worldwide Compensation & Benefits monitoring plan has been established, on the basis of which the application of the remuneration policy will be monitored systematically from 2016.

## Rabo Real Estate Group

Rabo Real Estate Group implements its own remuneration policy that meets the requirements of the Group Remuneration Policy of Rabobank. In the Netherlands, in addition to the Executive Board (consisting of three employees as of 1 December 2015), there are forty senior management employees and around 1,040 CLA employees. Each of these groups has their own terms of employment package. Around 550 employees work at subsidiaries outside of the Netherlands. Each foreign organisation has its own remuneration policy.

In January 2015, it was announced that FGH Bank would be integrated into Rabobank. The employees of FGH were part of Rabo Real Estate Group for the whole of 2015. This will also partly be the case for 2016, meaning that FGH will continue to fall under the terms of employment policy of Rabo Real Estate Group for now.

## Remuneration components

In the Netherlands, Rabo Real Estate Group uses a remuneration package that consists of fixed and variable remuneration components as well as a pension scheme.

## Benchmark

Rabo Real Estate Group has various activities, varying from real estate development and real estate financing to real estate investment management domestically and abroad. That is why a comparison is made of the terms of employment in various markets, such as the general, financial and asset management markets, as well as with other specific markets.

## Performance management

Rabo Real Estate Group uses a digital instrument for Performance & Competence Management (PCM), with which the group focuses on achieving results and developing employees. This instrument contributes to the following goals:

- Regular contact between the manager and employee about the plans functioning,
- The personal development of employees,
- Clarity in mutual expectations between the manager and the employee,
- Direction with regard to the realisation of business goals, and
- Transparency in evaluation.

As part of the PCM cycle, the manager and employee have a number of meetings each year: the agreement meeting, the progress interview and the evaluation interview. The foreign divisions have their own PCM system.

## Development of remuneration package

The CLA of Rabo Real Estate Group is agreed with the unions CNV, FNV and De Unie. In September 2015, a union meeting took place, during which the parties extensively discussed the state of affairs of the organisation developments and the consequences thereof for the future of the CLA from 1 January 2016. Rabo Real Estate Group has indicated that the division-specific developments lead to a future increased

need to differentiate on terms of employment per division. In addition, terms of employment topics play a role at the group level, which must be updated. Unions recognise the outlined developments and the parties have agreed to discuss this further.

### **Policy changes in connection with changes of law**

Rabobank Real Estate Group falls under various regulations and laws. Based on the changes in this legislation and regulations, a number of adjustments took place with regard to remuneration in 2015:

#### *AIFMD*

As of 2014, the Alternative Investment Fund Managers Directive (AIFMD) is in force. This is a European guideline that introduces harmonised rules for managers of alternative investment institutions. This concerns, among other things, rules regarding the remuneration policy and performance management. This has an impact on the Bouwfonds Investment Management division. In the reporting year, measures were proposed and implemented based on the AIFMD-impact analysis in order to meet the new European regulations.

#### *Pension*

Due to new legislation, the pension scheme was adjusted as of 1 January 2015.

#### *Wbfo*

In response to the Financial Undertakings Remuneration Policy Act (Wbfo), starting from the performance year 2015, the remuneration policy for the Executive Board and senior management was adjusted.

#### *Obvion*

Since the CLA 2013-2015, Obvion fully falls within the scope of the Rabobank CLA, including the remuneration package. Therefore, for more information about the remuneration package within Obvion, see the text about the CLA population.

# Management

## Members of the Executive Board of Rabobank

The Executive Board in 2015 consisted of the following:

- Wiebe Draijer (W.), *Chairman*
- Bert Bruggink (A.), *Chief Financial & Risk Officer*
- Ralf Dekker (R.J.), *Chief Operational Officer*
- Berry Marttin (B.J.), *Markets Rural & Retail International*
- Rien Nagel (H.), *Markets Retail Netherlands*
- Jan van Nieuwenhuizen (J.L.), *Markets Wholesale Netherlands/ International*

Bert Bruggink stepped down as of 1 January 2016. On the same date, the position of CFRO was split into the positions of Chief Financial Officer (CFO) and Chief Risk Officer (CRO). Bas Brouwers joined the Rabobank Executive Board starting 1 January 2016 in the position of CFO. On 10 February 2016, Rabobank announced the intention to appoint Petra van Hoeken as CRO. Until the appointment of Mrs Van Hoeken has been approved by the external supervisory body, Wiebe Draijer performs the CRO position on an interim basis. More information about the members of the Executive Board, based on the composition of the Executive Board as of 1 January 2016<sup>1</sup>, is stated below.



<sup>1</sup> Information about education and training, career, secondary activities and the personal details of the Executive Board can be found at [www.rabobank.com/en/about-rabobank/profile/organisation/board/executive-board-members.html](http://www.rabobank.com/en/about-rabobank/profile/organisation/board/executive-board-members.html)

**Wiebe Draijer (W.) (1965, Dutch nationality)**

Appointed with effect from 1 October 2014, current appointment term runs until 1 July 2018

*Chairman, portfolio:*

- Human Resources
- Communications & Corporate Affairs
- Compliance
- Audit Rabobank
- Legal Affairs Rabobank
- Economic Research Department
- Company Secretary Office

Also CRO on interim basis from 1 January 2016.

*Portfolio:*

- Risk Management
- Credit Risk Management
- Special Asset Management Rabobank

**Bas Brouwers (B.J.) (1972, Dutch nationality)**

Appointed with effect from 1 January 2016, current appointment term runs until 1 January 2020

*Chief Financial Officer (CFO), portfolio:*

- Finance & Control (previously: Control Rabobank Group)
- Treasury Rabobank
- Investor Relations & Rating Agencies
- Tax affairs

**Ralf Dekker (R.J.) (1957, Dutch nationality)**

Appointed with effect from 1 November 2013, current appointment term runs until 1 November 2017

*Chief Operational Officer (COO), portfolio:*

- Operations Netherlands
- IT Netherlands
- IT & Operations WRR

**Petra van Hoeken (P.C.) (1961, Dutch nationality)**

Appointment for four years as soon as approval from DNB/ECB (Dutch Central Bank/European Central Bank) is received.

*Chief Risk Officer (CRO), portfolio:*

- Risk Management
- Credit Risk Management
- Special Asset Management Rabobank

**Berry Marttin (B.J.) (1965, Dutch and Brazilian nationality)**

Appointed with effect from 1 July 2009, current appointment term runs until 1 July 2017

*Markets Rural & Retail International, portfolio:*

- Global F&A Banking
- Retail Banking International
- Australia/New Zealand
- South America
- North America
- Sustainability
- Rabo Development
- Rabobank Foundation
- Leasing

**Rien Nagel (H.) (1963, Dutch nationality)**

Appointed with effect from 1 November 2013, current appointment term runs until 1 November 2017

*Markets Retail Netherlands, portfolio:*

Cooperative & Governance, including performance directors Businesses, including:

- Wholesale
- SME
- Agricultural
- Public sector and healthcare

Retail & Private Banking, including:

- Rabo Schretlen Asset Management
- Mortgages

Insurance

**Jan van Nieuwenhuizen (J.L.) (1961, Dutch nationality)**

Appointed with effect from 24 March 2014, current appointment term runs until 24 March 2018

*Markets Wholesale Netherlands/Abroad, portfolio:*

- Global Wholesale Product Clients
- Global Corporate Clients
- Wholesale Netherlands & Africa
- Europe
- Asia
- Real estate

**Company Secretary**

Rens Dinkhuijsen (L.A.M.)



## Composition of the Supervisory Board of Rabobank Nederland

### Members of the Supervisory Board (as of 31 December 2015)<sup>1, 2</sup>

<i>Name</i>	<i>Year of birth and nationality</i>	<i>Position</i>	<i>Year of first appointment</i>	<i>Current appointment term expires in</i>
Mr Wout Dekker (W.)	1956, Dutch	chairman	2010	2016
Mr Ron Teerlink (R.)	1961, Dutch	vice chairman	2013	2017
Mrs Irene Asscher-Vonk (I.P.)	1944, Dutch	secretary	2009	2017
Mr Leo Degle (L.N.)	1948, German	member	2012	2016
Mr Leo Graafsma RA (S.L.J.)	1949, Dutch	member	2010	2018
Mr Arian Kamp (A.A.J.M.)	1963, Dutch	member	2014	2018
Mr Erik van de Merwe (E.A.J.)	1950, Dutch	member	2010	2016
Mrs Marjan Trompetter (M.)	1963, Dutch	member	2015	2019

- Cees Veerman (C.P.) resigned at 7 March 2015 due to acceptance of a new position elsewhere.
- Marjan Trompetter (M.) was appointed with effect from 23 September 2015.
- Henk van Dalen (C.H.) temporarily stepped down as of 6 November 2015 in connection with an investigation conducted by the Dutch Public Prosecution Service at VimpelCom, where he worked from July 2010 until September 2013 as Chief Financial Officer.

The members of the Supervisory Board committees are listed in the report from the Rabobank Supervisory Board.

### Directors of Rabobank Nederland and CEOs of key subsidiaries (as of 31 December 2015)

Diane Boogaard (D.A.)	Global Product Wholesale Clients
Jan Bos (J.J.)	Finance & Control
Paul Dirken (P.H.J.M.)	Businesses
Ron Droste (R.M.M.A.)	Retail & Private Banking
Dirk Duijzer (D.)	Cooperative & Governance
Pieter Emmen (P.C.A.M.)	Risk Management
Ab Gillhaus (A.J.)	Credit Risk Management
Rob Kemna (R.A.C.)	Operations Netherlands
Rudi Kleijwegt (R.P.)	Compliance
Lex Kloosterman (A.M.)	Global Corporate Clients
Jos van Lange (J.H.P.M.)	Rabo Real Estate Group
Pim Mol (P.W.)	Communications & Corporate Affairs
Sander Pruijs (J.A.)	Retail Banking International
Anton Rutten (A.L.)	IT & Operations
Gerlinde Silvis (A.G.)	Human Resources
René Steenvoorden (R.A.)	IT Netherlands
Bill Stephenson (W.F.)	DLL
Rinus van der Struis (M.)	Audit Rabobank
Ronald Touwslager (R.)	Obvion
Fred Weenig (F.)	FGH Bank
Ruurd Weulen Kranenberg (R.)	Region North America

<sup>1</sup> The Supervisory Board in its current composition meets principle III.2 Independency of the Dutch Corporate Governance Code.

<sup>2</sup> You can find information about the profession, the main position and the secondary activities of the members of the Supervisory Board at [www.rabobank.com/en/about-rabobank/profile/organisation/board/supervisory-board-members.html](http://www.rabobank.com/en/about-rabobank/profile/organisation/board/supervisory-board-members.html)



# Consolidated annual results

## Consolidated statement of financial position

<b>Consolidated statement of financial position</b>		
<i>in millions of euros</i>	<i>On 31 December 2015</i>	<i>On 31 December 2014</i>
<b>Assets</b>		
Cash and balances at central banks	64,943	43,409
Loans and advances to banks	31,210	45,962
Financial assets held for trading	3,472	4,279
Financial assets designated at fair value	2,196	4,325
Derivatives	48,113	56,489
Loans and advances to customers	458,618	461,787
Available-for-sale financial assets	37,773	39,770
Investments in associates and joint ventures	3,672	3,807
Goodwill and other intangible assets	1,493	2,059
Property and equipment	7,765	7,148
Investment properties	381	452
Current tax assets	193	211
Deferred tax assets	2,390	2,501
Other assets	7,999	8,560
Non-current assets held for sale	155	327
<b>Total assets</b>	<b>670,373</b>	<b>681,086</b>
<b>Liabilities</b>		
Due to banks	19,038	18,066
Due to customers	337,593	326,288
Debt securities in issue	174,991	189,060
Derivatives and other trade liabilities	55,129	67,560
Other liabilities	8,050	8,047
Financial liabilities designated at fair value	16,991	19,744
Provisions	993	794
Current tax liabilities	230	255
Deferred tax liabilities	575	473
Subordinated liabilities	15,503	11,928
<b>Total liabilities</b>	<b>629,093</b>	<b>642,215</b>
<b>Equity</b>		
Equity Rabobank and local Rabobanks	25,706	24,894
Equity instruments issued directly		
- Rabobank Certificates	5,949	5,931
- Capital Securities	7,826	6,349
	<b>13,775</b>	<b>12,280</b>
Equity instruments issued by subsidiaries		
- Capital Securities	176	181
- Trust Preferred Securities III to VI	1,131	1,043
	1,307	1,224
Other non-controlling interests	492	473
<b>Total equity</b>	<b>41,280</b>	<b>38,871</b>
<b>Total equity and liabilities</b>	<b>670,373</b>	<b>681,086</b>

## Consolidated statement of income

<b>Consolidated statement of income</b>		
	<i>For the year ended 31 December</i>	
<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
Interest income	17,593	18,638
Interest expense	8,454	9,520
<b>Net interest income</b>	<b>9,139</b>	<b>9,118</b>
Fee and commission income	2,077	2,075
Fee and commission expense	185	196
<b>Net fee and commission income</b>	<b>1,892</b>	<b>1,879</b>
Income from associates	366	145
Net income from financial assets and liabilities at fair value through profit or loss	603	219
Gains/(losses) on available-for-sale financial assets	148	418
Other results	866	1,110
<b>Income</b>	<b>13,014</b>	<b>12,889</b>
Staff costs	4,786	5,086
Other administrative expenses	2,916	2,532
Depreciation	443	437
<b>Operating expenses</b>	<b>8,145</b>	<b>8,055</b>
Impairment losses on goodwill	623	32
Loan impairment charges	1,033	2,633
Regulatory levies	344	488
<b>Operating profit before taxation</b>	<b>2,869</b>	<b>1,681</b>
Taxation	655	(161)
<b>Net profit</b>	<b>2,214</b>	<b>1,842</b>
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	75	58
<b>Net profit for the year</b>	<b>2,214</b>	<b>1,842</b>

## Consolidated statement of comprehensive income

<b>Consolidated statement of comprehensive income</b>		
	<i>For the year ended 31 December</i>	
<i>in millions of euros</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>		
Exchange rate differences	101	637
<i>Revaluation reserves - Available-for-sale financial assets</i>		
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>		
Fair value changes	-	(27)
<i>Revaluation reserves - Cash flow hedges</i>		
Fair value changes	659	548
Transferred to profit or loss	(709)	(586)
<i>Non-controlling interests</i>		
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>		
Exchange rate differences of equity instruments issued by subsidiaries	(83)	(156)
<i>Remeasurement reserve - Pensions</i>		
Changes at associates	3	(11)
Fair value changes	18	(14)
<b>Total comprehensive income for the year recognised directly in equity</b>	<b>(152)</b>	<b>774</b>
<b>Total comprehensive income</b>	<b>2,062</b>	<b>2,616</b>
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
<b>Total comprehensive income</b>	<b>2,062</b>	<b>2,616</b>

## Consolidated statement of changes in equity

<b>Consolidated statement of changes in equity</b>					
<i>in millions of euros</i>	<i>Equity of Rabobank and local Rabobanks</i>	<i>Equity instruments issued directly</i>	<i>Equity instruments issued by subsidiaries</i>	<i>Other non-controlling interests</i>	<i>Total</i>
<b>Balance on 1 January 2015</b>	<b>24,894</b>	<b>12,280</b>	<b>1,224</b>	<b>473</b>	<b>38,871</b>
Net profit	2,061	-	78	75	2,214
Total comprehensive income for the year recognised directly in equity:					
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
<b>Total comprehensive income</b>	<b>1,919</b>	<b>-</b>	<b>78</b>	<b>65</b>	<b>2,062</b>
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	-	1,500	-	-	1,500
Costs of issuance of Capital Securities	-	(12)	-	-	(12)
Rabobank Certificates issued during the year	-	18	-	-	18
Other	67	(11)	83	(46)	93
<b>Balance on 31 December 2015</b>	<b>25,706</b>	<b>13,775</b>	<b>1,307</b>	<b>492</b>	<b>41,280</b>
<b>Balance on 1 January 2014</b>	<b>23,731</b>	<b>12,852</b>	<b>1,505</b>	<b>446</b>	<b>38,534</b>
Net profit	1,692	-	92	58	1,842
Total comprehensive income for the year recognised directly in equity:					
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)
<b>Total comprehensive income</b>	<b>2,444</b>	<b>-</b>	<b>92</b>	<b>80</b>	<b>2,616</b>
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	(167)	(648)	(443)	-	(1,258)
Rabobank Certificates issued during the year	-	108	-	-	108
Other	(42)	(32)	162	(53)	35
<b>Balance on 31 December 2014</b>	<b>24,894</b>	<b>12,280</b>	<b>1,224</b>	<b>473</b>	<b>38,871</b>

## Consolidated statement of cash flows

<b>Consolidated statement of cash flows</b>		
	<i>For the year ended 31 December</i>	
<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
<b>Cash flows from operating activities</b>		
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	443	437
Depreciation of operating lease assets and investment properties	1,013	924
Loan impairment charges	1,033	2,633
Impairment on property activities	-	40
Result on sale of property and equipment	(11)	17
Income from associates	(366)	(145)
Impairment losses on goodwill	623	32
Net income from financial assets and liabilities at fair value through profit or loss	(603)	(219)
Gains/(losses) on available-for-sale financial assets	(148)	(418)
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	15,734	(1,513)
Financial assets held for trading	971	1,878
Derivatives	8,376	(16,676)
Net change in financial assets and liabilities designated at fair value	(185)	903
Loans and advances to customers	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	(12,431)	17,288
Due to customers	11,305	(6,143)
Debt securities in issue	(14,069)	(6,588)
Other liabilities	3	91
Income tax paid	(371)	(338)
Other changes	(847)	(4,095)
<b>Net cash flow from operating activities</b>	<b>15,848</b>	<b>(13,463)</b>
<b>Cash flows from investing activities</b>		
Acquisition of associates net of cash and balances at central banks acquired	(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	(2,513)	(2,360)
Proceeds from the sale of property and equipment	813	1,609
Acquisition of available-for-sale financial assets	(6,219)	(9,863)
Proceeds from the sale and repayment of available-for-sale financial assets	8,431	19,528
<b>Net cash flow from investing activities</b>	<b>519</b>	<b>9,505</b>
<b>Cash flows from financing activities</b>		
Purchase of Rabobank Certificates	(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	-	(709)
Proceeds from issue of subordinated liabilities	2,966	3,607
Redemption of subordinated liabilities	(3)	(9)
<b>Net cash flow from financing activities</b>	<b>3,131</b>	<b>1,365</b>
<b>Net change in cash and balances at central banks</b>	<b>19,498</b>	<b>(2,593)</b>
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

## Business segments

<i>in millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects</i>	<i>Total</i>
<b>For the year ended 31 December 2015</b>							
Net interest income	5,661	2,270	1,094	348	(234)	-	9,139
Net fee and commission income	1,371	513	57	29	(16)	(62)	1,892
Other income	18	653	568	302	662	(220)	1,983
<b>Total income</b>	<b>7,050</b>	<b>3,436</b>	<b>1,719</b>	<b>679</b>	<b>412</b>	<b>(282)</b>	<b>13,014</b>
Staff costs	2,134	1,123	601	196	(38)	770	4,786
Other administrative expenses	2,520	1,101	277	124	(20)	(1,086)	2,916
Depreciation	116	107	38	7	47	128	443
<b>Operating expenses</b>	<b>4,770</b>	<b>2,331</b>	<b>916</b>	<b>327</b>	<b>(11)</b>	<b>(188)</b>	<b>8,145</b>
Impairment losses on goodwill	-	612	10	1	-	-	623
Loan impairment charges	343	526	85	90	(11)	-	1,033
Regulatory levies	171	139	19	15	-	-	344
<b>Operating profit before taxation</b>	<b>1,766</b>	<b>(172)</b>	<b>689</b>	<b>246</b>	<b>434</b>	<b>(94)</b>	<b>2,869</b>
Taxation	445	161	191	65	(183)	(24)	655
<b>Net profit</b>	<b>1,321</b>	<b>(333)</b>	<b>498</b>	<b>181</b>	<b>617</b>	<b>(70)</b>	<b>2,214</b>
Business segment assets	325,194	488,744	40,091	21,665	117,462	(326,455)	666,701
Investments in associates	16	487	32	197	2,940	-	3,672
<b>Total assets</b>	<b>325,210</b>	<b>489,231</b>	<b>40,123</b>	<b>21,862</b>	<b>120,402</b>	<b>(326,455)</b>	<b>670,373</b>
Business segment liabilities	296,086	476,806	35,411	19,591	111,941	(310,742)	629,093
<b>Total liabilities</b>	<b>296,086</b>	<b>476,806</b>	<b>35,411</b>	<b>19,591</b>	<b>111,941</b>	<b>(310,742)</b>	<b>629,093</b>
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	281,941	98,798	29,656	15,287	475	-	426,157

<i>in millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects</i>	<i>Total</i>
<b>For the year ended 31 December 2014</b>							
Net interest income	5,783	2,416	1,000	313	(394)	-	9,118
Net fee and commission income	1,318	552	30	36	(20)	(37)	1,879
Other income	131	825	548	267	362	(241)	1,892
<b>Total income</b>	<b>7,232</b>	<b>3,793</b>	<b>1,578</b>	<b>616</b>	<b>(52)</b>	<b>(278)</b>	<b>12,889</b>
Staff costs	2,302	1,164	535	198	77	810	5,086
Other administrative expenses	2,233	1,166	251	104	(173)	(1,049)	2,532
Depreciation	127	87	48	9	46	120	437
<b>Operating expenses</b>	<b>4,662</b>	<b>2,417</b>	<b>834</b>	<b>311</b>	<b>(50)</b>	<b>(119)</b>	<b>8,055</b>
Impairment losses on goodwill	-	26	-	6	-	-	32
Loan impairment charges	1,422	420	131	656	4	-	2,633
Regulatory levies	354	67	9	8	50	-	488
<b>Operating profit before taxation</b>	<b>794</b>	<b>863</b>	<b>604</b>	<b>(365)</b>	<b>(56)</b>	<b>(159)</b>	<b>1,681</b>
Taxation	261	105	168	(102)	(552)	(41)	(161)
<b>Net profit</b>	<b>533</b>	<b>758</b>	<b>436</b>	<b>(263)</b>	<b>496</b>	<b>(118)</b>	<b>1,842</b>
Business segment assets	354,315	494,452	37,226	22,953	106,617	(338,284)	677,279
Investments in associates	17	684	22	193	2,891	-	3,807
<b>Total assets</b>	<b>354,332</b>	<b>495,136</b>	<b>37,248</b>	<b>23,146</b>	<b>109,508</b>	<b>(338,284)</b>	<b>681,086</b>
Business segment liabilities	326,699	482,889	32,957	21,862	101,859	(324,051)	642,215
<b>Total liabilities</b>	<b>326,699</b>	<b>482,889</b>	<b>32,957</b>	<b>21,862</b>	<b>101,859</b>	<b>(324,051)</b>	<b>642,215</b>
Investments in property and equipment	140	39	1,509	4	59	-	1,751
Impairment of tangible and intangible assets	9	32	1	6	24	-	72
Goodwill	322	676	455	1	-	-	1,454
Private sector loan portfolio	289,881	95,192	27,465	16,711	482	-	429,731

# Independent auditor's report

To: The General Members' Council of Coöperatieve Rabobank U.A.

The 2015 annual figures set out on page 116 to page 121, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the business segments for the year then ended are derived from the audited consolidated financial statements 2015 of Coöperatieve Rabobank U.A. (hereafter: 'Rabobank'), Amsterdam. We expressed an unqualified auditor's opinion on those financial statements in our auditor's report dated 17 February 2016. The 2015 annual figures do not contain all disclosures required by International Financial Reporting Standards as adopted by the European Union and by Part 9 of Book 2 of the Dutch Civil Code. Reading the 2015 annual figures, therefore, is not a substitute for reading the audited consolidated 2015 financial statements of Rabobank.

## Executive Board's responsibility

The Executive Board is responsible for the preparation of the 2015 annual figures in accordance with the audited consolidated 2015 financial statements and the accounting policies set out therein.

## Auditor's responsibility

Our responsibility is to express an opinion on the 2015 annual figures based on our procedures, which were conducted in accordance with Dutch law, including the Dutch Standard on Auditing 810 'Engagements to report on summary financial statements'.

## Opinion

In our opinion, the 2015 annual figures are consistent, in all material respects, with the audited consolidated 2015 financial statements of Rabobank and in accordance with the accounting policies set out therein.

Amsterdam, 17 February 2016

Ernst & Young Accountants LLP

signed by C.B. Boogaart



# Independent auditor's assurance report

To: The readers of the Annual Report 2015 Rabobank Group

## Our opinion

We have audited the sustainability information included in the section Corporate social responsibility report (on pages 51-85 and the Appendices to the corporate social responsibility report 2015 (on pages 126-151)) (hereafter together: 'the Report') of Rabobank Group (hereafter: 'Rabobank') except for the sources and documents that are referred to.

In our opinion, the Report presents, in all material respects, the sustainability performance of Rabobank in accordance with the GRI G4 Guidelines as described in Appendix 1 Reporting principles.

## Our report on consistency

We report, to the extent we can assess, that the sustainability information in the rest of the Annual Report 2015 is consistent with sustainability information in the Report.

## Basis for our opinion

We conducted our engagement in accordance with the Dutch Standard 3810N: 'Assurance engagements relating to sustainability reports', which is a specified standard that is based on the International Standard on Assurance Engagement (ISAE) 3000: 'Assurance Engagement other than Audits or Reviews of Historical Financial Information'.

We do not provide any assurance on the achievability of the objectives, targets and expectations of Rabobank.

Our responsibilities under Standard 3810N and procedures performed have been further specified in the paragraph titled 'Our responsibility for the audit of the Report'.

We are independent of Rabobank Group in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in The Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key assurance matters

Key assurance matters are those matters that, in our professional judgment, were of most significance in our audit approach for the Report. We have communicated the key assurance matters to the Supervisory Board. The key assurance matters are not a comprehensive reflection of all matters discussed. These key assurance matters were addressed in the context of our audit of the Report as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Implementation of the Sustainably Successful Together strategy and the reporting thereof through core KPIs*

**Observation** – Rabobank has defined its sustainability ambitions in its Sustainably Successful Together strategy. The pillars of this strategy provide the basis for the sustainability reporting structure. In context of this strategy, Rabobank started quantitatively reporting on its progress against its ambitions through core KPIs. As stakeholders should obtain a balanced view of the progress reported, and this being the first year Rabobank includes its core KPIs in the Report, the status of implementing this strategy into the regular management cycle of the various group divisions of the bank was a key assurance matter.

**Response** – We specifically examined the reporting process regarding the core KPIs from the Sustainably Successful Together strategy. We conducted interviews with management of various group divisions in order to determine the various degrees of strategy implementation. Furthermore, we assessed the reporting processes for core KPIs in their design, implementation and operation, and we reconciled reported outcomes with underlying documentation. Finally, we compared the presentation of the implementation of Sustainably Successful Together in the Report with our outcomes.

**Evaluation** – We found that the results presented are sufficiently supported by underlying evidence.

## Responsibilities of the Board of Directors and the Supervisory Board

The Board of Directors is responsible for the preparation of the Report in accordance with the GRI G4 Guidelines. It is important to view the information in the Report in the context of these criteria.

As part of this, the Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing Rabobank's reporting process.

### Our responsibility for the audit of the Report

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten' and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud when these exist.

The procedures selected depend on our understanding of the Report and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. The following procedures were performed:

- A risk analysis, including a media search, to deepen our understanding of the relevant issues for Rabobank in the reporting period;
- Evaluating the design and implementation of the reporting processes and testing the operating effectiveness of the controls regarding the qualitative and quantitative information in the Report;
- Interviewing relevant staff at corporate and local level responsible for the sustainability strategy, policies, communication, implementation and management;
- Interviews with relevant staff at corporate and local level responsible for providing the information in the Report;
- Visits to a selection of group divisions to review and test the source data;
- Testing internal and external documentation, based on sampling, to determine whether the information in the Report is supported by sufficient evidence;
- An analytical review of the data and trend explanations submitted by the group divisions for consolidation at group level;
- Reviewing and testing the relevant work of Audit Rabobank.

Amstelveen, 17 February 2016

KPMG Advisory N.V.

A.A. Kuijpers

# Executive Board responsibility statement

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

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit of Rabobank, and the companies included in the consolidation;
- the management 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 financial year at Rabobank Nederland and its affiliated entities whose information is included in its financial statements;
- the management report describes the principal risks that Rabobank Nederland faces.

W. Draijer, *Chairman and CRO a.i.*

B.C. Brouwers, *CFO*

B.J. Marttin, *Member*

R.J. Dekker, *Member*

H. Nagel, *Member*

J.L. van Nieuwenhuizen, *Member*

Utrecht, 17 February 2016

# Appendices to the corporate social responsibility report 2015

## Appendix 1 Reporting principles

Rabobank's 2015 Annual Summary and the 2015 Annual Report provide an explanation to the material report topics from the 2015 reporting year from 1 January to 31 December 2015.

For the inventory and selection of relevant reporting topics, the GRI-G4 guidelines and the framework of the IIRC (International Integrated Reporting Council) are used as a starting point for the integrated reporting.

### GRI Principle: Materiality

Rabobank's 2015 corporate social responsibility report provides an explanation to the material social reporting topics from the 2015 reporting year. The materiality analysis provides insight into the choices that were made prior to the preparation of the report and consists of an inventory of social aspects that are important for Rabobank and for our stakeholders and a prioritisation thereof. In the materiality analysis, per topic the significance for the stakeholders is weighed against the significance for the company. This is subsequently reflected in a graphic in the materiality matrix.

➤ Click [here](#) for the 2015 materiality matrix.

### Continuing stakeholder dialogue

We base the list of material reporting topics on the dialogues we had during the year with the following stakeholder groups: customers, members, employees, social welfare organisations, government agencies and supervisory bodies and other banks. We thus have a clear view of what our stakeholders believe is important. In addition, we make an inventory of the topics that are of material importance from the Rabobank perspective. The main input for this is the implementation agenda of the Executive Board. This includes all the topics that score high in the priorities of the Executive Board.

### Material reporting topics identification process

In order to determine the material reporting topics for this year, we have gone through the following four steps:

- Step 1 - Actualisation of the 2014 materiality analysis based on results from stakeholder dialogues and the strategy and management agenda of Rabobank.
- Step 2 - Validation of the completeness of identified reporting topics
- Step 3 - Prioritisation of the reporting topics
- Step 4 - Preparation of the 2015 materiality matrix

Based on the stakeholder dialogues, the topics from the 2014 materiality analysis are expanded with the addition of three new material topics:

1. Financial Legislation & Regulations
2. Special Asset Management
3. Corporate governance

In the validation of the completeness of the reporting topics, it was checked whether a complete and balanced picture of Rabobank is provided when the selected topics are reported. The prioritisation of the topics took place by looking at the frequency with which the topics and/or directly associated topics occur in the sources. The sources are also ordered by topic. Last year we did this according to the categories 'Economic, Environment and Social'. This year the topics are categories in line with the new strategy 'Vision 2016-2020' as determined in 2015. The categories currently are: Rock-solid bank, Customer focus, Meaningful cooperative and Empowered employees.

### GRI principle: involvement of stakeholders

The interests of four important Rabobank stakeholder groups were verified during the creation of the materiality matrix: the following stakeholder groups have therefore been specifically invited to various stakeholder dialogues and for the independent reputational study conducted by Motivaction:

- Clients
- Personnel
- Company
- Financial stakeholders

The topics listed in the materiality matrix, as well as the topics listed in the [value creation model](#), are all included in the 2015 Annual Report and in the 2015 corporate social responsibility report. With this we align with the guidelines of GRI and with the reporting framework of the IIRC in involving the interests of our stakeholders in the Annual Report.

### GRI principle: completeness

The information in this report relates to all Rabobank Group divisions. Information is collected via stakeholder meetings with various interest groups and from central information systems or sources. There where the reporting does not go as far and is limited to only one or a few group divisions within or outside of the Netherlands, this is indicated explicitly. This is also the case when no complete picture can be provided about a topic. About new business units that were acquired, Rabobank reports the entire year following the acquisition.

Rabobank no longer reports on divested units from the time of the divestment.

### Data collection

The collection of data about sustainability in Rabobank Group divisions takes place the same way as in 2014. Substantively, the department Sustainability is responsible for this; Control Rabobank Group (CRG) takes care of the data collection. The sustainability data of the group divisions and of the local Rabobanks is obtained with the help of qualitative and quantitative questionnaires. The questionnaires are based on internal business principles and policy and on external guidelines that are approved by Rabobank Group. The sustainability coordinator of the respective group division or the local Rabobank is responsible for the collection and

reporting. Data from central management information systems is also included. CRG and Sustainability perform a plausibility check after the submission. If submitted data is incomplete, then it can be extrapolated. It is explicitly stated in the report where this is the case.

We derive the reported sustainability information about local Rabobanks as much as possible from Rabobank's automated systems. We collect data from local Rabobanks that is not recorded in central systems via a questionnaire (the 2015 C&D monitor) that is completed by local Rabobanks. The response to these questions has a subjective aspect.

### *Calculation information internal company environmental care*

The data with regard to Rabobank's internal business operations are mostly based on invoices or on registration and management information from own management information systems or from providers. For the necessary conversions, the factors from reliable sources and from determined protocols are used. The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG) and the associated CO<sub>2</sub> conversion factors originate from, among others, DEFRA, CE Delft and the Dutch Emissions Authority.

The operating information for the climate footprint report is based on the period from 1 October 2014 to 30 September 2015.

The integral Annual Review and the corporate social responsibility report (in the Annual Report) will be published on 16 March 2016 on Rabobank's corporate website.

# Appendices to the corporate social responsibility report 2015

## Appendix 2 Dialogue with social welfare organisations and clients

This appendix includes lists of examples of dialogues that the central Sustainability department of Rabobank engaged in with social welfare organisations and clients. For each organisation, the topics covered and the outcomes are given. 'Dialogues with clients' lists the client's industry and region, the type of issue and a short description thereof, as well as the status category and status. This information expands on the theme 'Social

debate' on page 72. The list only covers those client discussions that were held in response to controversies that prompted Rabobank to have a discussion with the client. A table at the end of Appendix 2 helps link issue types to types of controversies. There is also a table showing the various statuses assigned to the discussions with clients.

<b>Dialogues with organisations in 2015</b>		
<i>Organisation</i>	<i>Topic</i>	<i>Note</i>
Fair Finance Guide International, Oxfam Novib; VBDO	The fiscal-ethics policy of Rabobank	The second fiscal-ethics policy statement published in the 2014 Annual Report of Rabobank; Rabobank shared the 6th place in VBDO Tax Transparency Benchmark, and received a mention as the top scorer on two of the six assessment areas.
Fair Finance Guide International/ Dutch Fair Bank Guide	Compliance with policy commitments; general social policy; climate and energy	Provided explanation on policy and developments; provided information and data for assessment by social welfare organisations
OECD	Due diligence in agricultural commodities; commercial and production supply chains	Rabobank vision and Round Table on Responsible Soy on sustainable supply chains formulated during OECD Global Forum on Responsible Business Conduct, 19 June 2015.
National Point of Contact, OECD	Application of OECD guidelines for multinational enterprises in the production and commercial supply chain for sustainable palm oil	Dialogue with NCO and Friends of the Earth Netherlands
Friends of the Earth Netherlands	Complaint about palm oil company Bumitama in Indonesia in connection with forest fires in Kalimantan	The company is not a client of Rabobank and therefore Rabobank did not address this complaint.
Friends of the Earth Netherlands	Three complaints about the palm oil company Wilmar in Indonesia, Nigeria and Uganda	All complaints were investigated. Rabobank discussed the complaints with social welfare organisations and with Wilmar, and promotes direct discussions between social welfare organisations and Wilmar with regard to Indonesia. Complaints regarding Nigeria and Uganda do not contain any material new facts about those investigated in the past.
2015 Global Landscapes Forum, Paris	Financers' role in financing smallholder producers of sustainable palm oil	Presentation at the 'Finance and Trade' forum of the conference
Land Governance Multi-stakeholder Dialogue; Minister for Foreign Trade and Development Cooperation, Lilianne Ploumen	Land governance in banking policy	Due diligence explained in the Palm oil working group in Indonesia; expressed support for Voluntary Guidelines for the Responsible Tenure of Land (VGGT) in the VGGT working group and in Rabobank's statement regarding land rights; made proposals for the practical implementation of the VGGT via contributions and support of guidelines in the Interlaken Group Guidance Tool; organised a Member Committee for this stakeholder dialogue.
Professor Bastiaan Philip Reydon, University of Campinas, Brazil	Potential land conflicts involving native peoples and agricultural companies in Brazil as a result of a court ruling in the state of Piauí	Matter was investigated. No indication of acts attributable to clients. Rather, clients may be victim of new laws regarding actions with regard to ancient land rights. There is not yet clarity about the legal consequences and rights that arise from the legal ruling in light of the complicated regulations and competences of various government bodies for determining the validity of land claims of third parties on land for which legal land titles are present. Legal due diligence procedures were revised internally.
Oxfam Novib	Land governance policy of Rabobank	In response to the publication of Rabobank's policy statement on land governance, Oxfam Novib asked questions about the implementation of the policy. Rabobank will enter into a discussion about the topic.
PAX	Investigation into banks' involvement in controversial weapons: cluster bombs and nuclear weapons	Rabobank provided the requested information about the policy and the implementation thereof. In a report about the financing of nuclear weapons, Rabobank was listed in the 'runners-up' category. PAX's investigation did not reveal any indication of Rabobank's involvement in the financing of controversial weapons.
Professor Roos Vonk, Reclame Code Commissie (RCC, Dutch Advertising Code Committee)	Animal welfare policy	Explanation of the animal welfare policy and due diligence via RCC procedure and in personal meeting.

The Centre for Research on Multinational Corporations (SOMO); National Ecological Centre of Ukraine (NECU); Vereniging Nederlandse Pluimveeverwerkende Industrie (NEPLUVI, Dutch industry organisation for poultry processors)	Animal welfare; compliance with legislation and external impact of poultry producer MHP, Ukraine.	Complaints by SOMO and NEPLUVI were investigated and discussed with MHP. Complaints by NECU are being investigated and Rabobank has entered into a dialogue with NECU.
Eyes on Animals; World Animal Protection; Dierenbescherming; Compassion in World Farming	Animal welfare	Stakeholder dialogue sessions and consultation on the draft of Animal Welfare Policy by Rabobank

Dialogues with clients in 2015					
Industry	Region	Issue type	Short description	Status category	Status
Farming	Asia	S - H1	Client allegedly used people's debts to tie them to him	Insufficient evidence	Closed
Farming	South America	E - E2 P	Damage to vulnerable nature; operating without permit	Client has resolved issue	Closed
Farming	South America	S - L5	Insufficient quality of employee facilities	Client will take action	Open
Farming	South America	S - L5	Insufficient quality of employee facilities	Client has resolved issue	Closed
Farming	South America	S - L5	Insufficient quality of employee facilities	Client relationship terminated	Open
Farming	South America	P	Operating without permit	Client has resolved issue	Closed
Farming	South America	E - E2	Damage to vulnerable nature	Client has resolved issue	Closed
Farming	South America	E - E2	Damage to vulnerable nature	Client relationship terminated	Open
Farming	South America	S - L5	Alleged deficiencies in employment contracts	Client will take action	Open
Farming	South America	E - E2	Damage to vulnerable nature	Client relationship terminated	Open
Farming	South America	E - E2 S - L5	Insufficient quality of employee facilities; environmental issues	Client will take action	Open
Farming	South America	E - E2	Damage to vulnerable nature	Client will take action	Open
Farming	South America	E - E2 S - L5	Insufficient quality of employee facilities; environmental issues	Client will take action	Open
Farming	South America	E - E2 S - L5	Insufficient quality of employee facilities; environmental issues	Client will take action	Open
Farming	South America	E - E2 S - L5	Insufficient quality of employee facilities; environmental issues	Client will take action	Open
Cocoa	Africa	S - L2	Dilemma of child labour vs combating poverty	Client acknowledged issue	Open
Animal protein	Asia	E - E1	Differing standards within the group with regard to sustainability and welfare	Client willing to improve policy/behaviour	Open
Animal protein	Asia	G - G1	Operating without permit	Client has resolved issue	Open
Animal protein	Asia	P	After acquisition of new company the implementation of existing policy is required	Investigation	Open
Animal protein	Asia	S - L1	Alleged involvement in slave labour in the supply chain	Client will take action	Open
Animal protein	EU	S - H2	Controversies with regard to violations due to insufficient consultation; increased transparency required	Client will take action	Open
Animal protein	N/A	E - E1	Alleged poor treatment of pigs	Insufficient evidence	Closed
Animal protein	South America	S - L4	Fatal work accident; safety guidelines	Client has improved policy/behaviour	Closed
Animal protein	South America	S - L4 S - L5	Controversies with regard to employee working hours, salary, safety and health	Client has improved policy/behaviour	Closed
Beverages	Asia	S - H1 S - L5	Insufficient wellbeing, health and work conditions at production plant	Client will take action	Open
Energy/metals	EU	P	Insufficient accountability; limited transparency	Client has improved policy/behaviour	Closed
Energy/metals	EU	G - G1	Alleged money-laundering and tax evasion	Insufficient evidence	Closed
Energy/metals	South America	S - H1	Alleged misuse of government security personnel to suppress protests	Client has resolved issue	Open
Energy/metals	South America	S - L1 E - E3	Alleged human rights violations and waste of natural capital	Investigation	Open
Energy/metals	South America	E - E2 E - E4 S - H2	Various controversies with regard to environmental issues and insufficient consultation	Investigation	Open
Grains	South America	G - G1	Alleged abuse of legal system to gain unfair advantage over other parties	Investigation	Open
Cotton	EU	S - L1 S - L2	Dilemma of child labour vs combating poverty	Client acknowledged issue	Open
Palm oil	Africa	S - H2	Alleged disregard for the rights of the community	Insufficient evidence	Open
Palm oil	Africa	S - H2	Alleged lack of information and compensation to communities	Authorities involved	Open
Palm oil	Africa	S - H2	Dispute about land acquisition; no FPIC	Engagement stopped	Closed
Palm oil	Asia	E - E2 G - G1	Alleged damage to vulnerable nature; operating without permit	Engagement stopped	Closed
Palm oil	Asia	S - H2	Alleged damage to the environment	Client has resolved issue	Closed



Palm oil	Asia	S - H3	Conflicting land claims involving communities; dispute about the division of compensation between new claimants	Client has resolved issue	Open
Palm oil	Asia	P	Prospect that does not comply with Rabobank policy	Engagement stopped	Closed
Palm oil	Asia	S - H2	FPIC and compensation issues on a plantation partially owned by client	Client will take action	Open
Palm oil	Asia	S - L5	Work circumstances that may comply with legislation and regulations, but have room for improvement	Client will take action	Open
Palm oil	Asia	S - H3	Issues with regard to consultation caused by previous owner	Engagement stopped	Closed
Palm oil	Asia	S - H2	Issues with regard to insufficient agreements regarding the application of FPIC	Client will take action	Open
Palm oil	Asia	P	Relationship started without compliance with RSPO standards; membership obtained, but complete implementation and certification required	Client will take action	Open
Palm oil	Asia	S - H2 S - H3 E - E2	Controversy with regard to insufficient application of FPIC, compensation and MER	Client has resolved issue	Open
Palm oil	Asia	S - H2 E - E2	Alleged improper application of FPIC, legal compliance and environmental due diligence; despite convincing evidence to the contrary, the client is willing to take further measures; plans are being prepared	Investigation	Open
Palm oil	Asia	S - H3	Dilemma in which wishes and legal requirements regarding land right do not align with each other	Client will take action	Open
Palm oil	Asia	E - E2	Alleged destruction of vulnerable nature	Insufficient evidence	Closed
Palm oil	Asia	S - H2	Alleged poor application of FPIC	Insufficient evidence	Closed
Palm oil	Asia	E - E2	Alleged destruction of vulnerable nature	Client will take action	Open
Palm oil	Asia	E - E2 S - H3	Client allegedly conducts insufficient MER and fails to give authorised agents sufficient share	Insufficient evidence	Open
Palm oil	Asia	S - H2	Alleged lack of consultation and compensation	Client will take action	Open
Palm oil	Asia	S - H2	Alleged lack of consultation	Investigation	Open
Palm oil	Asia	E - E2	Alleged destruction of vulnerable nature	Investigation	Open
Sugar	Asia	S - H2	Controversy with regard to compensation for forced relocation	Investigation	Open
Sugar	ZA	S - H2	Allegedly disadvantages people by obtaining land rights	Client has resolved issue	Closed
Sugar	ZA	E - E2	Damage to vulnerable nature	Client will take action	Open
Consumer foods	N/A	S - L3	Alleged disregard for trade union supporters	Authorities involved	Open

### Rabobank Issue Table 2015

Environment		Social		Governance	
		Human rights	Labour law		
E1. Cruelty to animals	#2	H1. Violation of human rights	#3	L1. Forced labour	#3
E2. Impact on ecosystems and landscapes	#18	H2. Impact on communities and indigenous peoples	#15	L2. Child labour	#2
E3. Misuse of natural resources or wasting raw materials	#1	H3. Participation issues	#5	L3. Freedom of association and right to collective bargaining	#1
E4. Pollution	#1	H4. Social discrimination	#0	L4. Employee health and safety	#2
				L5. Poor working conditions	#11
				L6. Discrimination against employees	#0
# number = number of engagements on this theme				P. Not compliant to Rabobank policy	#6
				G1. Integrity (corruption, bribery, money laundering, fraud, tax evasion, creation of cartels)	#4
				G2. Lack of transparency	#0
				G3. Misleading communications and 'greenwashing'	#0
				G4. Product/service presents a risk to consumer health or safety	#0

### Status category label

Status category	Note
Investigation	Additional research required to better understand the nature and extent of the problem, and to gain more insight into necessary or desired improvement
Client acknowledged issue	There is agreement on the facts of the issue
Insufficient evidence	There is insufficient certainty that the customer is causing the problem or can contribute to reducing or resolving it
Client willing to improve policy/behaviour	There is agreement on the subject that sustainability can take place
Client will take action	-
Client has resolved issue	-
Client has improved policy/behaviour	-
Authorities involved	A dispute between the parties is under consideration by or requires the action or decision of a government agency or court; the dialogue is pending
Client relationship is terminated	Insufficient progress has been shown by the customer and the bank has taken steps to end the relationship
Engagement stopped	Prospects do not want to act in accordance with our policies, or relationship with the customer then the connection to the issue no longer exists

# Appendices to the corporate social responsibility report 2015

## Appendix 3 Sustainability facts and figures

Finance Overview with a societal character or a positive societal impact.

	2015	2014	2013	2012	2011
<i>in millions of euros</i>					
<b>Finance</b>					
<b>Sustainable</b>					
Green loans	1,509	1,574	1,826	1,987	2,361
Sustainable project financing (excluding green loans)	4,051	2,444	2,621	2,291	783
Loan with agriculture guarantee fund BF/BF+	255	294	300	333	329
DLL Clean tech financing	243	No comparative figures available			
Viv loans (livestock farming transfer)	8	9	10	10	10
Financing for sustainable technology and energy companies <sup>1</sup>	278	192	166	No comparative figures available	
Financing for environmental and recycling companies <sup>1</sup>	517	533	574		
Financing for companies with a sustainability label <sup>2</sup>	8,867	9,831	9,454		
Sustainable mortgages (climate mortgage and first-time mortgages excluding SVn))	2,276	2,393	2,466	2,450	1,976
<b>Subtotal</b>	<b>18,004</b>	<b>17,271</b>	<b>17,417</b>	<b>7,071</b>	<b>5,458</b>
<b>Access to finance <sup>1</sup></b>					
Rabo Stimulus Capital	222	280	328	389	445
Loans with a State guarantee (under BMKB)	1,069	1,075	1,126	1,179	1,193
Loans with Go facility	81	268	330	312	238
Growth Facility Scheme (Rabo Capital Injection Loan)	31	36	35	45	53
Microcredit and first-time credit for SMEs in the Netherlands	-	-	1	1	2
<b>Subtotal</b>	<b>1,403</b>	<b>1,659</b>	<b>1,820</b>	<b>1,926</b>	<b>1,930</b>
<b>Community services <sup>1</sup></b>					
Financing for businesses in the education sector and research and development	658	617	644	No comparative figures available	
Financing for social and ethical organisations	516	663	593		
Financing for cultural organisations	114	117	179		
Financing for organisations caring for vulnerable groups and sheltered employment	1,335	1,575	738		
<b>Subtotal</b>	<b>2,623</b>	<b>2,973</b>	<b>2,155</b>		
Total sustainable finance	22,030	21,903	21,392	8,997	7,388
In % of total credit portfolio private customers	5.17%	5.09%	4.90%	2.00%	1.60%

<sup>1</sup> The selection of this data is based on month-end figures as of November 2015.

<sup>2</sup> The selection of sustainability labels has been adjusted (tightened) compared to 2014.

An overview of the labels can be found on the [corporate website](#).

Overview of final home energy labels for Rabobank loan portfolio<sup>1</sup>

<b>Energy labels private households<sup>1</sup></b>						
	total housing			loan portfolio <sup>1</sup>	energy use <sup>1</sup>	
Housing energy labels	% distribution units financed by Rabobank	% distribution units throughout the Netherlands	relative difference	% distribution of the loan portfolio	Calculated carbon footprint in kg x 1,000 <sup>3</sup>	
A	15%	8%	7%	17%	23,473	
B	17%	16%	1%	17%	33,814	
C	26%	30%	-4%	24%	61,610	
D	19%	23%	-4%	18%	51,734	
E	11%	12%	-1%	11%	38,769	
F	7%	7%	0%	8%	30,661	
G	5%	3%	1%	5%	24,301	
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	<b>264,362</b>	

1 Private household with a final energy label, this represents approximately 10% of our loan portfolio.

2 Final energy labels: Netherlands Enterprise Agency.

3 Source carbon footprint data: TU Delft.

### Equator Principles

The Equator Principles (EP) is a framework for risk management by financial institutions for determining, assessing and managing social and environmental risks in projects and project financing. Rabobank was one of the first banks to subscribe to the EP when they were adopted in 2003. In addition to our sustainability policy and for the financial products falling within the scope of the EP, we ask our customers to bring into focus and address relevant environmental and social risks in accordance with the relevant standards as stated in the EP.

Within Rabobank the relationship managers together with the central sustainability department are responsible for the correct implementation of the EP. As part of our sustainability assessment of the customer, all transactions are checked for applicability of the EP. When the EP apply for a new transaction, a checklist is completed to ensure the correct application of the principles. This checklist should be signed by the Sustainability Department before the transaction can be executed. In 2015, compliance with the EP was reviewed by an external agency. The study found that, compared to the previous assessment, a number of concrete improvements have been made and the process is more robust than before. The study also found possible improvements on which we will start working in 2016.

The total number of project loans granted in 2015 was 15. The distribution is as follows:

<b>Equator Principles</b>				
	Cat A	Cat B	Cat C	Total
<b>Total</b>	-	13	2	15
<i>Detailed breakdown by category</i>				
Wind	-	4	2	6
Solar	-	9	-	9
<i>By region Cat A Cat B Cat C Totaal</i>				
Americas	-	12	-	12
Europe, Middle east and Africa	-	1	2	3
<i>By country designation</i>				
Designated	-	13	2	15
Non-designated	-	-	-	-
<i>Independant review</i>				
Yes	-	13	2	15
No	-	-	-	-

In 2015 we did not provide any 'Project Related Corporate Loans' and we did not provide any 'Project Finance Advisory Services'.

## Overview Total sustainable assets under management for customers and sustainable funding

<b>Total sustainable assets under management for customers and sustainable funding</b>					
<i>in millions of euros</i>	2015	2014	2013	2012	2011
<i>Sustainable assets under management and assets in custody and sustainable funding</i>					
<i>Sustainable assets under management and assets in custody</i>					
Private Banking	1,915	1,258	735	358	214
Real Estate	410	381	286	211	157
International	518	462	718	395	420
<b>Total sustainable assets under management and assets in custody</b>	<b>2,843</b>	<b>2,101</b>	<b>1,739</b>	<b>963</b>	<b>791</b>
<i>Sustainable Funding</i>					
Rabo Green Bonds	23	24	258	1,487	2,236
Rabo Green Savings	1,957	2,093	2,140	1,222	948
Rabo Green Deposits	31	31	32		
Rabo Socially Responsible Deposits	111	216	100		
Rabo Agri Bonds	541	541	340	80	
<b>Total Sustainable Funding</b>	<b>2,663</b>	<b>2,905</b>	<b>2,870</b>	<b>2,788</b>	<b>3,184</b>
<b>Total Sustainable assets under management and assets in custody including sustainable funding</b>	<b>5,506</b>	<b>5,006</b>	<b>4,609</b>	<b>3,751</b>	<b>3,974</b>
<i>Assets under engagement</i>					
Private Banking	17,638	14,869	12,376	4,686	-
<i>Sustainability and Green Bond origination for clients</i>					
	6,313	2,383	883	196	-
<i>Fund management</i>					
Public Fund Management Netherlands assets <sup>1</sup>	-	3,117	3,018	2,945	3,087

<sup>1</sup> Public Fund Management Netherlands became independent as of 1 July 2015 and is no longer part of the Rabo Real Estate Group.

**Greenhouse gas emissions and climate footprint (in tons of CO<sub>2</sub>)<sup>1</sup>**

Emission source	2015	2014	2013
<b>Scope 1</b>			
Use of natural gas	13,998	18,398	11,696
Use of other fuels	62	91	76
Use of air conditioning <sup>2</sup>	2,419	1,743	1,845
Lease mileage driven	36,484	39,679	43,888
<b>Scope 2</b>			
Use of electricity	102,128	110,582	121,926
Use of heat	1,803	2,042	2,987
<b>Scope 3</b>			
Business car mileage driven	5,378	5,918	6,496
Business air mileage	18,873	18,725	18,193
Use of paper	922	1,097	1,344
Climate footprint, total CO <sub>2</sub> emissions <sup>3</sup> :	182,067	198,275	208,451
Climate footprint per fulltime equivalent: CO <sub>2</sub> emissions per fulltime equivalent:	3.5	3.6	3.5
Use of electricity in accordance with market-based calculation method	26,066	29,611	32,428
Climate footprint in accordance with market-based calculation method	106,004	117,304	118,953
Climate footprint per fulltime equivalent in accordance with market-based calculation method	2.0	2.1	2.0

**Energy usage Rabobank Group by source and activity**

	Change in % compared to 2014	2015	2014	2013	Unit
Energy <sup>1</sup>	-10%	1,134	1,264	1,518	Terajoules
Total electricity	-8%	823	892	990	Terajoules
- Green electricity	-6%	652	694	769	Terajoules
- Grey electricity	-14%	171	198	221	Terajoules
Total gas	-17%	274	330	417	Terajoules
- Green gas	107%	29	14	307	Terajoules
- Grey gas	-23%	244	316	110	Terajoules
District heating	-12%	37	42	110	Terajoules
Electricity per fulltime equivalent	-3%	4,343	4,456	4,677	kWh/FTE
Green electricity outside the Netherlands	2%	95%	93%	98%	percentage
Netherlands green electricity	-3%	29%	30%	29%	percentage
Water in the Netherlands	11%	301	272	367	x 1,000 m <sup>3</sup>
Water in the Netherlands (m <sup>3</sup> /fulltime equivalent)	60%	8	5	8	m <sup>3</sup> /FTE
Lease kilometres	-6%	224	238	241	x 1 miljoen km
A4 paper	-10%	19	21	24	kg/FTE
Paper and cardboard waste in the Netherlands <sup>4</sup>	-20%	35	44	58	kg/FTE
Residual waste <sup>4</sup>	-29%	25	35	37	kg/FTE

1 Figures retroactively adjusted to reflect additional reporting requirements, 2013 is exclusively Bank BGZ.

2 Air conditioning figures have been adjusted following a calculation method correction in 2015.

3 3% of the total footprint is estimated based on averages.

4 Exclusively local Rabobanks.

## Sustainability ratings

<b>RobecoSAM</b>		
	2015	2014
Ranking	5	12
Overall score	87	83
Economic Dimension	88	90
Environmental Dimension	90	78
Social Dimension	85	77

<b>Sustainalytics</b>		
	2015	2014
Relative position	11 out of 422	40 out of 382
Overall ESG score	80 (Industry Leader)	70 (Outperformer)
Environment	84	70
Social	81	80
Governance	76	60

<b>Transparency benchmark</b>		
	2015	2014
Total score	169	168
Position	34	22
Company and business model	26	27
Policy and results	27	24
Management Approach	32	31
Relevance	15	15
Clarity	15	19
Reliability	18	18
Responsiveness	20	16
Coherence	16	18

<b>Fair Finance Guide</b>		
	2015	2014
Arms	8	8
Human rights	8	8
Climate change	5	3
Labour rights	9	9
Bonuses	4	2
Animal welfare	4	4
Health	6	1
Taxes and corruption	5	2
Nature	7	3
Manufacturing	6	1
Mining	6	4
Electricity generation	5	1
Forestry	6	4
Nutrition	7	5
Oil and Gas	7	4
Fisheries	7	6
Financial Sector	3	1
Transparency and accountability	6	5

## Social Indicators

<b>Number of employees</b>			
G4-10	male	female	Total
Permanent	21,670	23,258	44,928
Temporary	1,273	1,527	2,800
Full-time	21,571	12,638	34,209
Part-time	1,403	12,168	13,571
Internal	22,970	24,806	47,776
External <sup>1</sup>	4,855	2,187	7,042

1 Excluding Rabo Real Estate Group Netherlands

G4-10	Region	North America	South America	The Netherlands	Europe excluding Netherlands	Asia	Australia/New Zealand
Total personnel	male	2,084	586	17,076	2,025	431	768
	female	2,246	470	19,265	1,858	370	597

New hires and personnel turnover in numbers and ratio								
Numbers								
G4-LA1	Age	Region	North America	South America	The Netherlands	Europe excluding Netherlands	Asia	Australia/ New Zealand
New personnel		male	204	53	922	155	54	59
	<35	female	238	43	1,027	130	37	72
		male	155	29	383	102	32	41
	35-54	female	169	22	331	94	29	47
		male	38	1	30	11	-	9
	>54	female	33	2	15	9	2	3
Turnover		male	153	62	570	119	19	31
	<35	female	185	43	638	120	23	51
		male	178	54	1,041	145	34	51
	35-54	female	210	34	1,652	119	36	41
		male	62	3	662	42	2	18
	>54	female	98	2	416	18	3	8
Ratio								
G4-LA1	Age	Region	North America	South America	The Netherlands	Europe excluding Netherlands	Asia	Australia/ New Zealand
New personnel		male	0.43	0.11	1.93	0.32	0.11	0.12
	<35	female	0.50	0.09	2.15	0.27	0.08	0.15
		male	0.32	0.06	0.80	0.21	0.07	0.09
	35-54	female	0.35	0.05	0.69	0.20	0.06	0.10
		male	0.08	0.00	0.06	0.02	0.00	0.02
	>54	female	0.07	0.00	0.03	0.02	0.00	0.01
Turnover		male	0.32	0.13	1.19	0.25	0.04	0.06
	<35	female	0.39	0.09	1.34	0.25	0.05	0.11
		male	0.37	0.11	2.18	0.30	0.07	0.11
	35-54	female	0.44	0.07	3.46	0.25	0.08	0.09
		male	0.13	0.01	1.39	0.09	0.00	0.04
	>54	female	0.21	0.00	0.87	0.04	0.01	0.02



<b>Training</b>				
G4-LA9	Salary scale <sup>2</sup>	hours		
		male	female	total
Average number of training hours <sup>1</sup>	1-7	16	13	14
	8-11	13	13	13
	SK	11	18	12
	EK	7	9	7
	<b>Total<sup>3</sup></b>	<b>16</b>	<b>16</b>	<b>16</b>

<b>Periodic performance discussions</b>				
G4-LA11	Salary scale <sup>4</sup>	%		
		male	female	total
% of personnel with periodic performance & career development	1-7	96.5	98.1	97.6
	8-11	98.4	98.2	98.3
	SK	97.5	97.2	97.5
	EK	80.4	78.4	80.1
	<b>Total<sup>5</sup></b>	<b>96.4</b>	<b>96.5</b>	<b>96.5</b>

<b>Salary ratio</b>			
G4-LA13	Salary scale <sup>2</sup>	female/male	
		Dutch	International
salary ratio female/male	1-7	92.2	na
	8-11	91.3	na
	SK	93.8	na
	EK	106.7	na

$$\text{Salary ratio} = 100 \times \frac{\text{Average salary female}}{\text{Average salary male}}$$

<b>Other information</b>		
G4-11	% employees under Collective Labour Agreement	71%
	ratio salary highest/median Netherlands	20:1
G4-54/55	ratio % increase salary highest/median Netherlands	-5%
	ratio salary highest/median international	nb
	ratio % increase salary highest/median international	nb

1 based on central registration in the Learning portal system.

2 Excluding international offices.

3 Including DLL international and WRR international.

4 Excluding international offices (% per salary scale is not available).

5 Including international offices except for WRR international.

# Appendices to the corporate social responsibility report 2015

## Appendix 4 Sustainable development goals

In 2015, the 17 Sustainable Development Goals (SDG) were launched by the United Nations. The SDGs are a universal set of targets and indicators against which countries have to fine tune their political policies in the next 15 years. The SDGs are also a call to people and businesses to move into action in order

to eradicate poverty, to enhance well-being, to protect the environment and to tackle climate change. The social Rabobank targets are in line with this. The following is a list in which we have the goals and contributions of Rabobank to social and sustainable development and we have linked them to the SDGs.

Global Compact pillars				
	Pillar I:	Pillar II:	Pillar III:	Pillar IV:
Sustainable Development Goals	<a href="#">Human Rights</a>	<a href="#">Labour</a>	<a href="#">Environment</a>	<a href="#">Anti Corruption</a>
<b>SDG 1:</b>				
End poverty in all its forms everywhere	We support social initiatives in the communities in which we are active through manpower, knowledge and research, networks, facilities and annual investments in not-for-profit social projects in the amount of 3% of our net profit. (See <a href="#">page 55</a> )		We support social initiatives in the communities in which we are active through manpower, knowledge, networks, facilities and annual investments in not-for-profit social projects in the amount of 3% of our net profit. (See <a href="#">page 55</a> )	
	<a href="#">Sustainable agriculture and food supply chains</a>	<a href="#">How a Dutch bank helped Indian poultry farmers</a>	<a href="#">Rabobank establishes climate approach in statement</a>	<a href="#">Anti-corruption Statement Sustainability Policy</a>
<b>SDG 2:</b>				
End hunger, achieve food security and improved nutrition; promote sustainable agriculture.	We actively contribute to improving food and agri value chains because sustainability is an integral part of how we view industries. We share this knowledge in dialogue with our customers. (See <a href="#">page 60</a> )		We formulate our views on opportunities to improve the sustainability of food and agri value chains for soy, palm oil, cane sugar, forestry, beef, dairy, fish, coffee, cocoa and biomaterials. We share these views with the outside world and actively participate in roundtable meetings or similar initiatives in order to ensure that sustainability is achieved sooner in these food and agri value chains. We work together with our customers to help them successfully integrate the results of these discussions into their business operations. (See <a href="#">page 60</a> )	
		<a href="#">New routes for fresh food in China</a>	<a href="#">Discarding is a waste of food, money and CO<sub>2</sub></a>	
<b>SDG 3:</b>				
Ensure healthy lives and promote well-being for all at all ages.	By 2020, more than 80% of retail customers from vulnerable groups believe they will be able to handle their banking matters securely and efficiently through Rabobank. (See <a href="#">page 66</a> )		By 2020, we will support a total of 1,000 new collective local social initiatives in achieving business success, including 500 in the Netherlands and another 500 in developing countries. (See <a href="#">page 55</a> )	
	<a href="#">Samen bankieren</a>		<a href="#">Voeding voor preventieve gezondheidszorg</a>	
<b>SDG 4:</b>				
Ensure inclusive and equitable quality education & promote life-long learning opportunities for all.		By 2020, we will support a total of 1,000 new collective local social initiatives in achieving business success, including 500 in the Netherlands and another 500 in developing countries. (See <a href="#">page 55</a> )		
	<a href="#">Active through sport and culture</a>	<a href="#">Employment rate</a>		

<b>SDG 5:</b>		
Achieve gender equality and empower all women and girls	<a href="#">The power of women</a>	<a href="#">Poultry from and for women in India</a>
<b>SDG 6:</b>		
Ensure availability and sustainable management of water and sanitation for all		
<b>SDG 7:</b>		
Ensure access to affordable, reliable, sustainable and modern energy for all.		By 2020, we will support a total of 1,000 new collective local social initiatives in achieving business success, including 500 in the Netherlands and another 500 in developing countries. (See <a href="#">page 55</a> )
		<a href="#">The future of wind power</a>
<b>SDG 8:</b>		
Promote sustained, inclusive and sustainable economic growth, full & productive employment and decent work for all.		
<b>SDG 9:</b>		
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.		Rabobank prioritises leaders in sustainability when providing finance and will double the amount of services provided to these customers. (See <a href="#">page 62</a> )
	<a href="#">Herman Wijffels Innovation Prize</a>	<a href="#">Innovation</a>
<b>SDG 10:</b>		
Reduce inequality within and among countries.	By 2020, we will support a total of 1,000 new collective local social initiatives in achieving business success, including 500 in the Netherlands and another 500 in developing countries. (See <a href="#">page 55</a> )	
<b>SDG 11:</b>		
Make cities and human settlements inclusive, safe, resilient and sustainable.		By 2020, we will support a total of 1,000 new collective local social initiatives in achieving business success, including 500 in the Netherlands and another 500 in developing countries. (See <a href="#">page 55</a> )
<b>SDG 12:</b>		
Ensure sustainable consumption and production patterns.	By 2020, all our business customers will have optimum access to the sustainability expertise relevant to them, and the sustainability performance of all major business customers will be set out in a customer 'client photo'. (See <a href="#">page 62</a> )	Rabobank prioritises leaders in sustainability when providing finance and will double the amount of services provided to these customers. (See <a href="#">page 62</a> )
<b>SDG 13:</b>		
Take urgent action to combat climate change and its impacts.		Through improved energy efficiency, reduction and sustainable mobility and other services, we aim to further reduce CO <sub>2</sub> emissions per FTE in 2020 by 10% compared with 2013. (See <a href="#">page 68</a> )
		We formulate our views on opportunities to improve the sustainability of food and agri value chains for soy, palm oil, cane sugar, forestry, beef, dairy, fish, coffee, cocoa and biomaterials. We share these views with the outside world and actively participate in roundtable meetings or similar initiatives in order to ensure that sustainability is achieved sooner in these food and agri value chains. We work together with our customers to help them successfully integrate the results of these discussions into their business operations. (See <a href="#">page 60</a> )
	<a href="#">Children playing and the blue whale</a>	<a href="#">Investing in energy and wind energy</a>
		<a href="#">Food &amp; Agribusiness Principles: CO<sub>2</sub>-friendly investments at Rabobank</a>

**SDG 14:**

Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

By 2020, all our business customers will have optimum access to the sustainability expertise relevant to them, and the sustainability performance of all major business customers will be set out in a customer 'client photo'. (See [page 62](#))

[Sustainable seafood is needed to nourish the world](#)

**SDG 15:**

Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss.

By 2020, all our business customers will have optimum access to the sustainability expertise relevant to them, and the sustainability performance of all major business customers will be set out in a customer 'client photo'. (See [page 62](#))

**SDG 16:**

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

**SDG 17:**

Strengthen the means of implementation and revitalize the global partnership for sustainable development.

# Appendices to the corporate social responsibility report 2015

## Appendix 5 GRI index

Global standard for the provision of information				
Indicator	Provision of information	Locate part of information provision	Omission(s)	Reason(s) for omission(s)
<b>Strategy and analysis</b>				
G4-1	Statement from the most senior decision-maker of the organisation	<ul style="list-style-type: none"> <li>Annual Report: Management Report: Chairman's Foreword, <a href="#">page 2</a></li> </ul>		
G4-2	Description of key impacts, risks and opportunities	<ul style="list-style-type: none"> <li>Annual Report: Strategy - One Rabobank: stronger and closer, <a href="#">page 12</a></li> <li>Annual Report: Risk management, <a href="#">page 86</a></li> <li>Annual Review: Our environment, <a href="http://www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/rabobank-in-2015/index.html">www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/rabobank-in-2015/index.html</a></li> <li>Annual Review: Materiality matrix, <a href="http://www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html">www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html</a></li> <li><a href="http://www.rabobank.com/downloads/sustainability/samen-duurzaam-sterker-en.pdf">www.rabobank.com/downloads/sustainability/samen-duurzaam-sterker-en.pdf</a></li> <li>The trends, risks and opportunities in the short and long term are presented in Sustainably Successful Together and the Key Performance Indicators for sustainability.</li> <li>Short- and long-term results: Annual Report: Our contribution to sustainable development, key figures, <a href="#">page 54</a></li> <li>Annual Report: Our contribution to sustainable development, management and organisation, <a href="#">page 53</a></li> </ul>		
<b>Organisational Profile</b>				
G4-3	Name of the organisation	<ul style="list-style-type: none"> <li><a href="http://www.rabobank.com">www.rabobank.com</a></li> <li>Annual Report: Colophon</li> </ul>		
G4-4	Primary brands, products, and/or services	<ul style="list-style-type: none"> <li>Products &amp; Services (<a href="http://www.rabobank.com/en/products-services/index.html">www.rabobank.com/en/products-services/index.html</a>)</li> </ul>		
G4-5	Location of organisation's headquarters	<ul style="list-style-type: none"> <li>Annual Report: Colophon</li> <li><a href="http://www.rabobank.com/en/locate-us/index.html">www.rabobank.com/en/locate-us/index.html</a></li> </ul>		
G4-6	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	<ul style="list-style-type: none"> <li><a href="http://www.rabobank.com/en/locate-us/index.html">www.rabobank.com/en/locate-us/index.html</a></li> </ul>		
G4-7	Nature of ownership and legal form	<ul style="list-style-type: none"> <li><a href="http://www.rabobank.com/en/about-rabobank/background-stories/cooperative/rabobank-towards-a-new-governance-structure.html">www.rabobank.com/en/about-rabobank/background-stories/cooperative/rabobank-towards-a-new-governance-structure.html</a></li> </ul>		
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	<ul style="list-style-type: none"> <li>Annual Report: Profile of Rabobank Group, <a href="#">page 10</a></li> <li><a href="http://www.rabobank.com/en/about-rabobank/profile/index.html">www.rabobank.com/en/about-rabobank/profile/index.html</a></li> </ul>		
G4-9	Scale of the reporting organisation	<p><b>Profit</b></p> <ul style="list-style-type: none"> <li>Annual Report: Profit developments, <a href="#">page 16</a></li> </ul> <p><b>Capitalisation</b></p> <ul style="list-style-type: none"> <li>Consolidated financial Results, <a href="#">page 116</a></li> </ul> <p><b>Employee and office numbers</b></p> <ul style="list-style-type: none"> <li><a href="http://www.rabobank.com/en/about-rabobank/profile/who-we-are/index.html">www.rabobank.com/en/about-rabobank/profile/who-we-are/index.html</a></li> <li>and: Annual Report: Rabobank Profile, <a href="#">page 10</a></li> </ul> <p><b>Volume of services provided</b></p> <ul style="list-style-type: none"> <li>Financial services to 8.6 million customers.</li> </ul>		

G4-10	<p>Number of employees by employment contract and gender</p> <p>Number of permanent employees by employment type and gender</p> <p>Total workforce by employees and supervised workers and by gender</p> <p>Total workforce by region and gender</p> <p>Portion of the organisation's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors</p> <p>Significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)</p>	<ul style="list-style-type: none"> <li>Annual Report: Sustainability facts and figures, <a href="#">page 131</a></li> </ul>	External Workers Rabo Real Estate Group in NL	no data available
G4-11	Percentage of employees covered by collective bargaining agreements	<ul style="list-style-type: none"> <li>Annual Report: Sustainability facts and figures, <a href="#">page 131</a></li> </ul>		
G4-12	Supply chain of the reporting organisation	<ul style="list-style-type: none"> <li>Annual Review: Value Creation Model, <a href="http://www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/how-we-create-value/index.html">www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/how-we-create-value/index.html</a></li> </ul>		
G4-13	Significant changes during the reporting period regarding size, structure, ownership, or supply chain	<ul style="list-style-type: none"> <li>Annual Report: 2015: One Rabobank, <a href="#">page 158</a></li> </ul>		
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	<ul style="list-style-type: none"> <li>Annual Report: Our Commitment, <a href="#">page 68</a></li> <li><a href="http://www.rabobank.com/en/images/2015-09-18-rabobank-climate-statement.pdf">www.rabobank.com/en/images/2015-09-18-rabobank-climate-statement.pdf</a></li> </ul>		
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	<p><b>Rabobank embraces</b></p> <ul style="list-style-type: none"> <li>United Nations Global Compact</li> <li>Natural Capital Declaration</li> <li>UNEP FI</li> <li>Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy</li> <li>Principles for multinational enterprises and social policy (ILO)</li> <li>Equator Principles</li> <li>OECD Guidelines for multinational enterprises</li> <li><a href="http://www.rabobank.com/en/about-rabobank/in-society/sustainability/policy/index.html">www.rabobank.com/en/about-rabobank/in-society/sustainability/policy/index.html</a></li> </ul>		

G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organisations	<p><b>Banking</b></p> <ul style="list-style-type: none"> <li>European Association of Cooperative Banks (EACB)</li> <li>Euro Banking Association (EBA)</li> <li>Dutch Banking Association (DBA)</li> <li>Banking Environment Initiative</li> </ul> <p><b>Palm oil</b></p> <ul style="list-style-type: none"> <li>Member of RSPO, Member of the Board of Governors of RSPO</li> <li>Active in working groups</li> </ul> <p><b>Soy</b></p> <ul style="list-style-type: none"> <li>President RTRS</li> <li>Various working groups (local and EU)</li> </ul> <p><b>Biomaterials</b></p> <ul style="list-style-type: none"> <li>Associate member Bio-Based Industries Consortium</li> <li>Member of the Scientific Committee</li> </ul> <p><b>Coffee</b></p> <ul style="list-style-type: none"> <li>Member of the 4C Association</li> </ul> <p><b>Sugar cane</b></p> <ul style="list-style-type: none"> <li>Member of Bonsucro</li> <li>Partnership project with WWF in India</li> </ul> <p><b>Beef</b></p> <ul style="list-style-type: none"> <li>Global Roundtable Sustainable Beef (GRSB)</li> <li>Member of the Board of the Brazilian Roundtable on Sustainable Livestock (GTPS)</li> </ul> <p><b>Wildcatch</b></p> <ul style="list-style-type: none"> <li>Partner in Sustainable Seafood Finance Initiative</li> <li>Connected to MSC</li> </ul> <p><b>Aquaculture</b></p> <ul style="list-style-type: none"> <li>Partner to Global Salmon Initiative</li> <li>Sustainable salmon with WWF in Chile to work towards ASC</li> </ul> <p><b>Dairy</b></p> <ul style="list-style-type: none"> <li>Advisory committee pilots sustainable global Dairy framework of the WWF biodiversity project in NL</li> </ul> <p><b>Cocoa</b></p> <ul style="list-style-type: none"> <li>Strong relations with World Cocoa Foundation</li> <li>Host annual meeting WCF</li> </ul> <p><b>Forestry</b></p> <ul style="list-style-type: none"> <li>Adopter Banking Environmental Initiative (action plan deforestation), also related to soy, palm, beef</li> </ul> <p><b>Cotton</b></p> <ul style="list-style-type: none"> <li>Member of the Executive Board of Investors Committee BCFTP</li> <li>Annual Report: Sustainability of agriculture and food supply, <a href="#">page 54</a></li> </ul>
<b>Identified material aspects and boundaries</b>		
G4-17	All entities included in the organisation's financial statements or equivalent documents	<ul style="list-style-type: none"> <li>Annual Report: Consolidated Financial Results, <a href="#">page 116</a></li> <li>List of associates</li> <li>Annual Report: Profile of Rabobank Group, <a href="#">page 10</a></li> </ul>
G4-18	Process for defining the report content, Aspect Boundaries, and implementation of the Reporting Principles for Defining Report Content	<ul style="list-style-type: none"> <li>Annual Report: Appendix 1: Reporting Principles, <a href="#">page 126</a></li> <li>Annual Review: Dialogue with stakeholders, <a href="http://www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html">www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html</a></li> </ul>
G4-19	List of all material Aspects identified in the process for defining report content	<ul style="list-style-type: none"> <li>Annual Report: Appendix 1: Reporting Principles, <a href="#">page 126</a></li> <li>Annual Review: Dialogue with stakeholders, <a href="http://www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html">www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html</a></li> </ul>
G4-20	Identification of Aspect Boundaries within the organisation	<ul style="list-style-type: none"> <li>Annual Report: Appendix 1: Reporting Principles, <a href="#">page 126</a></li> <li>Annual Review: Dialogue with stakeholders, <a href="http://www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html">www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html</a></li> </ul>
G4-21	Identification of Aspect Boundaries outside the organisation	<ul style="list-style-type: none"> <li>Annual Report: Appendix 1: Reporting Principles, <a href="#">page 126</a></li> <li>Annual Review: Dialogue with stakeholders, <a href="http://www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html">www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html</a></li> </ul>



G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Climate footprint, <a href="#">page 134</a></li> <li>The GHG protocol has tightened up the guidelines relating to Scope 2 reporting (electricity). This means that Rabobank is now reporting two CO<sub>2</sub> footprint numbers. One which takes into account purchased green energy with no CO<sub>2</sub> emissions, and one where all electricity is recalculated as CO<sub>2</sub> depending on how it is generated. The comparative figures for the previous years have been adjusted accordingly.</li> </ul>
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No changes
<b>Stakeholder involvement</b>		
G4-24	List of stakeholder groups engaged by the organisation	<ul style="list-style-type: none"> <li>Annual Report: Appendix 2 Dialogue with social welfare organisations and clients, <a href="#">page 128</a></li> </ul>
G4-25	Basis for identification and selection of stakeholders with whom to engage	<ul style="list-style-type: none"> <li>Annual Report: Appendix 1: Reporting Principles, <a href="#">page 126</a></li> <li>Annual Review: Dialogue with stakeholders</li> </ul>
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	<ul style="list-style-type: none"> <li>Annual Report: Appendix 1: Reporting Principles, <a href="#">page 126</a></li> <li>Annual Review: Dialogue with stakeholders</li> </ul>
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	<ul style="list-style-type: none"> <li>Annual Report: Appendix 1: Reporting Principles, <a href="#">page 126</a></li> <li>Annual Review: Dialogue with stakeholders</li> </ul>
<b>Report profile</b>		
G4-28	Reporting period for information provided	2015
G4-29	Date of most recent previous report	<ul style="list-style-type: none"> <li>Rabobank Annual Report 2014 (publication: April 2015)</li> </ul>
G4-30	Reporting cycle	<ul style="list-style-type: none"> <li>Annual</li> </ul>
G4-31	Contact point for questions regarding the report or its contents	<ul style="list-style-type: none"> <li>Annual Report: Colophon</li> </ul>
G4-32	GRI 'in accordance' option, GRI Content Index for the chosen option and reference to the External Assurance Report	<ul style="list-style-type: none"> <li>Annual Report: GRI Table, <a href="#">page 141</a></li> <li>Annual Report: Appendix 1: Reporting Principles, <a href="#">page 126</a></li> <li>Annual Report: Assurance Report, <a href="#">page 123</a></li> </ul>
G4-33	Policy and current practice with regard to seeking external assurance for the report	<ul style="list-style-type: none"> <li>Annual Report: Assurance Report, <a href="#">page 123</a></li> <li>Annual Report: Our contribution to sustainable development, key figures, <a href="#">page 52</a></li> </ul>
<b>Governance</b>		
G4-34	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	<ul style="list-style-type: none"> <li>Annual Report: Profile of Rabobank Group, <a href="#">page 10</a></li> <li>Appendix on Corporate Governance, <a href="#">page 154</a></li> <li>Annual Report: Our contribution to sustainable development, management and organisation, <a href="#">page 53</a></li> </ul>
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	<ul style="list-style-type: none"> <li>General process for assigning tasks: <a href="http://www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf">www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf</a></li> </ul>
G4-36	Executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	<ul style="list-style-type: none"> <li>Bas Rüter, Director for Sustainability reports directly to Berry Marttin</li> <li>Annual Report: Composition of the Executive Board, <a href="#">page 113</a></li> <li>Annual Report: Our contribution to sustainable development, management and organisation, <a href="#">page 53</a></li> </ul>
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	<ul style="list-style-type: none"> <li>Annual Review: Dialogue with stakeholders, <a href="http://www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html">www.rabobank.com/en/about-rabobank/results-and-reports/annual-review/2015/stakeholder-dialogue/index.html</a></li> <li><a href="http://www.rabobank.com/en/about-rabobank/profile/organisation/board/member-council.html">www.rabobank.com/en/about-rabobank/profile/organisation/board/member-council.html</a></li> </ul>
G4-38	Composition of the highest governance body and its committees	<ul style="list-style-type: none"> <li>Annual Report: Composition of the Executive Board, <a href="#">page 114</a></li> <li>The Executive Board consists only of men</li> </ul>
G4-39	Indicate whether the Chair of the highest governance body is also an executive officer	<ul style="list-style-type: none"> <li>Since 1972, the year that Rabobank Nederland was set up as a company. Due to the two-tier model, the Chairman of the Executive Board is always non-executive and independent.</li> </ul>
G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	<ul style="list-style-type: none"> <li>Appointments of members of the Executive Board are provisionally put forward to the regulatory authorities for their opinion, and for information purposes to the Works Council. <a href="http://www.rabobank.com/en/images/Reglement-benoemingscommissie-finaal_ENG.pdf">www.rabobank.com/en/images/Reglement-benoemingscommissie-finaal_ENG.pdf</a></li> </ul>
G4-41	Processes in place for the highest governance body to ensure conflicts of interest are avoided	<ul style="list-style-type: none"> <li>Article 15</li> <li><a href="http://www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf">www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf</a></li> </ul>

G4-42	Roles of the highest governance body and senior executives in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	<ul style="list-style-type: none"> <li>Article 17</li> <li><a href="http://www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf">www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf</a></li> </ul>		
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	<ul style="list-style-type: none"> <li>Annual Report: Report of the Supervisory Board on permanent education sessions and other training initiatives, page 165</li> <li><a href="http://www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf">www.rabobank.com/en/images/Reglement-RvB-finaal_ENG.pdf</a>, Article 3.3</li> </ul>		
G4-44	Processes in place for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice	<ul style="list-style-type: none"> <li>Annual Report: Remuneration policy, balanced mix of performance targets, <a href="#">page 102</a></li> <li>Annual Report: Remuneration of the Executive Board, Performance management, <a href="#">page 105</a></li> </ul>		
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. The use of stakeholder consultation to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	<ul style="list-style-type: none"> <li>Annual Report: Supervisory Board report, Strategy, <a href="#">page 159</a></li> <li>Annual Report: Supervisory Board report, Thoughts on own role, <a href="#">page 161</a></li> </ul>		
G4-46	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	<ul style="list-style-type: none"> <li>Annual Report: Report of the Supervisory Board, Audit Committee, <a href="#">page 165</a></li> <li>Annual Report: Report of the Supervisory Board, Risk Committee, <a href="#">page 166</a></li> </ul>		
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	<ul style="list-style-type: none"> <li>Annual Report: Report of the Supervisory Board, Committee meetings, <a href="#">page 163</a></li> </ul>		
G4-48	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered	<ul style="list-style-type: none"> <li>Annual Report: Cooperative Issues Committee, <a href="#">page 166</a></li> </ul>		
G4-49	Process for communicating critical concerns to the highest governance body	<ul style="list-style-type: none"> <li>Annual Report: Corporate governance local members councils, <a href="#">page 155</a></li> </ul>		
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	<ul style="list-style-type: none"> <li>The Supervisory Board has frequently studied the progress of several key projects and issues such as activating customer focus, Banking for Food, optimising the balance between supervision and customer service, balance sheet relief and capital prioritisation, data quality and client integrity. Furthermore, the Supervisory Board, after a thorough briefing by the Audit Committee or Risk Committee, studied (periodic) reports on legislation and regulations, monitoring, compliance, risk and audit.</li> </ul>		
G4-51	Remuneration policies for the highest governance body and senior executives	<ul style="list-style-type: none"> <li>Annual Report: Remuneration, <a href="#">page 101</a></li> </ul>		
G4-52	Process for determining remuneration	<ul style="list-style-type: none"> <li>Annual Report: Remuneration, <a href="#">page 101</a></li> </ul>		
G4-53	Mechanisms in place taking into account stakeholder's views regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	<ul style="list-style-type: none"> <li>Annual Report: Remuneration policy, <a href="#">page 101</a></li> <li><a href="http://www.rabobank.com/en/images/2014-01-23%20-Vision_on_remuneration.pdf">www.rabobank.com/en/images/2014-01-23%20-Vision_on_remuneration.pdf</a></li> </ul>		
G4-54	Ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> </ul>	Netherlands only	Information not available
G4-55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> </ul>	Netherlands only	Information not available

**Ethics and integrity**

G4-56	Description of the organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	<ul style="list-style-type: none"> <li><a href="http://www.rabobank.com/en/images/code-of-conduct-rabobank-en.pdf">www.rabobank.com/en/images/code-of-conduct-rabobank-en.pdf</a></li> </ul>
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity	<ul style="list-style-type: none"> <li><a href="http://www.rabobank.com/en/about-rabobank/in-society/ethics/index.html">www.rabobank.com/en/about-rabobank/in-society/ethics/index.html</a></li> <li><a href="http://www.rabobank.nl/particulieren/klacht/">www.rabobank.nl/particulieren/klacht/</a></li> <li><a href="http://www.rabobank.com/en/images/Rabobank%20Rules%20on%20the%20internal%20reporting%20of%20malpractice%20(Whistleblower%20policy)_tcm32-167403.pdf">www.rabobank.com/en/images/Rabobank%20Rules%20on%20the%20internal%20reporting%20of%20malpractice%20(Whistleblower%20policy)_tcm32-167403.pdf</a></li> </ul>
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organisational integrity	<ul style="list-style-type: none"> <li><a href="http://www.rabobank.com/en/images/Rabobank%20Rules%20on%20the%20internal%20reporting%20of%20malpractice%20(Whistleblower%20policy)_tcm32-167403.pdf">www.rabobank.com/en/images/Rabobank%20Rules%20on%20the%20internal%20reporting%20of%20malpractice%20(Whistleblower%20policy)_tcm32-167403.pdf</a></li> <li><a href="http://www.rabobank.nl/particulieren/klacht/">www.rabobank.nl/particulieren/klacht/</a></li> </ul>

**Specific standard provision of information**

Indicator	Provision of information	Ranking of subdivisions of information provision	Omission(s)	Reason(s) for omission(s)
<b>Economic performance</b>				
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>Annual Report, Our contribution to sustainable development, Management and organisation, <a href="#">page 52</a></li> <li>Annual Report, Our contribution to sustainable development, explanation of key figures, <a href="#">page 54</a></li> <li>Annual Report, Information on profit developments in Rabobank Group, <a href="#">page 23</a></li> <li><a href="http://www.rabobank.com/en/about-rabobank/in-society/sustainability/vital-communities/index.html">www.rabobank.com/en/about-rabobank/in-society/sustainability/vital-communities/index.html</a></li> </ul>		
G4-EC1	Direct economic value generated and distributed	<ul style="list-style-type: none"> <li>Turnover</li> <li>Operating costs</li> <li>Employee costs</li> <li>Costs of capital</li> <li>Annual Report: Profit developments, <a href="#">page 23</a></li> <li>Tax burden per country: annual financial statements country-by-country, <a href="#">page 214</a></li> <li>Supporting local communities</li> <li>Annual Report: Key figures, <a href="#">page 8</a></li> <li>Economic value retained</li> <li>Annual Report: Profit developments, <a href="#">page 23</a></li> </ul>		
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	<ul style="list-style-type: none"> <li><a href="http://www.rabobank.com/en/images/2015-09-18-rabobank-climate-statement.pdf">www.rabobank.com/en/images/2015-09-18-rabobank-climate-statement.pdf</a></li> </ul>	No cost estimates are available at present because Rabobank has not yet carried out any research into this	No information is available
G4-EC3	Coverage of the organisation's defined benefit plan obligations	<ul style="list-style-type: none"> <li>As soon as the 2015 report is available: <a href="http://www.rabobankpensioenfondsen.nl/downloads/default.aspx">www.rabobankpensioenfondsen.nl/downloads/default.aspx</a></li> <li>Level of cover of pension fund, premium percentage: Rabo Pension Fund Annual Report (2014), Key figures, <a href="#">page 14</a></li> <li><a href="http://www.rabobankpensioenfondsen.nl/Images/Rabobank-Pensioenfondsen-Jaarverslag-2014-(5-6-2015).pdf">www.rabobankpensioenfondsen.nl/Images/Rabobank-Pensioenfondsen-Jaarverslag-2014-(5-6-2015).pdf</a></li> </ul> <p><b>Basis for assumptions</b></p> <ul style="list-style-type: none"> <li>Rabo Pension Fund Annual Report (2014), Discount rate, <a href="#">page 27</a></li> <li><a href="http://www.rabobankpensioenfondsen.nl/Images/Rabobank-Pensioenfondsen-Jaarverslag-2014-(5-6-2015).pdf">www.rabobankpensioenfondsen.nl/Images/Rabobank-Pensioenfondsen-Jaarverslag-2014-(5-6-2015).pdf</a></li> </ul> <p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>Rabo Pension Fund Annual Report (2014), Looking ahead: diverging paths, <a href="#">page 41</a></li> <li><a href="http://www.rabobankpensioenfondsen.nl/Images/Rabobank-Pensioenfondsen-Jaarverslag-2014-(5-6-2015).pdf">www.rabobankpensioenfondsen.nl/Images/Rabobank-Pensioenfondsen-Jaarverslag-2014-(5-6-2015).pdf</a></li> <li>Holdings: not available</li> </ul>		
G4-EC4	Financial assistance received from government	No financial support received		

**Indirect economic effects**

G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>Annual Report, Our contribution to sustainable development, Management and organisation, <a href="#">page 53</a></li> <li>Annual Report, Our contribution to sustainable development, explanation of key figures, <a href="#">page 53</a></li> <li>Annual Report, Our contribution to sustainable development, Measuring social impact at Rabobank Foundation and Rabo Development, <a href="#">page 59</a></li> <li><a href="http://www.rabobank.com/en/about-rabobank/in-society/sustainability/vital-communities/index.html">www.rabobank.com/en/about-rabobank/in-society/sustainability/vital-communities/index.html</a></li> <li><a href="http://www.rabobank.com/en/about-rabobank/cooperative/economic-and-social-impact/index.html">www.rabobank.com/en/about-rabobank/cooperative/economic-and-social-impact/index.html</a></li> </ul>		
G4-EC7	Development and impact of infrastructure investments and services supported	Annual Report: Social impact measurement at Rabobank Foundation and Rabo Development, <a href="#">page 52</a>		
G4-EC8	Significant indirect economic impacts, including the extent of impacts	<ul style="list-style-type: none"> <li>Annual Report: Social impact measurement at Rabobank Foundation and Rabo Development, <a href="#">page 52</a></li> <li><a href="http://www.rabobank.com/en/about-rabobank/food-agribusiness/rabo-development/index.html">www.rabobank.com/en/about-rabobank/food-agribusiness/rabo-development/index.html</a></li> </ul>		

**Energy**

G4-DMA	Generic Disclosures on Management Approach	Annual Report: Our commitment, <a href="#">page 68</a>		
G4-EN3	Energy consumption within the organisation	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> <li>Annual Report: Appendix 1, Reporting principles, <a href="#">page 126</a></li> </ul>	See footnotes to the appendix for the scope & changes in reporting	No information is available
G4-EN4	Energy consumption outside of the organisation	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> <li>Annual Report: Appendix 1, Reporting principles, <a href="#">page 126</a></li> </ul>	See footnotes to the appendix for the scope & changes in reporting	No information is available
G4-EN5	Energy intensity	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> <li>Annual Report: Appendix 1, Reporting principles, <a href="#">page 126</a></li> </ul>	See footnotes to the appendix for the scope & changes in reporting	No information is available
G4-EN6	Reduction of energy consumption	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> <li>Annual Report: Appendix 1, Reporting principles, <a href="#">page 126</a></li> <li>Annual Report: Our commitment, <a href="#">page 68</a></li> </ul>	See footnotes to the appendix for the scope & changes in reporting	No information is available
G4-EN7	Reductions in the energy requirements of sold products and services	Annual Report: Sustainability of homes, <a href="#">page 67</a>		

**Emissions**

G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>Annual Report, Our contribution, result, <a href="#">page 67</a></li> <li>In 2015, Rabobank was again climate neutral. Climate neutrality is achieved by means of acquiring TERs as follows: <ul style="list-style-type: none"> <li>Wind Power Project of CLP Wind Farms (India) Private Limited: 53,353 certificates</li> <li>Wind Power Project of CLP Wind Farms (India) Private Limited: 51,568 certificates</li> </ul> </li> </ul>		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> <li>Annual Report: Appendix 1, Reporting principles, <a href="#">page 126</a></li> <li>Annual Report: Our commitment, <a href="#">page 68</a></li> </ul>	See footnotes to the appendix for the scope & changes in reporting	No information is available
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> <li>Annual Report: Appendix 1, Reporting principles, <a href="#">page 126</a></li> <li>Annual Report: Our commitment, <a href="#">page 68</a></li> </ul>	See footnotes to the appendix for the scope & changes in reporting	No information is available
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> <li>Annual Report: Appendix 1, Reporting principles, <a href="#">page 126</a></li> <li>Annual Report: Our commitment, <a href="#">page 68</a></li> </ul>	See footnotes to the appendix for the scope & changes in reporting	No information is available
G4-EN18	Greenhouse gas (GHG) emissions intensity	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> <li>Annual Report: Appendix 1, Reporting principles, <a href="#">page 126</a></li> <li>Annual Report: Our commitment, <a href="#">page 68</a></li> </ul>	See footnotes to the appendix for the scope & changes in reporting	No information is available
G4-EN19	Reduction of greenhouse gas (GHG) emissions	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> <li>Annual Report: Appendix 1, Reporting principles, <a href="#">page 126</a></li> <li>Annual Report: Our commitment, <a href="#">page 68</a></li> </ul>	See footnotes to the appendix for the scope & changes in reporting	No information is available
G4-EN20	Emissions of ozone-depleting substances (ODS)	Annual Report: Our commitment, <a href="#">page 68</a>	This relates to 1.3% of the total CO <sub>2</sub> footprint (included in the calculation for airconditioning/cooling) and is expressed in CO <sub>2</sub> -equivalents	This indicator is not material to our activities
G4-EN21	NOX, SOX, and other significant air emissions	Not included given that all Rabobank's products are services. All relevant greenhouse gases are included as CO <sub>2</sub> equivalents in the calculation.		

<b>Employment</b>				
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>Annual Report: Our commitment, <a href="#">page 68</a></li> <li>Annual Report: Empowered employees, <a href="#">page 81</a></li> </ul>		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, table of staff recruitment and departures, <a href="#">page 136</a></li> </ul>		
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<ul style="list-style-type: none"> <li>There is no difference in the fringe benefits between full-time and part-time employees or between employees with a fixed-term/indefinite contract.</li> <li>The rules for some fringe benefits do depend on the number of working days or hours worked. Taking parental leave as an example, you are allowed to take 26 times your working hours as leave. The fixed commuting expense allowance is based on the number of days worked. Some fringe benefits are paid pro rata to the number of hours defined in the contract of employment.</li> </ul>	Netherlands only	No information is available
G4-LA3	Return to work and retention rates after parental leave, by gender	<ul style="list-style-type: none"> <li>Everyone is entitled to parental leave. Due to issues of privacy, Rabobank cannot record whether employees have children or not, which makes it difficult to measure this indicator. In total, 654 men and 2,475 women took parental leave.</li> </ul>	the number of employees who are entitled to parental leave	No information is available
<b>Education and training</b>				
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>Annual Report: Empowered employees, <a href="#">page 81</a></li> </ul>		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> </ul>	Netherlands only, total includes other countries	No information is available
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<ul style="list-style-type: none"> <li>Annual Report: Empowered employees, talent development and management, <a href="#">page 82</a></li> </ul>		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> </ul>		
<b>Diversity and equal opportunities</b>				
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>Annual Report: Empowered employees, diversity, a question of doing, <a href="#">page 84</a></li> </ul>		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	<b>Executive Board</b> <ul style="list-style-type: none"> <li>Male: 6, Female: 0. Age group 30-50: 2, Age group &gt;50: 4</li> </ul> <b>Supervisory Board</b> <ul style="list-style-type: none"> <li>Male: 6, Female: 2. Age group &gt; 50: 8</li> <li>Annual Report: Members' council, <a href="#">page 154</a></li> </ul>		
<b>Equal pay for men and women</b>				
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>Annual Report: Empowered employees, diversity, a question of doing, <a href="#">page 84</a></li> </ul>		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, Sustainability facts and figures, <a href="#">page 131</a></li> </ul>	Netherlands only	No information is available
<b>Local communities</b>				
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>Annual Report, Our contribution to sustainable development, Management and organisation, <a href="#">page 53</a></li> <li>Annual Report, Our contribution to sustainable development, explanation of key figures, <a href="#">page 54</a></li> <li>Annual Report: Vital communities, <a href="#">page 55</a></li> <li><a href="http://www.rabobank.com/en/about-rabobank/in-society/sustainability/vital-communities/index.html">www.rabobank.com/en/about-rabobank/in-society/sustainability/vital-communities/index.html</a></li> </ul>		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> <li>Annual Report: Vital communities, <a href="#">page 55</a></li> <li><a href="http://www.rabobank.com/en/images/annual-report-rabobank-foundation-2014.pdf">www.rabobank.com/en/images/annual-report-rabobank-foundation-2014.pdf</a></li> </ul>		
G4-SO2	Operations with significant actual and potential negative impacts on local communities	N/A		

**Compliance (social)**

G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>About Rabobank's Sustainability Statement for suppliers: Annual Report: Our contribution to sustainable development, Making internal management sustainable, <a href="#">page 69</a></li> <li><a href="http://www.rabobank.com/en/about-rabobank/profile/organisation/key-documents/index.html">www.rabobank.com/en/about-rabobank/profile/organisation/key-documents/index.html</a></li> </ul>		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	<ul style="list-style-type: none"> <li>During 2015 Rabobank Group had: 1 non-monetary sanction, 1 fine of more than EUR 100,000, 21 cases that were referred to dispute resolution systems. Rabobank defines significant fines as those which are more than EUR 100,000.</li> </ul>	We report on the basis of aggregate registration of incidents by foreign offices and related Rabobank institutions. To ensure that we can provide complete and traceable information across the whole group we will be improving the reporting processes.	

**Labelling of products and services**

G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>We inform customers about product risks using financial brochures: <a href="http://www.afm.nl/nl-nl/consumenten/themas/advies/verplichte-info/fb">www.afm.nl/nl-nl/consumenten/themas/advies/verplichte-info/fb</a></li> <li>We monitor their success using the confidence monitor: <a href="http://www.rabobank.com/nl/press/search/2015/20150928-vertrouwensmonitor-banken.html">www.rabobank.com/nl/press/search/2015/20150928-vertrouwensmonitor-banken.html</a></li> </ul>	Netherlands only	no data available
	Policies for the fair design and sale of financial products and services			
	Initiatives to enhance financial literacy by type of beneficiary			
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	<ul style="list-style-type: none"> <li><a href="http://www.rabobank.nl/particulieren/voorwaarden/">www.rabobank.nl/particulieren/voorwaarden/</a></li> <li>100% for services in the Netherlands</li> </ul>		
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	<ul style="list-style-type: none"> <li>Total number of cases of non-compliance with regulations relating to information about products and services and labelling that resulted in a fine or penalty: 2</li> <li>Total number of cases of non-compliance with regulations relating to information about products and services and labelling that resulted in a warning: 16</li> <li>Total number of cases of non-compliance with voluntary codes relating to information about products and services and labelling: 49</li> </ul>	We report on the basis of aggregate registration of incidents by foreign offices and related Rabobank institutions. To ensure that we can provide complete and traceable information across the whole group we will be improving the reporting processes.	
G4-PR5	Results of surveys measuring customer satisfaction	<ul style="list-style-type: none"> <li>Annual Report: Core figures, <a href="#">page 54</a></li> <li>Annual Report: Retail customers, <a href="#">page 65</a></li> <li>Annual Report: complete customer focus, <a href="#">page 73</a></li> </ul>		

**Customer Privacy**

G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>Annual Report: complete customer focus, <a href="#">page 73</a></li> </ul>		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<ul style="list-style-type: none"> <li>Number of complaints submitted relating to human rights, and resolved by formal complaints commissions: 2</li> <li>Number of complaints received about breaches of customer privacy by external parties and supported by the organisation: 16</li> <li>Number of complaints received about breaches of customer privacy from regulatory authorities: 4</li> </ul>	We report on the basis of aggregate registration of incidents by offices abroad and related Rabobank institutions. To ensure that we can provide complete and traceable information across the whole group we will be improving the reporting processes.	

**Compliance (product liability)**

G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> <li>The responsibility for product development and the central product range rests with Rabobank Nederland. All Rabobank products must comply with the defined requirements for quality and suitability for their target group, before they may be offered to customers. These checks are performed for customers of the local Rabobanks by the Product Approval Committee (PAC), which is why its secretariat reports to Supervision and Compliance. Approval must be sought from the Product Approval Committee (PAC) at all times, even when products are only being sold by a single local Rabobank, or a number of local Rabobanks.</li> </ul>	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	<ul style="list-style-type: none"> <li>No significant fines or infringements</li> </ul>	We report on the basis of aggregate registration of incidents by offices abroad and related Rabobank institutions. In order to ensure that we can provide complete and traceable information across the whole group we will be improving the reporting processes.

**Product portfolio**

G4-DMA	<p>Generic Disclosures on Management Approach</p> <p>Policies with specific environmental and social components applied to business lines</p> <p>Procedures for assessing and screening environmental and social risks in business lines</p> <p>Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions</p> <p>Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines</p> <p>Interactions with clients/investees/ business partners regarding environmental and social risks and opportunities</p>	<ul style="list-style-type: none"> <li>Annual Report, Our contribution to sustainable development, Management and organisation, <a href="#">page 53</a></li> <li>Annual Report, Our contribution to sustainable development, explanation of key figures, <a href="#">page 54</a></li> <li>Annual Report, Business customers, <a href="#">page 62</a></li> <li>Client photo, <a href="#">page 65</a></li> <li>Controversies, <a href="#">page 65</a></li> </ul>	
G4-F56	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ sme/ large) by sector	<ul style="list-style-type: none"> <li>Annual Report, <a href="#">page 18</a>: Of our loan portfolio 74% is in the Netherlands, 10% in North America, 3% in Latin America, 6% in Europe (outside the Netherlands), 5% in Australia and New Zealand and 2% in other countries.</li> <li>Last year's overview can be found at: <a href="http://www.rabobank.com/en/about-rabobank/results-and-reports/archive/archive-2015.html">www.rabobank.com/en/about-rabobank/results-and-reports/archive/archive-2015.html</a></li> </ul>	
G4-F57	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, <a href="#">page 131</a></li> </ul>	



G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, <a href="#">page 131</a></li> </ul>
<b>Active ownership</b>		
G4-DMA	<p>Generic Disclosures on Management Approach</p> <p>Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting</p>	<ul style="list-style-type: none"> <li>Management approach: <a href="http://www.rabobank.nl/particulieren/beleggen/verstandig-beleggen/maatschappelijk-verantwoord-beleggen/">www.rabobank.nl/particulieren/beleggen/verstandig-beleggen/maatschappelijk-verantwoord-beleggen/</a></li> <li>Evaluation and result: Annual Report: Socially responsible investment, <a href="#">page 67</a></li> </ul>
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	<ul style="list-style-type: none"> <li>Annual Report: Controversies, <a href="#">page 65</a></li> </ul>
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	<ul style="list-style-type: none"> <li>Annual Report: Appendix 3, <a href="#">page 131</a></li> <li>Annual Report: Socially responsible investment, <a href="#">page 67</a></li> </ul>
<b>Local communities</b>		
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	<ul style="list-style-type: none"> <li>Annual Report: Rabobank Profile, <a href="#">page 10</a></li> <li>Annual Report: Vital communities, <a href="#">page 55</a></li> </ul>
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	<ul style="list-style-type: none"> <li>Annual Report: Banking Together, <a href="#">page 66</a></li> </ul>



Corporate governance

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# Corporate governance

Since the establishment of the first credit cooperative in 1895 the governance of Rabobank has often been adapted. The year 2015 marks an important point in the history of Rabobank, for in December the local Members Councils took an historic decision: following intensive discussions, they took the unanimous decision to merge all local cooperative Rabobanks and the cooperative central organisation (Rabobank Nederland). A week later, the local cooperative banks, as members of Rabobank Nederland, took the same decision at their General Meeting. The result: one cooperative Rabobank with one balance sheet and one, single banking licence.

The new corporate governance is designed to strengthen both our cooperative and our banking business. This fundamental change marks the end of a long chapter in our history, modernising the cooperative principles of our organisation. Rabobank remains a participatory organisation that embodies cooperative values and principles. Members (representatives) have the right, the opportunity and the responsibility to approve the bank's strategy and objectives.

In legal terms, the merger on 1 January 2016 resulted in one legal entity with one financial statement: Coöperatieve Rabobank U.A. (Rabobank). The member banks and their assets have been merged into one Rabobank. Internal financial reporting will remain in place for internal purposes to ensure clarity on the origin of local Rabobanks' assets, inter alia, and to help determine the voting in the General Members Council, the highest member body in the new governance. The merger means that the members, clients and employees of local Rabobanks automatically become members, clients and employees of Rabobank. The previous system in which Rabobank Nederland exercised delegated prudential supervision over local cooperative Rabobanks no longer applies.

The new governance model will not change the domestic retail banking of Rabobank, which will still be based on a decentralised organisation of the local Rabobanks. However, a local Rabobank is no longer a separate legal entity with its own banking licence. Also, local member councils, local supervisory bodies and local management teams are no longer statutory bodies automatically assigned certain duties and powers under Dutch Civil Code. Nonetheless, from a management and organisation perspective, these bodies

remain crucial to the internal governance and to determination of the strategic direction of the Rabobank organisation. Moreover, the new governance firmly anchors members' disciplinary influence both locally and collectively. For example, Rabobank's members are represented indirectly in the highest decision-making body, the General Members Council.

Under the new governance, the Executive Board is accountable for all of Rabobank's banking activities including those of local Rabobanks. The Executive Board assigns specific local powers to the chairmen of local Rabobanks' management teams and local supervisory bodies. These duties and responsibilities are prescribed in the regulations. This is discussed in more detail below. The powers granted by the Executive Board are primarily intended to safeguard the local focus and local entrepreneurship of local Rabobanks within collectively agreed frameworks. To this effect, the management teams of the local Rabobanks are responsible for local ambitions in terms of customer, market and field of operation.

The figure below shows the organisational entities in the new structure. The left side of this figure relates to the cooperative pillar, the right side relates to the banking business. The orange circle symbolises the unity of the cooperative and bank. The new governance bodies and their duties and responsibilities are described and discussed below in general terms. Some differences with the old governance structure are also discussed.





New governance structure: Unity and cooperative banking

### Cooperative pillar

Clients of Rabobank in the Netherlands can become members of the cooperative. Currently, more than 25 percent of our customers are members. The connection to customers in the local area of operation and the pooling of all local Rabobanks into a larger cooperative are fundamental to Rabobank's decentralised management. In the new governance, local Rabobanks have their own responsibilities within collectively agreed frameworks. To collectively stand strong and enjoy economies of scale, local Rabobanks cooperate with the supporting organisation. In the new set-up – as before 2016 – members are connected to their own local Rabobanks through so-called member departments.

#### Local Members Councils

There are about 100 member departments in the Netherlands. Each department is assigned to one or more constituencies which appoint, suspend or dismiss the members of the local Members Councils, consisting of 30 to 50 members. The role of the Members Councils remains similar to that in the old situation. Put simply, the Members Council represents the interests of Rabobank's clients and members. The members serving on these councils have diverse backgrounds and focuses; they bring in the outside world in order to keep the local Rabobank firmly on track. The Members Councils are the primary benchmark for the quality of local Rabobanks' financial services and their actual contribution to the sustainable development of their field of operation. In this respect, local Members Councils have an important say in how cooperative funds are used and they fulfil a signalling function: they are the 'eyes and ears' of the management teams of the local Rabobanks. They also act as a sparring partner for both the management teams of the local Rabobanks and the local

supervisory bodies, and have formal duties and responsibilities, such as the right to approve the merger or demerger of a local Rabobank and to advise the chairman of the local Rabobank's management team on membership policy. Recommendation, appointment, suspension and dismissal of members of the management team of the local Rabobank, including the chairman, are also among their responsibilities. Moreover, local Members Councils assess the financial performance of local Rabobanks, the policies as implemented by the chairmen of local Rabobanks' management teams as well as the supervision exercised by the members of the local supervisory body.

#### Local supervisory bodies

Local supervisory bodies consist of three to seven members and are part of the department in question. Local supervisory body members are appointed by and accountable to their local Members Council. The members of the local supervisory body contribute to closer connections between the members of the local Rabobank and the community and between the local Rabobank and the cooperative Rabobank. To underline and reinforce the bonds between the cooperative and local Rabobanks, members of the local supervisory body are required to be members of the cooperative.

Local supervisory bodies have important duties and responsibilities. The local supervisory body also exercises the functional employer's role in relation to the management team chairman in the local Rabobank. The main approval rights of the local supervisory body include (i) appointment, suspension and dismissal of the other members of the local management team members; (ii) specific decisions of the chairman of the management team of the local Rabobank; (iii) the annual plan and budget, and (iv) the membership policy. Local supervisory

bodies monitor whether the local Rabobank is adequately implementing the strategy and policies. The local supervisory body and the local management team strive to ensure that the locally declared objectives, and their realisation, are in line with the targets agreed upon in the General Members Council (in short GMC).

Compared to the pre-2016 situation, the nature of local supervisory body's supervision of the local Rabobanks has been formally modified. This is a result of having merged into a single cooperative bank, whereby the supervision that the ECB previously required Rabobank Nederland to exercise over local Rabobanks no longer applies. The local supervisory body is no longer responsible for calling for the audit of the local Rabobank. The Executive Board of Rabobank takes all decisions regarding the annual audit plan at the organisational level.

In the new governance, the function and position of the chairman of the local supervisory body have broadened. The chairman leads the meetings of the local Members Council. In the new governance, the chairman is appointed to office by the same Members Council. In addition, each chairman represents the members of their local Rabobank in the GMC. This differs from the pre-2016 situation of a Central Delegates Assembly (CDA) in which not all local Rabobanks and their members were represented. In other words, there are close links between the local Members Council and the GMC.

### ***Regional Delegates' Assemblies***

The Regional Delegates' Assemblies' meetings act as a forum for the interaction between local supervisors and local management teams. Regional Delegates' Assemblies do not appear in the figure above because they are not formal bodies. They do have a basis in the articles of association and will remain in place because of the value they add: Regional Delegates' Assemblies are important for preparing for the GMC. They are also a platform where chairmen of local supervisory bodies and local management teams can come together. Regional Delegates' Assemblies are ideal platforms for sharing experiences, exchanging information and discussing regional issues. In 2016, there will be eight such groups.

### ***General Members Council***

In the new GMC, local members are represented by the chairmen of the local supervisory bodies. The GMC has about 100 members and will meet at least twice a year. The GMC is a 'pure' body of members, with only directly elected representatives. The GMC has a broad focus and concentrates on the activities within the cooperative, local Rabobanks, subsidiaries and associates.

The GMC focuses on the strategy, identity, budget and performance of the entire Rabobank organisation. The GMC thus plays a crucial role in achieving the core objective of the governance reform: a better cooperative and a stronger bank. The GMC ensures on behalf of the members that Rabobank fulfils its banking and social roles adequately. It also monitors how the bank expresses its cooperative identity visibly and in practice throughout society. The GMC aims to ensure continuity, and plays an important role as 'identity guardian'. In the GMC, the Executive Board reports on its implementation of the strategy, and the Supervisory Board on its supervision of this process.

To fulfil these functions adequately, the GMC has several formal duties and responsibilities. The GMC is authorised to amend Rabobank's articles of association and legal status. The GMC adopts the annual financial statements, approves the main points of the budget and has approval rights for decisions proposed by the Executive Board. For example, it adopts the general principles of Rabobank's identity and strategic frameworks and approves acquisitions, strategic alliances and (de)investments valued at EUR 2 billion or more.

The GMC has three permanent committees consisting of representatives from the GMC: the urgency affairs committee, the coordination committee and the committee on confidential matters. The urgency affairs committee oversees urgent and confidential matters. The committee on confidential matters has a variety of duties. It advises the GMC on issues such as the remuneration of the members of the Supervisory Board and on adopting the Executive Board's remuneration policy. It discusses the remuneration report adopted by the Supervisory Board and the remuneration awarded to individual members of the Executive Board. The committee on confidential matters has been given the new task of advising on job profiles for vacancies in the Supervisory Board and the Executive Board. In addition, this committee recommends the appointment of the Chairman of the Supervisory Board. Finally, the coordination committee advises on the agenda of the GMC.

### ***Supervisory Board***

The Supervisory Board of Rabobank is directly appointed by the member representatives in the GMC and is accountable to the GMC for its supervision of the work of the Executive Board. In the former governance structure, the members of Rabobank Nederland – local cooperative banks – appointed the Supervisory Board in the General Meeting. The chairman of the Supervisory Board chairs the meeting of the GMC. With the merger into one cooperative bank, the responsibility of the Supervisory Board now officially extends to the local banking

business. Finally, the Supervisory Board appoints the members of the Executive Board, who are accountable to the GMC with respect to the performance of their duties.

### Banking pillar

An important outcome of the discussion on governance was the decision to separate the tasks of determining policy and decision-making for strategic policy issues from those for operational banking business. The former is of particular relevance to member representatives, whose influence directs the strategic and cooperative course of Rabobank. This is a very different matter than how best to adapt banking operations in practice to ensure that excellent customer service is provided and efficiency targets are met. The GMC is not the most suitable body for finding solutions to problems and challenges in these areas. For this reason, important operational banking business will be addressed in a new 'Group-wide Directors' Conference'. The Directors' Conference convenes the chairs of local Rabobanks' management teams, members of the Executive Board and the other directors of Rabobank. The Directors' Conference has a preparatory, informative and advisory role with respect to proposals affecting the banking business of local Rabobanks. In addition, the Directors' Conference functions as an important forum for connecting the highest levels of the bank.

The biggest change for the Executive Board is that as of 1 January 2016, the areas for which it bears responsibility include the operations of local Rabobanks in the Netherlands. Rabobank now employs all local Rabobank employees. The Executive Board also sets out the strategy for the group with the approval of the GMC.

The Executive Board grants specific powers to chairmen of local boards of directors, enabling them to execute their local duties and bear responsibility for their banks. Local HR policy as well as local staffing, including the division directors, fall under the chairmen of local boards of directors.

### In sum

The new governance structure has two important effects. First, it contributes to strengthening the cooperative. Members have a major say at both the local and corporate level, which safeguards the local focus and the decentralised character that is so distinctive of Rabobank. Second, the new governance will help us become a better bank, with a single balance sheet to underline the financial soundness of Rabobank.

### Dutch Corporate Governance Code

Rabobank Nederland is not required to comply with the Dutch Corporate Governance Code because of its cooperative structure, however, it does so voluntarily. Rabobank only departs from the Dutch Corporate Governance Code on a few points, partly on account of its cooperative structure. For additional information about this, please refer to [www.rabobank.com](http://www.rabobank.com).

### Dutch Banking Code

The Banking Code for Dutch banks was adopted by the Board of the Dutch Banking Association in 2009, expanding on a report titled 'Naar herstel van vertrouwen' (Restoring trust) by the Advisory Committee on the Future of Banks. This Code was revised in 2015. Rabobank's governance agrees with the revised Banking Code in the current, as well as in the new approach as of 2016. For additional information about Rabobank's compliance with the Banking Code, please refer to [www.rabobank.com](http://www.rabobank.com).



# Report of the Supervisory Board

## 2015, One Rabobank

In 2014, parts of the domestic and international banking businesses were merged. In 2015, another historic step was taken. The member banks and Rabobank Nederland agreed to merge, thereby creating one bank, with one balance sheet and one annual report. The accompanying changes to the governance also aim to enhance the customer focus of our banking business and increase member influence.

The Supervisory Board was pleased with the unanimous support of the 106 local Rabobanks to agree to this radical organisational change. This is characteristic of what makes Rabobank unique and illustrates the quality and strength of the internal dialogue we have with our support base of involved customers and members. The reform of the cooperative governance and the formulation of the Strategic Framework 2016-2020 have laid the groundwork to reposition Rabobank in the coming years as a leading cooperative, customer-focused bank in the Netherlands and in food and agri worldwide.

Information on the new governance of Rabobank can be found in the previous chapter of this Annual Report. In that chapter you will also find links to documents regarding the compliance by Rabobank with the Dutch Corporate Governance Code and the provisions of the Dutch Banking Code. The Supervisory Board endorses these texts.

In 2015, the Supervisory Board, in accordance with its statutory duties and responsibilities, supervised the policies pursued by the Executive Board and the general course of affairs at Rabobank Nederland and its affiliated institutions. In addition, the Supervisory Board served as both an advisor to and the employer of the Executive Board.

This section is structured as follows. First, it describes the main topics on which the Supervisory Board focused in its supervisory and advisory roles. This is followed by a discussion of its role as employer and, finally, there is a section on its composition and performance.

## Supervision and advice

### *Cooperative governance*

In spring 2014, a process was started to establish a new organisation and governance for Rabobank. The purpose of this process was to contribute to maintaining and generating long-term trust with stakeholders in the bank. The Supervisory Board and the Executive Board share responsibility for the corporate governance of Rabobank. They have therefore been closely involved in the governance process for the last two years. Members of the Supervisory Board attended various conferences within this context for members of local management teams and local supervisory bodies. Additionally, the Cooperative Issues Committee dedicated time to the subject on a number of occasions. Furthermore, the entire Supervisory Board discussed the subject in depth with both internal and external consultants. The Board compared the design and operation of a number of cooperative models in the Netherlands, examined the proposed model for Rabobank and sought independent external advice in this regard. To this end, the Board closely examined whether members' influence was effectively embodied in the proposed model and whether the new governance sufficiently enabled all internal stakeholders to fulfil their role properly.

The Supervisory Board believes the new cooperative governance to be appropriate and effective. The new model enables Rabobank to shape a better bank and a better cooperative while taking into account the requirements of regulators and capital markets and staying true to the bank's cooperative principles. The model contributes to the continuity of the organisation and to restoring confidence and as such receives the full support of the Supervisory Board.

On 17 August 2015, the Board approved the legal merger between Rabobank Nederland and the member banks and the related amendments to the Articles of Association. With the agreement of the local Members Councils and the General Meeting of Rabobank Nederland, the new governance came into effect as of 1 January 2016. Henceforth, there is now one Rabobank, with one bank balance and one annual report. Under the new governance structure, the Supervisory Board will supervise an Executive Board that has ultimate responsibility for governing the entire Rabobank.

The Supervisory Board congratulates and thanks the members of the Governance Committee for their very important contribution to this historic step. This gratitude also extends to the local directors and supervisors, local committee leaders, the Members Councils, the Works Councils, the Executive Board and all other parties who made such conscientious and engaged contributions towards a valuable end result.

### Strategy

Last year the Supervisory Board and the Executive Board extensively discussed how Rabobank wants to approach future technological, social and economic developments within the legal and regulatory framework while safeguarding the cooperative foundations and customer-focus on which the bank was built. The core objectives within the Strategic Framework 2016-2020 are excellent customer focus, balance sheet limitation and flexibility and performance improvement. The Supervisory Board fully endorses the Strategic Framework 2016-2020 approved by the Central Delegates Assembly on 9 December 2015.

The revised strategy, the new governance model, the Culture Collective cultural programme and a variety of operational improvements together form the framework for positioning Rabobank in the coming years as a leading cooperative, customer focused bank in the Netherlands and in global food and agri.

The Strategic Framework will be worked out in further detail in an implementation agenda for the Executive Board, formulated around the cornerstones of: 'excellent customer focus', meaningful cooperative, empowered employees and rock-solid bank. In the coming period, the Supervisory Board will continue

to monitor the implementation and transformation process arising from the new Strategic Framework.

### *Executive Board Implementation Agenda and periodic reports*

The Supervisory Board has frequently studied the progress of several key projects and issues such as activating customer focus, Banking for Food, optimising the balance between supervision and customer service, balance sheet reduction and capital prioritisation, data quality and client integrity. Furthermore, after a thorough briefing by the Audit Committee and Risk Committee, the Supervisory Board considered (periodic) reports on legislation and regulation, monitoring, compliance, risk and audit.

### *Financial statements for 2014, interim report 2015 and budget for 2016*

In accordance with the relevant provisions of the Articles of Association of Rabobank Nederland, the Supervisory Board has reviewed the Annual Report and the financial statements for 2014 of Rabobank Nederland and of Rabobank Group, and other additional information thereto. The Supervisory Board discussed these documents with the Executive Board, the internal auditor and the external auditors, Ernst & Young Accountants LLP (EY). The Supervisory Board took note of the unqualified external auditor's report issued by EY on the 2014 financial statements. The subsequent discussions focused on several special items, loan impairment charges, the development of costs and economic performance. The Rabobank report 'In Control', the EY Management Letter (In Control Statement), the findings in the audit report 'Rabobank Group in 2014', including the management response, were also discussed.

In August 2015, the Supervisory Board studied in the detail the Interim Report Rabobank Group 2015. The focus of attention was on a number of special and non-recurring items. On the basis of monthly figures and targeted reports, the Supervisory Board studied the development of certain customer sectors, market share, margins, ratios, costs and staffing. At the request of the Supervisory Board, benchmark analyses were also periodically carried out relative to relevant peers at home and abroad. The results of these analyses were taken into consideration for formulating strategy, assessing budgetary frameworks and establishing the outlook for Rabobank for the coming years. In autumn 2015, the budgetary framework for 2016 was discussed by the Supervisory Board and approved. The approval came with the remark that budgets and targets for each entity would be revised in spring 2016 as a first step towards fulfilling the Strategic Framework 2016-2020.

In November 2015, the Supervisory Board approved the Funding and Capital Mandate 2016. In the past year, within the framework of the mandatory rotation of audit firms, it also undertook an intensive selection process for a new external auditor.

### ***The situation in the financial markets and the position of Rabobank***

Throughout 2015, the Supervisory Board closely monitored the situation in the financial markets and its consequences for Rabobank. Particular consideration was given to the development of the capital ratio of Rabobank Group and information received by the Supervisory Board on the achievement of funding goals. The issue of the development of the bank's rating was also repeatedly raised. The Supervisory Board considers it encouraging that the changes that Rabobank has set in motion over the past year have resulted in the rating agencies adjusting their outlook for Rabobank from 'negative' to 'stable'.

### **Employer's role**

Following Bert Bruggink's decision to step down as CFRO, the Supervisory Board initiated a selection process for two new board members for the functions of CFO and CRO. The Supervisory Board is pleased to have found good successors, namely Bas Brouwers and Petra van Hoeken.

### ***Talent management and management development***

In 2015, the full Supervisory Board and the Appointments Committee paid extensive attention to the issue of talent management. The Supervisory Board has proactively dealt with the succession planning for the Executive Board. Within that context, the Board discussed the results of the assessments of top management. The Supervisory Board considered various appointment-related issues, including some personnel changes at higher senior management level. Although the Executive Board is taking the lead in monitoring the systematic evaluation and development of talent in the bank, the Supervisory Board continues to be closely involved and maintains a keen eye on the talent in the management layers close to the Executive Board.

The Supervisory Board places great importance on (gender) diversity and does its utmost to put this into practice. The Supervisory Board is therefore pleased that in 2016 the Executive Board will welcome Petra van Hoeken as a member once her appointment is approved by DNB/ECB, and also that the percentage of women on the Supervisory Board rose following a new appointment in 2015.

At the end of 2015, women represented 25% of the Board. Unfortunately, this does not yet meet the Supervisory Board's own target of at least 30% women. The Supervisory Board will actively continue to endeavour to increase the (gender) diversity on the Supervisory Board and on the Executive Board. Within this context, the Executive Board will be asked on a regular basis about the progress being made across the board in terms of diversity.

In 2014, the Supervisory Board began a more systematic approach to setting targets and evaluating members of the Executive Board as a means to structurally follow and improve the objectives, performance, and (personal) development of the members of the Executive Board. The relevant performance management (PM) discussions were conducted by the Chairman and the Vice Chairman. Since 2013, the Rabobank Executive Board has been completely renewed, with the exception of Berry Marttin. The Supervisory Board is confident that the current team, including the new CFO and CRO, has the capabilities, culture and energy that will be necessary to lead Rabobank successfully through the transition over the coming years. The performance of (the members of) the Executive Board will be an explicit subject of discussion in 2016 and beyond in the full Supervisory Board. These discussions take place without the Executive Board members being present. In times of transformation like these, it is only right that the company's leadership demonstrate exemplary conduct. The Supervisory Board will continuously speak to the Executive Board and intervene, when necessary, in order to realise the strategic challenges. As befits our desired culture, the members of the Supervisory Board are also accountable for their conduct and the individual and collective contributions they make to the organisation.

### ***Remuneration policy***

Rabobank pursues a prudent, restrained and sustainable remuneration policy. The Supervisory Board approves the remuneration policy for senior management and supervises its execution by the Executive Board. In addition, the remuneration of the members of the Executive Board is benchmarked every year at the request of the Supervisory Board. In 2015, on the advice of the HR Committee (previously Remuneration Committee), the Supervisory Board approved a limited number of material exceptions to the Group-wide Remuneration Policy (GBB) which do not relate to the Executive Board. These exceptions were based in part on the divergent local legislation and regulations and/or market practice. The Supervisory Board also considered the

highest remuneration levels in the past year via a Group-wide report on remuneration and the annual summary of variable remuneration for Identified Staff.

Detailed information on the GBB and the remuneration of the Executive Board and the Supervisory Board can be found in the section on [Remuneration](#) elsewhere in this Annual Report and in the notes on the Remuneration of the Supervisory Board and Executive Board in the financial statements.

### Procedures of the Supervisory Board

The members of the Supervisory Board in office on 31 December 2015 are listed in the section [Management](#) in this Annual Report. Please refer to [www.rabobank.com](http://www.rabobank.com) for the profile of the Supervisory Board. In performing its duties, the Supervisory Board focuses on the interests of Rabobank Nederland (starting 2016: Rabobank) and its affiliates, taking into account the interests of stakeholders and aspects of corporate social responsibility that are relevant to Rabobank.

### Remuneration of the Supervisory Board

The regular duties of the members of the Supervisory Board consist of monitoring, providing advice and acting in the role of employer. In 2015, in addition to attending the meetings of the Supervisory Board and meetings of the various committees of the Supervisory Board (Audit Committee, Risk Committee, Cooperative Issues Committee, Appointments Committee, HR Committee (previously Remuneration Committee) and, in certain cases, the Appeals Committee), the duties also encompassed attending consultative meetings of the Works Council as an observer on a rotating basis, attending, on a quarterly basis (one or more), Regional Assembly meetings and the meetings of the Central Delegates Assembly (CDA), as well as maintaining contacts with local Rabobanks and attending the annual General Meeting. Time was also committed to meeting the requirements of continuing professional education. The full Supervisory Board also meets two times per year with representatives of the ECB/DNB for the annual policy discussion and the discussion of the results of the Supervisory Review and Evaluation Process (SREP). In addition, the Chairman, Vice Chairman and the Chairmen of the Audit Committee and the Risk Committee also attend a number of separate sessions with the external regulator.

The average time members of the Supervisory Board of Rabobank spend on these activities, including the various committees, is approximately as follows:

- 3 to 4 days per week for the Chairman,
- 2 days per week for the Chairman and the Chairmen of the Audit Committee and the Risk Committee, and
- 1.5 to 2 days per week for the other members.

The total remuneration received by the Chairman of the Supervisory Board is made up of two parts. The first part relates to the role of Chairman of the Supervisory Board and his participation in the various committees of the Supervisory Board. The second part relates to ensuring the effective representation of cooperative members' influence, something that is unique to Rabobank and is derived from its cooperative structure. These duties include, for instance, acting as Chairman for the Central Delegates Assembly. The remuneration for the Supervisory Board and Committees is established in the GMC (through 2015 by the Committee on Confidential Matters of the Central Delegates Assembly). Further detailed information on the remuneration of the Supervisory Board can be found in the section [Remuneration](#) in this Annual Report.

### Self-assessment

The Supervisory Board reviews its own performance and that of the separate committees on a regular basis. In addition, the Chairman has one-on-one meetings with each member of the Supervisory Board to periodically assess the performance of the Supervisory Board as a whole and that of the member in question. These forms of self-assessment are used to bring about improvements in the performance of the Supervisory Board and that of the individual member, and to undertake individual or collective efforts to improve the members' knowledge where necessary. Key issues in the performance assessment are the degree to which the Supervisory Board, its committees and its individual members, complies with the chosen profile, the composition and the availability of the required competencies of the Supervisory Board and of the separate committees, and the members' attendance of Supervisory Board meetings and their input into these meetings. When there are vacancies, the range of competencies represented will be supplemented through new appointments as appropriate.

In the past two years, the Supervisory Board has contributed to a new governance structure for the bank, a greatly modified Executive Board, reinforcement of the financial-banking and cooperative expertise in the Supervisory Board and a new strategy. The implementation of the new governance structure and the new strategy will be a substantial task for the organisation, management and Supervisory Board of Rabobank in 2016 and beyond. Within this context, the Supervisory Board had an evaluation of its own performance conducted in November 2015 by an external party. This evaluation was carried out in accordance with the Dutch Banking Code which states that an external evaluation must be performed at least once every three years.

The evaluation was carried out on the basis of an online survey and in-depth interviews with the members of the Supervisory Board and Executive Board and on the basis of a number of direct reports from the Executive Board itself. In addition, questions were asked about, among other things, the contribution of each member of the Supervisory Board to the culture, their attitudes and conduct, the effectiveness of each member, of each Committee and of the collective, as well as about the relationship between the Supervisory Board and the various stakeholders within and outside Rabobank. The assessment identified several themes on which the Supervisory Board intends to focus more closely. One of these themes was referred to in the Annual Report 2014, namely that due to increased legislation and regulation, the Supervisory Board is having to spend increasing amounts of time on oversight activities. This can mean that the roles of the Board as supervisor, advisor and employer are no longer in balance – due in part to fact that the most weight is now given to satisfying the requirements and expectations of the external regulators, in a timely and adequate manner. Although the relative weighting of the different roles improved in 2015 (with more attention for the employer role), the Supervisory Board would like to see the balance restored further, in the sense that more attention can be paid to its advisory role. In view of the strategic objectives of Rabobank, the Supervisory Board would also like to pay extra attention to the bank's customers and their changing needs. Within the context of one Rabobank, the Supervisory Board also intends to pay more structured attention to the international businesses. Finally, the Supervisory Board intends to spend time prior to each meeting having an open dialogue amongst the members and/or with the Executive Board, without a pre-set agenda.

### ***Appointments and reappointments to the Supervisory Board and succession planning***

The areas of knowledge and experience, as well as other qualities and competences that are considered to be necessary at the time to operate optimally as a collective Supervisory Board will be assessed at the time of each appointment or reappointment, based on a long-term succession plan. The succession plan is based on internal guidelines (such as profile, position profiles and Supervisory Board rules of procedure), as well as on external laws and regulations, guidelines and codes (among others, the Policy Rule on Suitability, Banking Code and EBA Guidelines on Suitability). In the dynamic process of succession planning, the Supervisory Board anticipates internal and external developments in a timely manner, as a result of which the professional and adequate performance of the Supervisory Board remains guaranteed as far as possible.

In June 2015, in accordance with the schedule for resignation by rotation, Cees Veerman would have had to resign as a Member of the Supervisory Board of Rabobank. However, Mr Veerman, who was eligible to be reappointed, had already indicated that he did not wish to pursue a third term of office of four years. In spring 2015, Mr Veerman had already made it known that he wished to apply himself to the restructuring of the Dutch greenhouse horticulture sector. Within this context, Mr Veerman resigned his supervisory position at Rabobank on 7 March 2015. The Supervisory Board would like to thank Mr Veerman for the knowledge and experience that he brought to his office since 2007 as a member and the Vice Chairman of the Supervisory Board and as Chairman of this Supervisory Board's Cooperative Issues Committee. His agricultural expertise makes him ideally suited for an active role within greenhouse horticulture, which is an important sector for Rabobank as a food and agri bank.

In mid-2015, the Supervisory Board put forward the proposal to nominate Marjan Trompetter as a Member the Supervisory Board. Mrs Trompetter has been actively involved in the Rabobank organisation for a considerable time covering positions such as Vice Chair of the Supervisory Board of Rabobank North Veluwe and Chair of the Local Committee Board of Directors Gelderland-Flevoland, as well as being a member of the Central Delegates Assembly, and of the Committee on Confidential Matters and the Emergency Affairs Committee of the Central Delegates Assembly. Mrs Trompetter is extremely well-versed in the local banking world, has expertise in the area of business administration, and a quality and process focus. She is specialised in organisational development and has, among other things, examined transformation issues in-depth, focusing on quality improvement. On 23 September 2015, at an additional General Meeting, Marjan Trompetter was appointed as a Member of the Supervisory Board of Rabobank, helping to fulfil the wish to increase both the gender and age diversity in the Supervisory Board.

On 6 November 2015, Henk van Dalen temporarily stepped down from the Supervisory Board in connection with an investigation by the Public Prosecutor at VimpelCom, where Mr Van Dalen was employed as Chief Financial Officer from July 2010 to September 2013.

## Contacts with stakeholders

In performing its duties, the Supervisory Board focuses on the interests of Rabobank Group, with a view to judiciously balancing the interests of the parties involved, including customers, members, employees and society at large. The Chairman of the Supervisory Board is in close contact with the Chairman of the Executive Board and consults on a monthly basis with the internal auditor and the Group Compliance Officer. The Chairman of the Supervisory Board, the Chairman of the Audit Committee, the external auditor and the internal auditor meet at least four times a year. The Chairman of the Risk Committee meets on a regular basis with the Head of Risk Management and with the internal auditor. Several times a year, the Supervisory Board receives information about developments and relevant topics from directors, Rabobank specialists or external experts, either during committee meetings, other meetings or continuing professional education sessions. The members of the Supervisory Board attend, as observers, meetings of Rabobank Nederland's Works Council and of the Group Works Council of Member Banks on a rotating basis. Given the importance of these bodies in Rabobank's cooperative model, the members of the Supervisory Board spend much time attending Regional and Central Delegates Assemblies. The Chairman of the Supervisory Board is also the Technical Chairman of the Central Delegates Assembly, the Emergency Affairs Committee of the Central Delegates Assembly and of the General Meeting of Rabobank Nederland. In addition, the Chairman of the Supervisory Board attends the meetings of the Coordination Committee and the Committee on Confidential Matters of the Central Delegates Assembly. The members of the Supervisory Board also attend, as appropriate, conferences and information sessions for members of the local management teams and Supervisory Boards of the local Rabobanks or, on invitation, meetings of local Rabobanks for their members. The (Chairman of) Supervisory Board, independent of or together with the (Chairman of) Executive Board, maintains contact with external regulators, namely the Dutch Central Bank (DNB), the Netherlands Authority for the Financial Markets (AFM) and the Joint Supervisory Team of the ECB and DNB. The Chairmen of the Audit and the Risk Committees also meet on a regular basis with the Joint Supervisory Team. By doing so, the Supervisory Board keeps in touch with developments at key internal and external stakeholders.

## Meetings

### Meetings of the Supervisory Board

In 2015, the Supervisory Board met seventeen times. This consisted of regular meetings (nine) as well as additional scheduled meetings (eight), of which five were themed meetings: the United States (1); cooperative governance (3) and strategy (1). The meetings were also attended by the Executive Board. The regular meetings were often followed by a closed meeting of the Supervisory Board. There were also four PE sessions organised for the entire Supervisory Board, with a standing invitation to the members of the Executive Board. Finally, the Supervisory Board met twice, without the presence of the Executive Board, with representatives from the ECB/DNB as part of the annual policy consultation and feedback on the results of the Supervisory Review and Evaluation Process (SREP). In 2015, no member was repeatedly absent from the regularly scheduled meetings of the Supervisory Board or its committees. The presence of the members of the Supervisory Board at additional meetings was also high.

### Committee meetings

The Supervisory Board participates in various committees. In the year under review, the Audit Committee met eight times and the Risk Committee seven times. In January 2015, an additional combined session was held of the Audit and Risk Committees to discuss the results of the Asset Quality Review (AQR) by the ECB, the measures to be taken and the potential effect on the profit and loss account over 2014.

In the year under review, the Cooperative Issues Committee met four times, the Appointments Committee five times and the HR Committee seven times. No matters were referred to the Appeals Committee in 2015. In 2015, some members of the Supervisory Board sat on the temporary committee responsible for the preparation of the selection procedure for the new external accountant.

### Off-site meetings

In 2015, the Supervisory Board held two off-site meetings. The first meeting focused on the new governance structure. The second meeting focused on strategy.

# *Dilemmas facing the Supervisory Board*

## **Finding a balance between the interests of stakeholders**

In recent years, as a consequence of changes to legislation and increasing regulation, the Supervisory Board has had to devote more time to monitoring activities. The statutory duty 'to supervise the policies pursued by the Executive Board and the general course of business at Rabobank Nederland and its affiliates' now demands more attention from the Supervisory Board than in the past. As a result, this jeopardises the balance of the Supervisory Board's activities as they shift increasingly towards fulfilling the demands and expectations of the external regulators such as DNB, AFM and ECB. In addition to this specific supervisory role, the Supervisory Board also fulfils the role of advisor and employer, both of which are of great importance to the continuity of the business. The Board is continually seeking the right balance between these different roles and the attention that is given to them on behalf of all the stakeholders in Rabobank.

## **Staying true to the Dutch two-tier governance model**

In the Netherlands the two-tier governance model is the norm. Both the Executive Board and the Supervisory Board are fully aware of their statutory roles and responsibilities. This model is relatively unknown outside the Netherlands. As a consequence, in some cases it can prove difficult to fulfil the supervisory role appropriately, staying true to the two-tier model while at the same time acting in a manner that external regulators can understand and accept when their expectations tend to be more in line with a one-tier model.

## **Can Rabobank function effectively without variable pay?**

Remuneration in the financial sector has been the subject of public debate for a few years, both in the Netherlands and abroad. There is fierce criticism of the 'bonus culture' within the financial sector.

Rabobank takes the message seriously. The majority of Rabobank employees do not receive variable remuneration. In 2013, variable income was scrapped from the CLA. In a parallel move in the same year, the variable remuneration of the Executive Board was also scrapped without any form of compensation. In 2014, variable pay for senior managers (the layers immediately below the Executive Board) was likewise eliminated.

Having said that, outside the Netherlands and for certain specialist positions in the Netherlands, variable remuneration is often a standard part of the remuneration package. In light of its competitive position on the labour market, Rabobank must pay in conformity with the market in order to attract the right employees and to be able to guarantee the quality of its services. Rabobank is selective as to which functions are eligible for variable remuneration. If variable remuneration is a significant element of the remuneration package in certain markets, it is chosen to continue paying variable remuneration on the grounds of professional customer service. In this way the bank can continue to attract, hire and keep the right employees so that the quality of its service is guaranteed in those activities. This applies primarily to Wholesale, Rural & Retail outside the Netherlands, and to DLL and Rabo Real Estate Group. The debate on variable remuneration also influences the strategic choices we make as a group as to which sectors we operate in. For instance, Rabobank substantially reduced its activities in investment management some years ago.



### ***Sessions for continuing professional education and other training initiatives***

In 2015, the members of the Supervisory Board met five times for sessions within the framework of continuing professional education. In the first session, the Supervisory Board received information on the progress of the 'Culture Collective', Rabobank's culture programme. During the practical part of this meeting, the members were required to carry out a number of exercises that teams of managers and employees are required to do during the first forum of the culture programme. On the basis of this, the 'language' and 'rituals' that are part of the culture movement were explained further. The second education session focused on the current state of affairs regarding the socio-cultural context of the Netherlands. A number of guest speakers talked about the social, cultural and societal problems in the Netherlands. The questions that were discussed included: How is society developing? What is the composition of households? Which 'population groups' can be distinguished? What is the current situation regarding education levels? Other issues were also raised, such as spending power, (political) orientation, cultural/ethnic issues, social awareness, and what people think of banks. Given that a substantial proportion of the Dutch population is a customer of Rabobank, we believe that the bank has to be tuned in to what people think and to what is going on in the Netherlands, particularly given the role we choose to play in society as a cooperative bank. During the third session, the Supervisory Board was informed in-depth by various internal and external experts about the Volcker Rule and the impact it will have on Rabobank. The fourth educative meeting was entirely focused on 'IT, the core of banking'. Among other things, the focus of attention was on IT developments in the financial sector, the continuity and stability of systems, the system landscape within Wholesale, Rural & Retail, innovation within Rabobank and the supervision of IT by the Supervisory Board. The fifth and last session concerned talent management and management development. Although the basic principle is that the Executive Board takes the lead in systematically following, evaluating and developing talent at the bank, on the basis of its role as employer the Supervisory Board wishes to be more proactive in forming an impression of the succession planning for the Executive Board and the layers directly below it. During this session, the Supervisory Board therefore delved into leadership trends and the (future) challenges for top management in organisations, as well as into the process and the results of the staff potential review and development assessments of the top 200, the management development dashboard and the talent strategy of Rabobank in light of the organisation's strategy. Various members of the Supervisory Board also made use of the standing invitation to attend educative sessions for the

Executive Board. The themes at these sessions were: compliance USA, staff potential review, and performance management/remuneration and talent management.

In 2015, the members of the Audit Committee and the Risk Committee were informed, within the framework of continuing professional education, about special management issues, 'Developments in personal accountability in banking', the functioning of the Single Supervisory Mechanism (SSM), the results of the SREP and the introduction of IFRS 9 and the possible impact thereof on Rabobank.

## **Committees of the Supervisory Board**

### ***Audit Committee***

This committee helps the Supervisory Board prepare for its decision making in relation to its supervision of the Executive Board on matters that are mainly part of the compliance function, the internal audit function and the external auditor: the internal risk management and control systems, the internal and external codes of conduct, the provision of financial information and compliance with and follow-up of recommendations and findings of the internal auditor and the external auditor, as well as compliance with legislation and regulations.

The Audit Committee also looked into the Annual Report and financial statements for 2014 and the interim report for 2015, including the biannual memorandum on the allowance for loan impairment charges, the audit report, the financial statements, the annual and interim reports and the Pillar 3 report. Additional subjects of discussion included the Rabobank report 'In Control', the EY Management Letter (In Control Statement) and the conclusions of the Rabobank Group Audit 2014, including management response (plus normal progress reports), as well as reports for the external regulators. Other documents that were dealt with by the Audit Committee concerned the monthly figures, the periodic update memorandum, the quarterly reports and various audit reports from Audit Rabobank, as well as the annual plan and the quarterly reports from Supervision & Compliance. The Audit Committee also received regular updates on client integrity, privacy, various compliance themes and supervisory files. The Audit Committee also approved the revised Rabobank Group Compliance Charter. The Audit Committee also studied the 2016 budget request for Rabobank Nederland Support Affiliated Banks, with respect to Vision 2016 and Mars. Furthermore, the Audit Committee discussed the Budget 2016 of Rabobank Group, at which it was stated that the budget would require further specification revision per entity in light of the Strategic Framework 2016-2020. The Audit Committee approved the Audit Plan Rabobank 2016. The Audit Committee also met with the external and

internal accountants without the presence of the Executive Board. Recommendations were also put forward for improving management reporting.

Some representatives on the Audit Committee were in a temporary committee which, within the scope of mandatory rotation, was responsible for the preparation of the selection procedure for the new external accountant. After going through a thorough and precise selection procedure, the General Meeting, in conformance with the proposal from the Supervisory Board, appointed PricewaterhouseCoopers Accountants N.V. (PwC) as the external accountant of Rabobank for a period of four years for the book years 2016 up to and including 2019.

The Supervisory Board is of the opinion that the internal auditor, Audit Rabobank, has sufficient resources at its disposal to adequately perform its duties.

#### Members:

Leo Graafsma, *Chairman*

Leo Degle, *Vice Chairman*

Irene Asscher-Vonk

Henk van Dalen, *Chairman (temporarily stepped down on 6 November 2015)*

Wout Dekker

Erik van de Merwe

Ron Teerlink *(ad interim as of 6 November 2015 to replace Mr Van Dalen)*

Marjan Trompetter *(as of 23 September 2015)*

#### **Risk Committee**

The Risk Committee helps the Supervisory Board prepare for its decision making in relation to its supervision of the Executive Board with regard to its risk policy, risk management and the associated risk profile. This includes the operation of the product approval process and the risks relating to the remuneration structure of Rabobank Group. The Risk Committee also discusses the financing structure, the policy on capital adequacy and capital allocation, and the liquidity and funding in the short and long terms in light of corporate strategy and the defined risk policy.

In 2015, the Risk Committee considered all the aforementioned themes. The Risk Committee studied periodic reports regarding integrated risk, as well as reports about specific risks like credit risk, market risk, model risk, operational risk and interest rate scenarios. At the request of the Risk Committee, special

attention was paid to several markets and sectors. In addition, the Risk Committee concentrated on the situation in the financial markets and the development of the rating, the Capital Management Framework, Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). The Risk Committee advised favourably on the Funding and Capital Mandate 2016. The Risk Committee carried out preparatory work on behalf of the Supervisory Board with regard to the approval of the adapted Group Risk Appetite Statement and also discussed the top risks Rabobank faces.

The Risk Committee, or the complete Supervisory Board, was frequently informed about the progress of the 'Data Quality' project. Finally, the Risk Committee also focused its attention on, among other things, the functioning of the Regulatory Oversight Committee in the USA, the result of some on-site assessments by the ECB/DNB and the recovery and resolution plans of Rabobank.

#### Members:

Erik van de Merwe, *Chairman*

Leo Degle, *Vice Chairman*

Wout Dekker

Leo Graafsma

Ron Teerlink

Cees Veerman *(until 7 March 2015)*

#### **Cooperative Issues Committee**

The Cooperative Issues Committee (CIC) helps the Supervisory Board prepare for its decision making in relation to the Executive Board's policy plans for cooperative affairs affecting Rabobank. The CIC also makes preparations for the Supervisory Board's discussion of policy documents involving corporate social responsibility (CSR).

In 2015, the CIC talked in-depth on various occasions about themes linked to the new cooperative governance structure and the Strategic Framework 2016-2020, such as Banking for the Netherlands, Banking for Food and strengthening the meaningful cooperative. The CIC also discussed the paragraphs on sustainability in various reports and from the Annual Report. Attention was also paid to the activities of Rabo Development and the Rabobank Foundation. Additional discussions also took place on diversity, improvements to the management of client feedback, the rules for reporting internal complaints and 'Values Week', during which the Supervisory Board signed a complementary declaration to the banker's oath within the framework of the introduction of disciplinary rules.

Members:

Cees Veerman, *Chairman (until 7 March 2015)*

Ron Teerlink, *Vice Chairman (Acting Chairman as of 7 March 2015)*

Irene Asscher-Vonk

Arian Kamp

Wout Dekker

Marjan Trompetter *(as of 23 September 2015)*

### Appointments Committee

The Appointments Committee helps the Supervisory Board prepare for its decision making in relation to the composition of, and (re)appointments to, the Supervisory Board and the Executive Board. In 2015, the Appointments Committee extended advice, on the basis of the prepared succession planning for the Supervisory Board and assessments of the senior executive management, on personnel changes in the Supervisory Board, respectively the Executive Board. The Committee also advised the Supervisory Board on the approval of a number of senior management appointments at Rabobank Nederland and its affiliates. As part of talent management, the Committee also addressed the subject of gender diversity.

Members:

Wout Dekker, *Chairman*

Henk van Dalen, *Vice Chair (temporarily stepped down on 6 November 2015)*

Irene Asscher-Vonk, *(Vice Chair ad interim as of 6 November 2015 to replace Henk van Dalen)*

Arian Kamp

Marjan Trompetter *(since 25 November 2015)*

### HR Committee

The HR Committee helps the Supervisory Board prepare for its decision making in relation to the remuneration of the members of the Executive Board and the remuneration policy for members of senior management. It also keeps close track of remuneration policies pursued in the external market and advises the Supervisory Board on how to apply the guidelines for remuneration policy in the banking sector. In 2015 the HR Committee discussed the performance targets for 2015 for Identified Staff. Please refer to the section [Remuneration](#) in this Annual Report for an explanation of this term. The Committee carried out preparatory work for the Supervisory Board with regard to the annually available aggregate variable remuneration with an underlying risk assessment for Rabobank Group and for the individual variable

remuneration of employees classed as Identified Staff of Rabobank Group. The HR Committee advised the Supervisory Board on proposals for material exceptions to the Group Remuneration Policy (GBB). The Remuneration Committee also issued advice on modifications to the terms of employment policy for the senior management and the Executive Board.

Members:

Henk van Dalen, *Chairman (temporarily stepped down on 6 November 2015)*

Irene Asscher-Vonk, *Member and Chairperson (ad interim as of 6 November 2015 in order to replace Mr Van Dalen)*

Wout Dekker

Arian Kamp

Marjan Trompetter *(since 25 November 2015)*

### Appeals Committee

The Appeals Committee acts as an advisory appellate body in disputes between local Rabobanks or between one or more local Rabobanks and Rabobank Nederland. No disputes were referred to the Appeals Committee in 2015.

Members:

Irene Asscher-Vonk, *Chairperson*

Leo Graafsma

Arian Kamp

### Proposal to the General Members Council and conclusion

In accordance with the relevant provisions of the Articles of Association of Rabobank, the Supervisory Board has reviewed the Annual Report and the financial statements for 2015 of Rabobank and of Rabobank Group, and other relevant associated information. The Supervisory Board discussed these documents with the Executive Board, the internal auditor and external auditors, Ernst & Young Accountants LLP (EY), and took note of the unqualified external auditor's report that EY issued on the financial statements 2015. The Supervisory Board would like to ask the General Members Council of Rabobank to adopt the financial statements 2015.

On 30 October 2015, we were informed of the death of Lense Koopmans, former Vice Chair of the board of directors and Chair of the Supervisory Board of Rabobank Nederland. From 1996 onwards, Lense Koopmans made a very significant contribution to the development of our cooperative banking business. He was, among other things, one of the founders of

the corporate governance structure in place at Rabobank until 2015. The Supervisory Board commemorates with respect and gratitude the commitment and dedication with which Lense fulfilled his managerial and supervisory activities.

The Supervisory Board would like to thank all employees for the commitment shown and the results achieved in 2015. We are aware of the fact that Rabobank will demand a lot from its employees in the years to come. As the 'heirs of yesterday, servants of today, in service of society and pioneers of tomorrow', we all face the challenge of making a success of Rabobank's transition. Despite the uncertainty linked to the inevitable staff reductions, we must at all times keep in mind our collective mission: to make a sustainable contribution to welfare and prosperity in the Netherlands and to feeding the world sustainably. We are counting on Rabobank employees to contribute to this mission, and they in turn can count on the contribution of the Supervisory Board.

Utrecht, 17 February 2016  
Supervisory Board







# Consolidated Financial Statements

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# General information

Rabobank Group, the Coöperatieve Rabobank U.A. (Rabobank) and the legal entities and companies that form part of the group, is an international financial services provider operating on the basis of cooperative principles. On 31 December 2015, Rabobank Group comprised 106 independent local Rabobanks (with 506 branches) in the Netherlands, members of the central organisation Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and a number of specialised subsidiaries. On 1 January 2016, the local Rabobanks and the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. entered into a legal merger. Furthermore, on 1 January 2016, the name of the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed into Coöperatieve Rabobank U.A. More information on this matter is included in the Section 'Events after the reporting period'.

Rabobank Group provides services in retail banking, wholesale banking, leasing and real estate in many countries around the world. Rabobank Group puts the common interests of individuals and communities first. In our services we place a premium on adding value for customers. Our focus in the home market is on being the broad market leader, while internationally we concentrate on expanding our leading position as a food and agri bank. Rabobank Group operates in a total of forty countries and at year-end 2015 employed approximately 51,900 FTEs.

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The Netherlands

[www.rabobank.com](http://www.rabobank.com)

## Consolidated statement of financial position

<b>Consolidated statement of financial position</b>			
<i>in millions of euros</i>	<i>Note</i>	<i>On 31 December 2015</i>	<i>On 31 December 2014</i>
<b>Assets</b>			
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
<b>Total assets</b>		<b>670,373</b>	<b>681,086</b>
<b>Liabilities</b>			
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
<b>Total liabilities</b>		<b>629,093</b>	<b>642,215</b>
<b>Equity</b>			
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
		<b>13,775</b>	<b>12,280</b>
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
<b>Total equity</b>		<b>41,280</b>	<b>38,871</b>
<b>Total equity and liabilities</b>		<b>670,373</b>	<b>681,086</b>

## Consolidated statement of income

<b>Consolidated statement of income</b>			
		<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
<b>Net interest income</b>	<b>32</b>	<b>9,139</b>	<b>9,118</b>
Fee and commission income	33	2,077	2,075
Fee and commission expense	33	185	196
<b>Net fee and commission income</b>	<b>33</b>	<b>1,892</b>	<b>1,879</b>
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
<b>Income</b>		<b>13,014</b>	<b>12,889</b>
Staff costs	37	4,786	5,086
Other administrative expenses	38	2,916	2,532
Depreciation	39	443	437
<b>Operating expenses</b>		<b>8,145</b>	<b>8,055</b>
Impairment losses on goodwill	14	623	32
Loan impairment charges	40	1,033	2,633
Regulatory levies	41	344	488
<b>Operating profit before taxation</b>		<b>2,869</b>	<b>1,681</b>
Taxation	42	655	(161)
<b>Net profit</b>		<b>2,214</b>	<b>1,842</b>
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
<b>Net profit for the year</b>		<b>2,214</b>	<b>1,842</b>

## Consolidated statement of comprehensive income

<b>Consolidated statement of comprehensive income</b>			
		<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)
<b>Total comprehensive income for the year recognised directly in equity</b>		<b>(152)</b>	<b>774</b>
<b>Total comprehensive income</b>		<b>2,062</b>	<b>2,616</b>
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
<b>Total comprehensive income</b>		<b>2,062</b>	<b>2,616</b>

## Consolidated statement of changes in equity

<b>Consolidated statement of changes in equity</b>						
<i>in millions of euros</i>	<i>Note</i>	<i>Equity of Rabobank and local Rabobanks</i>	<i>Equity instruments issued directly</i>	<i>Equity instruments issued by subsidiaries</i>	<i>Other non- controlling interests</i>	<i>Total</i>
<b>Balance on 1 January 2015</b>		<b>24,894</b>	<b>12,280</b>	<b>1,224</b>	<b>473</b>	<b>38,871</b>
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
<b>Total comprehensive income</b>		<b>1,919</b>	<b>-</b>	<b>78</b>	<b>65</b>	<b>2,062</b>
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
<b>Balance on 31 December 2015</b>		<b>25,706</b>	<b>13,775</b>	<b>1,307</b>	<b>492</b>	<b>41,280</b>
<b>Balance on 1 January 2014</b>		<b>23,731</b>	<b>12,852</b>	<b>1,505</b>	<b>446</b>	<b>38,534</b>
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)
<b>Total comprehensive income</b>		<b>2,444</b>	<b>-</b>	<b>92</b>	<b>80</b>	<b>2,616</b>
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
<b>Balance on 31 December 2014</b>		<b>24,894</b>	<b>12,280</b>	<b>1,224</b>	<b>473</b>	<b>38,871</b>

## Consolidated statement of cash flows

<b>Consolidated statement of cash flows</b>			
		<i>For the year ended 31 December</i>	
<i>in millions of euros</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>
<b>Cash flows from operating activities</b>			
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)
<b>Net cash flow from operating activities</b>		<b>15,848</b>	<b>(13,463)</b>
<b>Cash flows from investing activities</b>			
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
<b>Net cash flow from investing activities</b>		<b>519</b>	<b>9,505</b>
<b>Cash flows from financing activities</b>			
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)
<b>Net cash flow from financing activities</b>		<b>3,131</b>	<b>1,365</b>
<b>Net change in cash and balances at central banks</b>		<b>19,498</b>	<b>(2,593)</b>
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

# Notes to the consolidated financial statements

## 1 Consolidation principles

Up until 31 December 2015, Rabobank Group consisted of the local Rabobanks (Members), the central cooperative (Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.) and a number of specialised subsidiaries.

On 1 January 2016, the local Rabobanks and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. entered into a legal merger. Furthermore, on 1 January 2016, the name of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed into Coöperatieve Rabobank U.A. (Rabobank). More information on this merger is included in the Section 'Events after the reporting period'. The consolidated financial statements of Rabobank Group include the financial information of Rabobank and that of the Members and other group companies.

## 2 Accounting policies

The main accounting policies used in preparing these consolidated financial statements are explained below.

### 2.1 General

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 mentioned hereafter. The remaining assets and liabilities are accounted for on a historical cost basis, unless otherwise stated. Unless otherwise stated, all amounts in these financial statements are in millions of euros.

#### **New and amended standards issued by the IASB and endorsed by the European Union, applicable to the financial year under review**

##### ***Improvements to International Financial Reporting Standards cycle 2011-2013***

The objective of the improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2011 on areas of inconsistencies in IFRS or ambiguous wording. The amendments to IFRS 3 and 13 represent clarifications of, or adjustments to, the respective

standards. The amendments to IAS 40 concern changes to the existing requirements or additional guidelines for the application of these requirements. These improvements have no impact on profit or equity and took effect on 1 January 2015.

#### **New and amended standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union which do not yet apply in the current financial year** ***Improvements to International Financial Reporting Standards cycle 2010-2012***

The objective of the improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycles that began in 2010 and 2011 on areas of inconsistencies in IFRS or where clarification of wording was required. The amendments to IFRS 8 and IAS 16, 24 and 38 represent clarifications of, or adjustments to, the respective standards. The amendments to IFRS 2 and 3 concern changes to the existing requirements or additional guidelines for the application of these requirements. These improvements have no impact on profit or equity and took effect on 1 January 2016.

#### ***Amendments to IAS 19 Defined benefit plans: Employee Contributions***

The objective of this amendment is to simplify and clarify the administrative processing of employee contributions or contributions from third parties in relation to defined benefit pension plans. This amendment has no impact on profit or equity and took effect on 1 January 2016.

#### ***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 has no impact on profit or equity and took effect on 1 January 2016.

#### ***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 has no impact on profit or equity and took effect on 1 January 2016.

### ***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 has no impact on profit or equity and took effect on 1 January 2016.

### ***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 have no impact on profit or equity and took effect on 1 January 2016.

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

#### ***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.

#### **Classification and measurement**

Financial assets are classified and measured according to the way in which they are managed by Rabobank as well as by the type of contractual flows of cash in these assets. Both determine whether they 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 there are deviations with respect to embedded derivatives and equity instruments. There are almost no changes in the processing of financial liabilities with exception to certain liabilities at fair

value where the results have to be included as equity because of changes to Rabobank's credit risk.

#### **Impairments**

The rules governing impairments apply to financial assets at amortised cost and FVOCI, as well as to lease receivables, certain lending liabilities and financial guarantees. At the first booking, a provision is taken to the amount of the expected impairments from possible non-payment in the coming 12 months ('12-months expected credit loss' (ECL)). If the credit risk increases significantly, a provision will be required to the amount of the expected impairments from possible non-payment during the expected term of the financial asset ('ECL term'). In determining the amount of these provisions IFRS 9 uses expected future credit losses whilst IAS 39 only looks at extraordinary impairments for which objective evidence already exists. In this way, it is expected that the extraordinary impairments will change pro-cyclically giving more extreme results (both positive and negative). In addition, the size of the provisions will be greater because under IFRS 9, in addition to the current provision for posts already in default, there is also a facility for all other financial assets equivalent to the size of the 12-month ECL or period ECL.

#### **Hedge accounting**

The hedge accounting rules envisage simplifying hedge accounting by establishing a closer link to the risk management strategy and allowing a broader range of hedging instruments and risks to be hedged. IFRS 9 does not explicitly address the subject of macro-hedge accounting; this is seen as a separate subject. In order to avoid a possible conflict between the current practice of macro-hedge accounting and new hedge-accounting rules, IFRS 9 provides the option of continuing to use the current conditions governing macro-hedge accounting from IAS 39.

#### **Application**

The rules governing classification, measurement and impairments are applied retrospectively by amending the opening balance sheet on 1 January 2018. There is no obligation to amend the comparative figures. The outlook for the hedge-accounting conditions is that they will come into effect on 1 January 2018.

#### **Expected impact**

Rabobank has started making preparations for the implementation phase. The main impact is expected to be on loan impairments. It is not yet possible to reliably estimate the potential impact. More clarity on this subject is expected in the 2016 financial statements.

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

- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint venture

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 profit or equity.

## Other changes in accounting principles and presentation

### *Changes in presentation*

On 31 December 2015, the net profit attributable to and the dividends paid out directly to holders of equity instruments by the Coöperatieve Rabobank U.A. will be shown as part of changes to equity of Rabobank and local Rabobanks in the consolidated statement of changes in equity and no longer as changes to the respective instruments. Furthermore, the dividends paid out are now specified in the movements and no longer the amounts of profit attribution of the current financial year. These adjustments have been made in order to render the movements of the equity of Rabobank Group more transparent and to bring it into line with that of peers. Comparative figures have been adjusted accordingly.

In Section 35 'Net income from financial assets and liabilities at fair value through profit or loss', the derivatives used for hedging the interest rate risk of the liabilities designated at fair value are no longer included in the trading gains, but in the income from other financial assets and liabilities. This gives a better insight into the results of the other financial liabilities. On 31 December 2015, the presentation of the impairment of goodwill in the profit and loss account has changed from 'Other income' to 'Impairment losses on goodwill'. Comparative figures have been adjusted accordingly.

Insofar as other insights prompted reclassifications, the comparative figures have been adjusted accordingly.

### *Adjustments in the primary statements of 31 December 2014*

In the consolidated statement of income, the Income from associates has been presented 64 too high and the other results 64 too low. This adjustment has no effect on the total income.

In the statement of comprehensive income, the sign before the 'Exchange differences of equity instruments issued by subsidiaries' has been inadvertently reversed. The amount of the 'Exchange differences equity instruments issued by subsidiaries' has been adjusted from 156 to -156. Furthermore, the 'Exchange differences' have been adjusted from 325 to 637. This adjustment has no effect on the total comprehensive income.

## Judgements and estimates

These financial statements were prepared on the basis of the principle of a going concern because there are no indications to the contrary. The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities on the date of the financial statements, as well as the amounts reported for income and expenses during the reporting period.

Some accounting principles require critical estimates that are based on assessments and the use of assumptions. Although management bases their estimates 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. The following accounting principles have been identified as principles which lead to a high degree of assessment and estimation uncertainty.

### *Loan impairment allowance*

Loan impairment allowances are recognised if there is objective evidence that Rabobank will not be able to collect all amounts due under the original terms of the contract. Determining a provision requires a significant degree of judgement formulation, based on the evaluation by the management of the risks in the loan portfolio, the current economic circumstances, credit losses over the previous years, as well as developments in financial credits, business sectors, business concentrations and geopolitics. Changes in judgement formulation as well as further analyses may lead to changes in the magnitude of loan impairment allowance over time. Determining objective evidence for decreased creditworthiness and determining the magnitude of the recoverable amount form part of the processes that are surrounded by inherent uncertainty and which involve various assumptions and factors regarding the creditworthiness of the borrowers, expected future cash flows and the value of collateral.

### **Commercial real estate**

Due to weaker market conditions for both residential and commercial real estate and the limited number of transactions, there is increased uncertainty regarding property valuations (i.e. land holdings, work in progress, completed developments and investment properties) and property financing. Property valuations are subject to a number of different assumptions and valuation methods. The use of different assumptions and methods may, due to their subjectivity, result in different outcomes. More information on the developments in the real estate portfolio are included in Paragraph 4.4.8.

### **Fair value of financial assets and liabilities**

Information on the determination of the fair value of financial assets and liabilities is included in Paragraph 4.9.

### **Impairment on goodwill**

Goodwill is assessed for impairment losses by comparing the recoverable value to the carrying amount. The most important assumptions for determining the recoverable value are included in Section 14.

### **Taxation**

When determining the tax burden and the related current and deferred tax due and tax credits estimates are used in order to arrive at an estimate. The fiscal treatment of transactions is not certain in every case and tax returns have in the past required approval from the tax authorities in various countries in some cases. The tax due and tax credits proposed are based on all known information, and where relevant, external advice. Differences between the final outcome and the figures adopted here are shown in the current and deferred tax due and tax credits for the period when certainty is gained as to the fiscal treatment and/or when the tax assessments are imposed.

The other valuation principles that require critical estimations are provisions (Section 23) and consolidation (Section 47).

## **2.2 Group financial statements**

### **2.2.1 Subsidiaries**

The participating interests over which Rabobank maintains control are subsidiaries (including structured entities) and are consolidated. Control is exercised over a participating interest if the investor is exposed to, or is entitled to, fluctuating income in respect of their involvement in the participating interest and has the opportunity to influence this income by using their control over the participating interest. The assets, liabilities and profit/loss of these companies are fully consolidated.

Subsidiaries are consolidated as of the date on which the effective control is transferred to Rabobank and will no longer be consolidated as of the date on which this control is terminated. All transactions, balances and unrealised gains and losses from transactions between Rabobank Group subsidiaries have been eliminated during consolidation.

### **Internal liability (cross-guarantee system)**

In accordance with the Dutch Financial Supervision Act (Wet op het financieel toezicht), various legal entities belonging to Rabobank Group are internally liable under an intra-group mutual keep well system. Under this system the participating entities are bound, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow the deficient participant to satisfy its creditors.

As on 31 December 2015, the participants are:

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

On 1 January 2016, the local Rabobanks and the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. entered into a legal merger. Furthermore, on 1 January 2016, the name of the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed into Coöperatieve Rabobank U.A. More information on this matter is included in the Section 'Events after the reporting period'.

### **2.2.2 Investments in associates and joint ventures**

Investments in associates are recognised in accordance with the equity method. In accordance with this method, Rabobank's share of profits or losses of an associate are, subject to Rabobank's accounting policies, (after the acquisition) recognised in the profit and loss account, and its share in the changes in reserves after the acquisition are recognised in reserves. The cumulative changes after acquisition are adjusted to the cost of the investment.

Associates are entities over which Rabobank has significant influence and in which it usually holds between 20% and 50% of the voting rights but over which it does not exercise control. A joint venture is an agreement between one or more parties whereby the parties, which have shared control over the agreement, are entitled to the net assets under the agreement. Unrealised profits on transactions between Rabobank and its associates and joint ventures are eliminated in accordance with the size of Rabobank's interest in the associates and joint ventures. Unrealised losses are also eliminated unless the transaction indicates that an impairment loss should be recognised on the asset transferred.

Investments by Rabobank in associates include the goodwill acquired. If Rabobank's share in the losses of an associate equals or exceeds its interest in the associate, Rabobank will not recognise any more losses of the associate unless Rabobank has given undertakings or made payments on behalf of 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 as well as acquired).

Derivatives can be traded either on the stock exchange or over the counter (OTC) between Rabobank and a client.

All derivatives are recognised at fair value. The fair value is determined on the basis of listed market prices (a small bid-ask range applies to derivatives quoted in EUR, USD and/or GBP, and mid-prices are used), prices offered by traders, cash flow discounting models and option valuation models based on current market prices and contract prices for the underlying instruments, as well as the time value of money, yield curves and the volatility of the underlying assets and liabilities.

All derivatives are included under assets if their fair value is positive and under liabilities if their fair value is negative.

Derivatives that are embedded in other financial instruments are treated separately if their risks and characteristics are not closely related to those of the underlying derivative contract and this contract is not classified as at fair value, whereby unrealised profits or losses are recognised in the results.

### Instruments not used for hedging

If Rabobank enters into derivatives for trading purposes, realised and unrealised gains and losses are accounted for under 'Net income from financial assets and liabilities at fair value through profit or loss'.

### Hedging instruments

Rabobank also uses derivatives as part of asset and liability management to manage its interest rate risks, credit risks and foreign currency risks. Rabobank makes use of the possibilities provided by the EU through the carve-out in IAS 39. The carve-out facilitates the application of fair value portfolio hedge accounting to certain positions.

On the date of concluding a derivative contract, Rabobank can designate certain derivatives as: (1) a hedge of the fair value of an asset or 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 entity (net investment hedge). Hedge accounting can be applied for derivatives designated in this manner if certain criteria are met. The criteria derivatives must satisfy to be recognised as hedging instruments include the following:

- formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy and the hedge relationship before the application of hedge accounting;
- the hedge is expected to be effective (in a range of 80% to 125%) in offsetting changes in the hedged item's fair value or cash flows allocable to the hedged risks during the entire reporting period;
- the hedge is continuously effective from the moment of its inception.

Changes in the fair value of derivatives that are designated as fair value hedges and are effective in relation to the hedged risks are taken in the profit and loss account, together with the corresponding changes in the fair value of the assets or liabilities hedged which are taken against the specific risk being hedged.

If the hedge no longer meets the criteria for hedge accounting (according to the fair value hedge model), the cumulative adjustment in the fair value of a hedged interest-bearing financial instrument is amortised through the profit and loss account over the period to maturity of the normal term for this interest rate for the financial instrument.

For hedges of net investments in foreign entities, the derivative is measured at fair value, whereby changes in the fair value, to the extent that they are effective, are taken up in equity. The change in the hedged equity instrument as a result of exchange-rate fluctuations are also recognised under equity until 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 under Equity (see Section 10). The ineffective portion of the changes in the fair value of derivatives are recognised in the profit and loss account.

If the forecast transaction or the non-current liability results in the recognition of a non-financial asset or a non-financial liability, any deferred profits or losses included in equity are restated at the initial carrying amount (cost) of the asset or the liability. In all other cases, deferred amounts included in equity are taken to the statement of income and are classified as income or expenses in the periods in which the hedged non-current liability or the forecast transaction had an effect on the profit and loss account.

Certain derivative contracts, although they are economic hedges in relation to the managed risk positions taken by Rabobank, do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading purposes.

The fair value of derivatives held for trading and hedging purposes is disclosed in Section 10.

### **Trade liabilities**

Trade liabilities 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 leasing and securities repurchasing agreements. Securities sold short are recognised at fair value on the reporting date.

## **2.4 Financial assets held for trading**

Financial assets held for trading are financial assets acquired with the objective of generating profit from short-term fluctuations in prices or traders' margins, or financial assets that form part of portfolios characterised by patterns of short-term profit participation.

Financial assets held for trading are measured at fair value based on listed bid prices. All related comprehensive income is included under 'Net income from financial assets and liabilities at fair value through profit or loss'. Interest earned on financial assets is recognised as interest income.

Dividends received on financial assets held for trading are recognised as 'Net income from financial assets and liabilities at fair value through profit or loss'.

All acquisitions and sales of financial assets held for trading which require delivery within a time limit prescribed under the regulations or in accordance with market conventions are accounted for on the transaction date.

## **2.5 Other financial assets and liabilities designated at fair value**

Rabobank makes use of the option to include certain financial assets (other than those held for trading) and certain liabilities at fair value through profit or loss. Financial assets, including venture capital, and liabilities have been placed in this category by management upon initial recognition, if (any or all) of the following criteria are met:

- such a designation eliminates or substantially reduces any inconsistent treatment that would otherwise have arisen upon measurement of the assets or liabilities or recognition of profits or losses on the basis of different accounting policies; or
- 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 financial instrument, unless the embedded derivative financial instrument does not significantly affect the cash flows or if it is evident that separate recognition is not required.

Interest earned on assets with this classification is recognised as interest income and interest due on liabilities with this classification is recognised as interest expense. Any other realised and unrealised gains and losses on the revaluation of these financial instruments at fair value are included under 'Income from other financial assets and liabilities at fair value through profit or loss'. All purchases and sales of other financial assets and liabilities designated at fair value and which have to be delivered within a period prescribed by regulations or market convention are recognised on the transaction date.

## **2.6 Day 1 profit**

If, at the time a financial instrument is entered into, valuation methods are used at fair value, a discrepancy may arise between the transaction price and the fair value. Such a discrepancy is referred to as 'day 1 profit'. Rabobank immediately accounts for this profit under 'Net income from financial assets and liabilities at fair value through profit or loss', if the valuation method is based on observable inputs (of active markets). If non-observable inputs are used, the day 1 profit is amortised over the term of the transaction and accounted for as 'Other liabilities'. Profit is taken at a subsequent stage if the financial instrument concerned has been sold or the inputs become visible at a later stage.

## 2.7 Available-for-sale financial assets

Management determines the classification of financial assets on the date of acquisition, depending on the purpose for which the investments are acquired.

Financial assets that are intended to be held indefinitely and that could be sold for liquidity purposes or in response to changes in interest rates, exchange rates or share prices are classified as available for sale.

Available-for-sale financial assets are initially recognised at fair value, including transaction costs, based on quoted bid prices or values derived from cash flow models. The fair values of unlisted equity instruments are estimated 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 equity unless they relate to amortised interest of exchange rate differences of monetary assets. If such financial assets are disposed of, the adjustments to fair value are recognised in the profit and loss account. Debt instruments are impaired if there are objective indications that the fair value has decreased to such a degree that no reasonable assumptions can be made that the value will recover to the carrying amount in the foreseeable future.

On each reporting date, management assesses whether there are objective indications on the impairment of available-for-sale assets. Examples of objective evidence for value adjustments are:

- significant financial difficulties on the part of the issuer;
- default in making interest or redemption payments;
- the disappearance of active markets for the financial asset caused by financial difficulties.

In the event of impairment, the cumulative loss is determined by the difference between the cost and the current fair value, less any previously recognised impairment. This is transferred from the revaluation reserves in equity to the profit and loss account. If the impairment of a debt instrument diminishes in a subsequent period and the diminution can be objectively attributed to an event that occurred after the impairment, the impairment is reversed through the profit and loss account.

Equity instruments are impaired if their cost permanently exceeds their recoverable value. In other words, their fair value is significantly lower than their cost or lower than their cost for the long term. The recoverable amount of investments in unlisted equity instruments is determined using approved 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 profit and loss account.

All purchases and sales made in accordance with standard market conventions for available-for-sale financial assets are recognised on the transaction date. All other purchases and sales are recognised on the settlement date.

## 2.8 Repurchase agreements and reverse repurchase agreements

Financial assets that are sold subject to related sale and repurchase agreements are included in the financial statements under 'Financial assets held for trading' and 'Available-for-sale financial assets'. The liability to the counterparty is included under 'Due to banks' or 'Due to customers', subject to relevance. Financial assets acquired under reverse sale and reverse repurchase agreements are recognised as 'Loans and advances to banks', or 'Loans and advances to customers', subject to relevance. The difference between the selling price and repurchasing price is recognised as interest income or interest expense over the term of the agreement on the basis of the effective interest method.

## 2.9 Securitisations and other de-recognition constructions

Rabobank securitises, sells and carries various financial assets, which may involve a sale of these assets to special purpose entities (SPEs), which then issue securities to investors. Rabobank has the option of retaining an interest in sold securitised financial assets in the form of subordinated interest-only strips, subordinated securities, spread accounts, servicing rights, guarantees, put options and call options, and other constructions.

A financial asset (or a portion of thereof) is de-recognised if:

- the rights to the cash flows from the asset expire;
- the rights to the cash flows from the asset and a substantial portion of the risks and benefits of ownership of the asset are transferred;
- a commitment to transfer the cash flows from the asset is presumed and a substantial portion of the risks and benefits are transferred;
- not all the economic risks and benefits are retained or transferred, but the control over the asset is transferred.

A financial liability or a part thereof is de-recognised if it ceases to exist i.e. after the contractual obligation has been fulfilled, cancelled, or has expired.

If Rabobank retains control over the asset but does not retain a substantial portion of the risks and benefits, the asset is recognised in proportion to the continued involvement of Rabobank. A related liability is also recognised to the extent of the continued involvement of Rabobank. The recognition

of changes in the value of the liability corresponds to the recognition of changes in the value of the asset.

If a transaction does not meet the above conditions for de-recognition, 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 de-recognition, the transfer does not result in the contractual rights of Rabobank being 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 or obligations.

Profits and losses on securitisations and sale transactions partly depend on the previous carrying amounts of the financial assets transferred. The book values of these assets are allocated to the sold and retained interests using the relative fair values of these interests on the date of sale. Any gains and losses are recognised through profit or loss at the time of transfer.

The determination of the fair value of the sold and retained interests is carried out on the basis of listed market prices or calculated as the present value of the future expected cash flows on the basis of pricing models that take into account various assumptions such as credit losses, discount rates, yield curves, payment frequency and other factors.

Rabobank decides whether the SPE should be included in the consolidated financial statement. For this purpose, it performs an assessment of the SPE by taking a number of factors into consideration, including the activities, decision making powers and the allocation of the benefits and risks associated with the activities of the SPE.

## 2.10 Cash and balances at central banks

Cash equivalents are highly liquid short-term assets held to meet current obligations in cash, rather than for investments or other purposes. Such investments have remaining terms of less than 90 days from inception. Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

## 2.11 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is transferred to the statement of financial position if a legal right to offset the recognised amounts exists and it is intended to settle the expected future cash flows on a net basis, or to realise the asset and settle the liability simultaneously. This mainly concerns offsetting current account balances and derivatives. The offsetting of taxes is discussed in Paragraph 2.24.

## 2.12 Foreign currency

### *Foreign entities*

Items included in the financial statements of each entity in Rabobank Group are carried in the currency that best reflects the economic reality of the underlying events and circumstances that are relevant for the entity (the functional currency).

The consolidated financial statements are presented in euros, which is the parent company's functional currency.

The profit and loss accounts and cash flows of foreign entities are translated into the presentation currency of Rabobank at the exchange rates valid on the transaction dates, which is approximately equal to the average exchange rates on 31 December. Exchange rate differences arising on the net investments in foreign entities and on loans and other currency instruments designated as hedges of these investments are recognised in equity. If a foreign entity is sold, any such translation differences are recognised in the profit and loss account as part of the profit or loss on the sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are recognised as the assets and liabilities of the foreign entity and are translated at the closing rate.

### *Foreign-currency transactions*

Transactions in foreign currencies are translated into the functional currency at the exchange rates valid on the transaction dates. Translation differences arising on the settlement of such transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Translation differences that qualify as net investment hedges are recognised in equity.

Translation differences on debt securities and other monetary financial assets carried at fair value are included under foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are recognised as part of the fair value gains or losses. Translation differences on available-for-sale non-monetary items are included in the revaluation reserves available-for-sale financial assets.

## 2.13 Interest

Interest income and expenses for all interest-bearing instruments is recognised in the profit and loss account on an accrual basis, whereby the effective interest method is applied. Interest income includes coupons relating to fixed interest financial assets and financial assets held for trading, as well as the cumulative premiums and discounts on government treasury securities and other cash equivalent instruments.



If any loans suffer impairment losses, they are written down to their recoverable amounts. The interest income recognised henceforth is based on the original discount rate for the calculation of the present value of the future cash flows used to determine the recoverable amounts. Interest on derivatives held for economic hedging purposes is shown separately under interest income.

## 2.14 Commission

Income from asset management activities consists mainly of unit trust, fund management commission and administration. Income from asset management and insurance brokerage is recognised as earned once the services have been provided. Commission is generally recognised on an accrual basis. Commission received for negotiating a transaction, or taking part in 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 transactions.

## 2.15 Loans and advances to customers and loans and advances to banks

Loans and advances to customers and loans and advances to banks are non-derivatives with fixed or definable payments that are not listed on an active market. An exception hereto are such assets that Rabobank classifies as held for trading purposes, or initially recognised at fair value for which value adjustments are recognised in the profit and loss account, or as available for sale. Loans and advances to customers and banks are initially recognised at fair value, including transaction costs, and subsequently carried at amortised cost, including transaction costs.

Loans are subject to either individual or collective impairment analyses. A value adjustment, an allowance for expected losses on loans, is recognised if there is objective evidence that Rabobank will not be able to collect all amounts due under the original terms of the contract. The amount of the allowance is the difference between the carrying amount and the recoverable amount i.e. the present value of expected cash flows. As well as the expected interest income and repayments, the allowance also includes the amounts that can be obtained from guarantees and securities and are discounted at present value at the original (average) effective interest rate. The allowance for loans includes losses if there is objective evidence that losses are allocable to some portions of the loan portfolio at the reporting date.

Examples of objective evidence for value adjustments are:

- significant financial difficulties on the part of the borrower;
- default in making interest and/or redemption payments on the part of the borrower;

- loan renegotiations;
- possibility of bankruptcy or financial reorganisation on the part of the borrower;
- changes in borrowers' payment status;
- changes in economic circumstances that could cause the borrower to default.

For each separate business unit, the losses are estimated on the basis of the credit ratings of the borrowers and the value of the collateral provided to the bank, with consideration given to the actual economic conditions under which the borrowers conduct their activities. The carrying amount of the loans is reduced through the use of a provision account, based on what the bank considers the most likely scenario, and the loss is recognised in the profit and loss account. Provisions for the impairment of expected loan losses are made as soon as the enforcement process is completed, the security provided has been realised, when virtually no other means of recovery are available and in the event of a formal cancellation of a debt. Any amounts subsequently collected are added under the item 'Loan impairment charges' in the profit and loss account. As soon as the prospects for continuity have recovered and arrears have been cleared as agreed, the loan is no longer considered impaired (not fully collectible). Management continually assesses these renegotiated loans to ensure that all criteria are satisfied with a view to expected future cash flows. Non-performing loans are loans that meet at least one of the following criteria:

- These are material loans in arrears by more than 90 days;
- It is likely that the debtor will fail to fully pay their debt (principal sum, interest or fees) if the bank would not resort to the enforcement of its security interests (if present), regardless of the number of days or the amount in arrears.

The general provision constitutes the provision adopted for the portion of the portfolio that remains effectively impaired as in the reporting period but which has not yet been identified as such (IBNR; incurred but not reported) in the bank's risk systems. As before, Basel II parameters, adjusted to the IFRS guidelines and to current developments, are used here in order to determine the provision. An important factor in determining the general provision is what is known as the Loss Identification Period (LIP) i.e. the period between the time a loss event occurs at the client's company and the time the bank has recorded the loss event in its risk systems. The LIP is expressed in months and varies between portfolios.

On each reporting date, management assesses whether there is objective evidence that reclassified loans previously recognised as available-for-sale assets have been impaired.

For exposures classified as corporate exposures under CRD IV, exposures are measured in accordance with the 'one debtor' principle. This principle entails that the approved limit

for a debtor applies to the sum of all exposures – including derivatives, guarantees and the like – of the debtor group in which the debtor has been classified. Debtor groups include all debtors who form part of the economic entity in which legal entities and companies are affiliated with the same organisation. In addition, the majority shareholders also form part of the economic entity. The 'one debtor' principle applies across all entities; the exposures of the debtor group must be included for all group divisions.

## 2.16 Goodwill and other intangible assets

### *Goodwill*

Goodwill is the amount by which the acquisition price paid for a subsidiary or associate exceeds the fair value on the date Rabobank acquired its share of the net assets and the contingent liabilities of the entity acquired. With each acquisition, the other minority interests are recognised at fair value or at the proportion of the identifiable assets and liabilities of the acquired entity. Impairment tests are performed annually or – if indications so dictate – more frequently to determine whether impairment has occurred.

### *Software development costs*

Costs related to the development or maintenance of software are recognised as an expense at the time they are incurred. Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and that will probably provide economic benefits exceeding the costs for longer than a year are recognised as goodwill and other intangible assets. Direct costs include employee expenses of the software development team, financing and an appropriate portion of the relevant overhead. Expenditures that improve the performance of software compared with their original specifications are added to the original cost of the software. Software development costs are recognised as assets and amortised on a linear basis over a period not exceeding five years.

### *Other intangible assets*

Other intangible assets are mainly those identified through business combinations. They are amortised over their terms. Rabobank performs an impairment test every year based on expected future cash flows. An extraordinary impairment loss is taken if the expected future profits do not justify the book value of the asset.

### *Impairment losses on goodwill*

During the fourth quarter of each financial year, or more frequently if indications of impairment exist, goodwill is tested for impairment by comparing the recoverable amount with

the carrying amount. The highest of value in use on the one hand and fair value less selling costs on the other determines the recoverable amount. The definition of cash flow generating units depends on the type of company acquired. The value of a cash flow generating unit is arrived at by determining the present value of the expected future cash flows of the cash flow generating unit in question at the interest rate before tax.

The most important assumptions used in the cash flow model depend on the input data which reflect different financial and economic variables, such as the risk-free interest rate in a country and a premium reflecting the inherent risk from the entity concerned. The variables are determined subject to review by management. Impairments of goodwill are included under 'Impairment losses on goodwill' in the statement of income.

### *Impairment losses on other intangible assets*

On each reporting date, Rabobank assesses whether there are indications of impairment of other intangible assets. If such indications exist, impairment testing is carried out to determine whether the carrying amount of the other intangible assets is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Goodwill and software under development are tested for impairment each year on the reporting date or more frequently if indications of impairment exist, to determine if any extraordinary reduction has occurred in their value. Impairment losses and reversed impairments of other intangible assets are included in 'Other administrative expenses' in the profit and loss account.

## 2.17 Property and equipment

### *Property and equipment for own use*

Equipment (for own use) is recognised at historical cost net of accumulated depreciation and impairments if applicable. Property (for own use) represents mainly offices and is also recognised at cost less accumulated depreciation and impairments if applicable.

Each asset is depreciated to its residual value over its estimated useful life:

- Land	Not depreciated
- Buildings	25 - 40 years
Equipment, including	
- Computer equipment	1 - 5 years
- Other equipment and vehicles	3 - 8 years

Rabobank every year assesses whether there are indications of impairment of property and equipment. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is immediately written down

to the recoverable amount. Impairment losses and reversed impairments of property and equipment are included under 'Other administrative expenses' in the profit and loss account. Gains and losses on the disposal of property and equipment are determined in proportion to their carrying amounts and taken into account when determining the operating result. Repair and maintenance work is charged to the profit and loss account at the time the relevant costs are incurred. Expenditures on extending or increasing the benefits from land and buildings compared with their original benefits are capitalised and subsequently depreciated.

## 2.18 Investment properties

Investment properties, mainly office buildings, are held for their long-term rental income and are not used by Rabobank or its subsidiaries. Investment properties are recognised as long-term investments and included in the statement of financial position at cost, net of accumulated depreciation and impairment. Investment properties are depreciated over a term of 40 years.

## 2.19 Other assets

### *Work in progress*

Work in progress is included in 'Other assets'. Work in progress relates to commercial real estate projects as well as sold and unsold housing projects under construction or planned and is carried at cost plus allocated interest, net of provisions as necessary. Instalments invoiced to buyers and customers are deducted from work in progress. If the balance for a project is negative (the amount of the invoiced instalments exceeds the capitalised costs), the balance of that project is recognised as 'Other liabilities'. Gains and losses are recognised based on the percentage of completion method given the continuous transfer of ownership involved. As the construction work advances, Rabobank transfers control and material risks and benefits of ownership of the work in progress in its current state to the buyer.

### *Building sites*

Building sites are valued at cost, including interest allocated and additional costs relating to site acquisition and preparation. No interest is allocated for land which has no specific designation under a zoning plan, if there is no certainty that the land will be developed. The price of land does not include the conditional requirement which depends on the future reclassification of the land in question. For losses expected upon the sale of the land, the carrying amount of the site is subject to impairment.

## 2.20 Leasing

### *Rabobank as lessee*

Leases relating to property and equipment under which virtually all risks and benefits of ownership are transferred to Rabobank are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or at the present value of the minimum lease payments if the present value is lower. Lease payments are apportioned between the lease liability and the finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding lease liabilities are included under 'Other liabilities' after the deduction of finance charges. The interest components of the finance charges are charged to the profit and loss account over the term of the lease. A tangible fixed asset acquired under a lease agreement is depreciated over the useful life of the asset or, if shorter, the term of the lease.

Leases under which a considerable portion of the risks and benefits of ownership of the assets are retained by the lessor are classified as operating leases. Operating lease payments (less any discounts by the lessor) are charged to the profit and loss account on a linear basis over the term of the lease.

### *Rabobank as lessor*

#### **Finance leases**

If assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable under 'Loans and advances to banks' or 'Loans and advances to customers'. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

#### **Operating leases**

Assets leased under operating leases are included in the statement of financial position under 'property and equipment'. The assets are depreciated over their expected useful lives in line with those of comparable items of property and equipment. Rental income (less discounts granted to lessees and write-downs) is recognised under 'Other results' on a linear basis over the term of the lease.

## 2.21 Provisions

Provisions are recognised if Rabobank has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If Rabobank expects a provision to be reimbursed, for example under an insurance contract, the

reimbursement is recognised as a separate asset but only if the reimbursement is virtually certain. The provisions are carried at the discounted value of the expected future cash flows. The additions to and release of provisions is shown in the profit and loss account under 'Other administrative expenses'.

### ***Restructuring***

Restructuring provisions comprise payments under redundancy schemes and other costs directly attributable to restructuring programmes. These costs are accounted for during the period in which a legal or actual payment obligation arises for Rabobank, a detailed plan has been prepared for redundancy pay, and there are realistic expectations among the parties concerned that the reorganisation will be implemented.

### ***Tax and legal issues***

The provision for tax and legal issues is based on the best possible estimates available in 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***

This item includes provisions for onerous contracts, credit guarantees and obligations under the terms of the deposit guarantee scheme.

## **2.22 Employee benefits**

Rabobank has various pension 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 trustee administered funds as determined by periodic actuarial calculations. A defined benefit pension plan is one that incorporates a promise to pay an amount of pension benefit, which is usually based on several factors such as age, number of years in service and remuneration. A defined contribution plan is one in the context of which Rabobank pays fixed contributions to a separate entity (a pension fund) and acquires no legal or constructive obligation if the fund has insufficient assets to pay all the benefits to employee-members of the plan in respect of service in current and past periods.

### ***Pension obligations***

The obligation under the defined benefit pension plans is the present value of the defined benefit pension obligation in the reporting period after the deduction of the fair value of fund investments. The defined benefit obligation is calculated annually by independent actuaries based on the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future outflow of

cash funds based on the interest rates of high-quality corporate bonds with terms which approach that of the corresponding obligation. The majority of pension plans are career-average plans. The costs of these plans i.e. the net pension charges for the period after netting off employee contributions and interest, are included under 'Staff costs'. Net interest expenses or income are calculated by applying the discount rate at the beginning of the year for the asset or liability based on the defined benefit pension plan.

Actuarial gains and losses arising from actual developments or actuarial assumptions are recognised in the consolidated statement of comprehensive income.

### ***Defined contribution plans***

Under defined contribution plans, Rabobank pays contributions into publicly or privately managed pension insurance plans on a compulsory, contractual or voluntary basis. Once the contributions have been made, Rabobank has no further payment obligations. The regular contributions are costs for the year in which they are due and are included on this basis under 'Staff costs'.

### ***Other post-employment obligations***

Some Rabobank business units provide other post-employment allowances. To become eligible for such benefits, the usual requirement is that the employee remains in service until retirement and has been with the company a minimum number of years. The expected costs of these benefits are accrued during the years of service, based on a system similar to that for defined benefit pension plans. The obligations are valued each year by independent actuaries.

### ***Variable remuneration***

The costs of variable remuneration paid unconditionally and in cash are recognised in the year in which the employee renders the services. The costs of conditional payments in cash are included in staff costs in the profit and loss account in the period during which the employee's services are received, which equals the vesting period of the cash payment. The liability is recognised in other liabilities. The accounting treatment of equity instrument-based payments is disclosed in Paragraph 2.23.

## **2.23 Equity instrument-based payments**

Remuneration for services rendered by identified staff is made 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 awarded equity instruments' fair value on the award date and are recalculated annually at the value applicable at the time.

The costs related to awarding equity instruments are included in staff costs in the profit and loss account during the employee's contract, in the year of award and the vesting period of the equity instruments (four years in total). The liability is recognised in other liabilities.

## 2.24 Tax

Current tax receivables and payables are offset if there is a legally enforceable right to offset such items and if simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset such items and if they relate to the same tax authority and arise from the same tax group.

Provisions are formed in full for deferred tax liabilities, using the liability method, arising from temporary differences on the reporting date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

The main temporary differences relate to the depreciation of tangible fixed assets, the revaluation of certain financial assets and liabilities, including derivatives, provisions for pensions and other post-employment benefits, provisions for loan losses and other impairment and tax losses, and, in connection with business combinations, the fair values of the net assets acquired and their tax bases. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted on the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Provisions are formed in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Taxes on profit are calculated in accordance with the tax legislation of the relevant jurisdiction and recognised as an expense in the period in which the profit is realised. The tax effects of carrying forward unused tax losses are recognised as an asset if it is probable that future taxable profits will be available against which the losses can be utilised.

Deferred tax assets or deferred tax liabilities are included for the revaluation of available-for-sale financial assets and cash flow hedges that are directly taken to equity. Upon realisation, they are recognised in the profit and loss account together with the respective deferred gain or loss.

## 2.25 Due to banks, due to customers and debt securities in issue

These borrowings are initially recognised at fair value i.e. the issue price less directly allocable and non-recurring transaction costs, and subsequently carried at amortised cost, including transaction costs.

If Rabobank repurchases one of its own debt instruments, it is de-recognised, with the difference between the carrying amount of a liability and the consideration paid being recognised in the profit and loss account.

## 2.26 Rabobank Certificates

The proceeds from the issue of Rabobank Certificates are available to Rabobank Group in perpetuity and are subordinate to all liabilities and to the Trust Preferred Securities and the Capital Securities. As the payment of planned distributions is fully discretionary, the proceeds from the issue of Rabobank Certificates are recognised as equity. As a result of this, their dividends are treated as part of equity.

## 2.27 Trust Preferred Securities and Capital Securities

The Trust Preferred Securities and Capital Securities are recognised as 'Equity' because there is no formal obligation to (re)pay the principal or to pay the dividend. The dividends paid on these instruments are shown as part of equity.

## 2.28 Financial guarantees

Financial guarantee contracts require the issuer to compensate the holder for a loss the latter incurs because a specified debtor fails to meet its obligations in accordance with the terms of a debt security. Such financial guarantees are recognised the first time at fair value and subsequently at the value of the discounted obligation. Under the guarantee or the higher value the first time, the amount is reduced by the already recognised cumulative result to show the accounting principles for the income.

## 2.29 Segmented information

A segment is a distinguishable component of Rabobank that engages in providing products or services and is subject to risks and returns that are different from those of other segments. This means that they are segments with different risks and returns which are reviewed as part of the strategic management of Rabobank and for the purpose of making business decisions. The primary reporting format for Rabobank is the business segment, followed by the geographical segment.

### 2.30 Business combinations

Business combinations are accounted for on the basis of the acquisition method. The price of an acquisition is determined as the monetary amount or equivalent agreed for the acquisition of the business combination, plus costs directly relating to the acquisition if applicable. Goodwill represents the difference between the price of the acquisition and Rabobank's interest in the fair value of the assets, liabilities and conditional liabilities acquired. Goodwill is capitalised and recognised as an intangible asset. For each business combination, the minority interests are valued against the share of the company acquired in the identifiable net assets. Direct acquisition costs are directly charged to the profit and loss account.

### 2.31 Disposal groups classified as held for sale and discontinued operations

Groups of assets that are separated out and classified as held for sale are valued at the carrying amount or, if lower, their fair value minus the estimated costs of sale. A group of assets (or a fixed asset) is split out, classified as held for sale when the carrying amount will primarily be realised by means of a sales transaction as opposed to continued use. This is solely the case if the sale is extremely likely and the group of assets (or a fixed asset) to be hived off is immediately available for sale in its current condition. In addition, the management must have committed itself to the sale, whereby the expectation is that the sale be completed within one year after the time of classification as held for sale. If a group of assets classified as held for sale represents a key business activity or key geographic region, it is classified as discontinued operations. The latter are presented separately from comprehensive income arising from continuing operations.

### 2.32 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 of calculation 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 cash flow from operating activities is adjusted before taxation for items in the profit and loss account and changes in items in the statement of financial position which do not actually generate cash flows during the year.

The cash flows from operating, investing and financing activities are stated separately. Changes in loans and receivables, interbank deposits, due to customers and debt securities in issue are accounted for under cash flows from operating activities. Investment activities relate to acquisitions and disposals and repayments on financial investments, as well as

the acquisition and disposal of subsidiaries and property and equipment. The proceeds from the issue of and payments on Rabobank Certificates, Trust Preferred Securities, Capital Securities, Senior Contingent Notes and subordinated liabilities qualify as financing activities. Changes on account of exchange rate differences are eliminated, as are the consolidation effects of the acquisition of associates.

The difference between the net change presented in the statement of cash flows and the change in cash and balances at central banks presented in the statement of financial position is due to exchange rate 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 strives to be better than other financial institutions. Rabobank manages its solvency position based on policy documents. The solvency position and the objectives are periodically on the agenda of the Risk Management Committee and the Balance Management Committee of the Executive Board and 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) of the bank 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. For 2015, the qualifying capital, tier 1 capital and core capital remain subject to the minimum of 8%, 6% and 4.5% respectively. 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.



<b>Minimum capital buffer</b>				
		<i>CET 1</i>	<i>Tier 1</i>	<i>Total capital</i>
Minimum	2015	4.5%	6.0%	8.0%
Capital conservation buffer <sup>1</sup>	2016-2019	2.5%	2.5%	2.5%
Minimum + capital conservation buffer		7.0%	8.5%	10.5%
Countercyclical buffer <sup>1</sup>	2016-2019	0% - 2.5%		
Systemic risk buffer <sup>1</sup>	2016-2019	3.0%	3.0%	3.0%

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

<b>Rabobank Group's ratios</b>		
<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
Retained earnings (note: 28)	25,482	24,528
Expected dividends	(126)	(119)
Rabobank Certificates	5,949	5,931
Part of non-controlling interests treated as qualifying capital	23	28
Reserves	224	365
Deductions	(5,539)	(5,248)
Transition guidance	2,741	3,229
<b>Common Equity Tier 1 capital</b>	<b>28,754</b>	<b>28,714</b>
Capital Securities	1,488	-
Grandfathered instruments	6,373	7,283
Non-controlling interests	5	6
Deductions	(76)	(3)
Transition guidance	(1,492)	(2,126)
<b>Tier 1 capital</b>	<b>35,052</b>	<b>33,874</b>
Part of subordinated liabilities treated as qualifying capital	15,078	11,738
Non-controlling interests	6	8
Deductions	(85)	-
Transition guidance	(596)	(481)
<b>Qualifying capital</b>	<b>49,455</b>	<b>45,139</b>
Risk-weighted assets	213,092	211,870
Common Equity Tier 1 ratio	13.5%	13.6%
Tier 1 ratio	16.4%	16.0%
Total capital ratio	23.2%	21.3%
Equity capital ratio <sup>2</sup>	14.7%	14.4%

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 set to be phased in after five years for 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 will need 'grandfathering'. This means that these instruments will be phased out from the definition of solvency ratios, in line with the statutory requirements.

## 4 Risk exposure on financial instruments

### 4.1 Risk organisation

Rabobank Group manages risks at various levels. 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 Balance Sheet and Risk Management Committees are the advisory and executive committees of the Executive Board. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of Rabobank Group. The Chief Risk Officer, who is also a Member of the Executive Board, is responsible for the risk management policy within Rabobank Group. Responsibility for the risk policy within Rabobank Group is spread across two directorates. Risk Management is in charge of the policies relating to interest rate, market, liquidity, currency and operational risks, as well as for the policy for credit risks at portfolio level. Credit Risk Management is responsible for the credit risk acceptance policy at item level. Furthermore, the group entities practise independent risk management.

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 The equity/capital ratio is calculated by comparing the items retained earnings and Rabobank Certificaten to the risk-weighted assets.



## 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 its service Rabobank takes deposits from customers with different terms paying both fixed and variable interest rates. We attempt 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 and the allocation to loans for long-term periods at higher interest rates, at the same time keeping sufficient cash resources to meet all payments that might 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 associated risk profiles. Not only does Rabobank have a credit risk on the loans shown on the balance sheet. Rabobank also provides guarantees, such as letters of credit, letters of performance and other guarantee documents which involve a credit risk.

### 4.3 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 bank books, investment books and capital books is adversely affected by changes in interest rates on the money and capital markets. Bank books contain financial products and related derivatives which are held in order to generate interest rate income and the stable growth thereof. Investment books consist of financial instruments which are held for strategic purposes, including for the management of solvency risk, interest rate risk and liquidity risk. Capital books contain financial instruments financed with the bank's own capital.

Rabobank accepts a certain amount of interest rate risk in the banking environment, as this constitutes a fundamental part of banking, but at the same time the bank also aims to avoid unexpected material fluctuations in the 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 risk appetite for interest rate risk and the corresponding interest rate risk limits.

As part of its interest rate risk policy, Rabobank uses the following two key criteria:

- equity at risk, duration of equity; and
- income at risk; the vulnerability of the interest income to a gradual increase or decrease in interest rates over the next 12 months.

Interest rate risk at Rabobank arises as a result of discrepancies in the maturities and terms of loans and funds, option risk, basis risk and yield-curve risk. Any interest rate risk to which clients are exposed as a result of an increase in their obligations due to interest rate movements has no effect on the level of risk Rabobank is exposed to. Any negative effects arising from this exposure are regarded as a credit risk.

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 Central Treasury is responsible for implementing the decisions of this committee, while Group Risk Management is responsible for measurement and reporting. Rabobank's interest rate risk arises primarily from mortgages provided and business loans provided with a long fixed-interest period. These mortgages and loans are financed with, among other things, customers' savings, customers' current account balances and with funding provided by professional money market and capital market players. Measurements of interest rate risk are not only based on the contractually agreed data, but also on customer behaviour in the interest rate risk models that are used. Account is therefore taken of the early redemption of mortgages, and demand deposits, such as balances in immediately callable variable interest savings accounts and credit balances in payment accounts and business current accounts, are modelled using the replicating portfolio method. This method is used to select portfolios of money and capital market instruments that most closely replicate the behaviour of the balance sheet items. The definition used for managing interest rate risk varies from the IFRS definition of equity. For interest rate risk management, the economic value of equity is defined as the present value of the assets less the present value of the liabilities plus the present value of the off-balance-sheet items. Through the use of hedge accounting and due to the fact that a large portion of the balance sheet is stated at amortised cost (in IFRS terms) and apart from the inherent counterparty risk therefore does not change in value, the effects of the calculated impairments on IFRS capital will be largely restricted to an impact on interest income. Paragraphs 4.3.1 and 4.3.2 provide further details on 'Income at risk' and 'Equity at risk' trends.

### 4.3.1 Income at Risk

Income at risk is calculated once a month based on a standard interest-rate-sensitivity analysis. This analysis shows the main deviation, in a negative sense, of the projected interest income over the next 12 months as a result of a scenario in which all money market and capital market interest rates gradually increase by 2 percentage points and of a scenario in which all money market and capital market interest rates gradually decrease by 2 percentage points. The projected interest rate income is based on a scenario in which all interest rates and other rates remain equal. Throughout the whole of 2015, Rabobank's interest income was vulnerable to a decrease in interest rates. On 31 December 2015, the income at risk amounted to only EUR 19 million. This was also the highest value measured in 2015. The income at risk being so low is mainly due to the basic premise that interest rates will no longer show a significant decline when they are already (partially) in negative territory. For this reason, on 31 December, it was assumed that the euro interest rates would only see a decline of a maximum 2 basis points instead of a decline of 200 basis points. On 31 December 2014, a decline of a maximum of 2 basis points was also implemented. The effects on interest profit may be greater if not all interest rates increase or decrease equally.

The low interest rate environment received extra attention during 2015. For a bank in general a low interest rate environment is challenging for the profitability. Obligations without rate of interest, as the equity and current account balances, are less profitable in the event of low interest rates. In 2015 the interest rate was even negative on the short part of the curve. In addition, a low interest environment is often accompanied by a flattening of the curve resulting in that a bank makes less profit on the transformation of short-time obligations to longer term assets. Scenario analysis shows that a further interest rate decline and flattening of the curve has negative consequences for the interest income of especially the retail business in case of unchanging margins. The impact of this increases if this unique situation continues or if the curve becomes more negative.

<b>Income at Risk</b>		
<i>in millions of euros</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
	<b>2 bp decline</b>	<b>2 bp decline</b>
	19	15

### 4.3.2 Equity at Risk

The equity at risk or duration of equity indicates by what percentage the economic value of equity will fall if the money market and capital market interest rates increase by one percentage point. The Executive Board has set a lower limit of 0% and an upper limit of 6% for this purpose. Additional limits apply for the basis point sensitivity of equity and the delta profile for equity. In 2015, equity at risk rose from 0.4% to 2.4%. This rise was mainly caused by an increase in the number of mortgages, mortgage extensions and customers' shift in preference towards longer fixed-interest periods.

<b>Equity at Risk</b>		
	<i>31 December 2015</i>	<i>31 December 2014</i>
	2.4%	0.4%

## 4.4 Credit risk

Credit risk is the risk that a counterparty is unable to meet a financial or other contractual obligation vis-à-vis the bank. Credit risk is inherent to granting loans. Positions in 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 a key factor when granting loans. A multi-level committee structure is 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 directly by the Executive Board.

The credit risk exposure relating to each individual borrower is further restricted by the use of sub-limits to hedge amounts at risk, not all of which are disclosed in the statement of financial position, and the use of daily delivery risk limits for trading items such as forward currency contracts. Most 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.

### 4.4.1 Maximum credit risk

The table below 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.

<i>in millions of euros</i>	<i>Maximum gross credit risk</i>		<i>Credit risk reduction</i>	
	2015	2014	2015	2014
Cash and balances at central banks	64,943	43,409	0%	0%
Loans and advances to banks	31,210	45,962	53%	58%
Derivatives	48,113	56,489	88%	87%
Loans and advances to customers	458,618	461,787	76%	77%
Available-for-sale financial assets	36,838	38,493	0%	2%
<b>Subtotal</b>	<b>639,722</b>	<b>646,140</b>	<b>64%</b>	<b>67%</b>
Credit related and contingent liabilities	62,285	53,647	18%	18%
<b>Total</b>	<b>702,007</b>	<b>699,787</b>	<b>60%</b>	<b>63%</b>

#### 4.4.2 Lending

Rabobank has a significant market share in private sector lending; these loans to private individuals account for 49% of private sector lending. These loans have a low risk profile as evidenced by the actual losses incurred, of 8.4 basis points. In 2015, the proportion of the private sector lending allocable to the food and agricultural sectors was 23%. At year-end 2015, the proportion of private sector lending allocable to trade, industry and services was 28%. 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>	2015		2014	
<b>Total loans and advances to customers</b>	<b>458,618</b>		<b>461,787</b>	
Of which: to government clients	3,353		2,135	
reverse repurchase transactions and securities borrowing	20,151		18,295	
interest rate hedges (hedge accounting)	8,957		11,626	
<b>Loans to private clients</b>	<b>426,157</b>		<b>429,731</b>	
<b><i>This can be broken down geographically as follows:</i></b>				
The Netherlands	313,895	74%	321,429	75%
Rest of Europe	27,563	6%	27,312	6%
North America	42,098	10%	40,198	9%
Latin America	12,741	3%	11,273	3%
Asia	9,400	2%	9,230	2%
Australia	20,116	5%	19,948	5%
Africa	344	0%	341	0%
<b>Total</b>	<b>426,157</b>	<b>100%</b>	<b>429,731</b>	<b>100%</b>
<b><i>Breakdown of loans by business sector</i></b>				
Private individuals	207,867	49%	210,788	49%
Trade, industry and services	120,463	28%	126,904	30%
Food and agri	97,827	23%	92,039	21%
<b>Total</b>	<b>426,157</b>	<b>100%</b>	<b>429,731</b>	<b>100%</b>

<b>TIS loan portfolio analysed by industry</b>		
<i>in millions of euros</i>	2015	2014
Lessors of real estate	24,042	26,202
Finance and insurance (except banks)	14,296	14,091
Wholesale	10,986	11,194
Activities related to real estate	5,103	6,253
Manufacturing	7,806	10,752
Transport and warehousing	6,281	6,103
Construction	5,214	5,343
Healthcare and social assistance	5,866	5,968
Professional, scientific and technical services	9,275	9,478
Retail (non-food)	4,499	4,718
Utilities	3,011	2,364
Information and communication	888	823
Arts, entertainment and leisure	1,414	1,340
Other TIS	21,782	22,275
<b>Total loans granted to TIS</b>	<b>120,463</b>	<b>126,904</b>

<b>Food and agri loan portfolio analysed by sector</b>		
<i>in millions of euros</i>	2015	2014
Grain and oil seeds	18,691	17,474
Animal protein	23,769	22,977
Dairy	14,373	14,031
Fruit and vegetables	10,865	9,933
Farm inputs	7,951	7,249
Food retail	3,901	4,276
Beverages	2,670	3,823
Flowers	1,711	1,792
Sugar	2,671	2,285
Miscellaneous crop farming	2,069	1,772
Other food and agri	9,156	6,427
<b>Total loans granted to food and agri</b>	<b>97,827</b>	<b>92,039</b>

#### 4.4.3 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 with respect to credit risks inherent in these transactions. The credit risk exposure represents the current fair value of all open derivative contracts showing a positive market value, taking into account master netting agreements enforceable under law.

#### 4.4.4 Collateral and credit management methods

The credit risk Rabobank is exposed to is restricted in part by obtaining collateral where necessary. The amount and nature of the collateral required depends partly on the assessment of the credit risk of the loan to the counterparty. Rabobank follows guidelines for the purpose of accepting and valuing different types of collateral. The major types of collateral are:

- Residential mortgage collateral;
- Mortgage collateral on immovable property, pledges on movable property, inventories and receivables, mainly for business loans;
- Cash and securities, mainly for securities lending activities and reverse repurchase transactions.

The management monitors the market value of collateral obtained and requires additional collateral where necessary. Rabobank also uses credit derivatives to manage credit risks. Rabobank further limits its exposure to credit risk by entering into master netting arrangements with counterparties for a significant volume of transactions. In general, master netting arrangements do not lead to the 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 of Rabobank from derivatives to which offsetting arrangements apply is highly sensitive to the closure of new transactions, the lapse 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. The remaining offsets consist of securities Rabobank has received from reverse repurchase transactions and securities Rabobank has provided in relation to loans for repurchase transactions.

<b>Offsetting of financial instruments</b>						
<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>
<b>On 31 December 2015</b>						
Loans and advances to banks	31,883	(673)	31,210	-	(17,655)	13,555
Derivatives	108,741	(60,628)	48,113	(36,047)	-	12,066
Loans and advances to customers	477,897	(19,279)	458,618	-	(20,198)	438,420
Other assets	8,379	(380)	7,999	-	-	7,999
<b>Total</b>	<b>626,900</b>	<b>(80,960)</b>	<b>545,940</b>	<b>(36,047)</b>	<b>(37,853)</b>	<b>472,040</b>
Due to banks	21,336	(2,298)	19,038	-	(589)	18,449
Due to customers	350,314	(12,721)	337,593	-	(486)	337,107
Derivatives and other trade liabilities	120,690	(65,561)	55,129	(36,047)	-	19,082
Other liabilities	8,430	(380)	8,050	-	-	8,050
<b>Total</b>	<b>500,770</b>	<b>(80,960)</b>	<b>419,810</b>	<b>(36,047)</b>	<b>(1,075)</b>	<b>382,688</b>
<b>On 31 December 2014</b>						
Loans and advances to banks	46,690	(728)	45,962	-	(28,676)	17,286
Derivatives	124,764	(68,275)	56,489	(43,195)	-	13,294
Loans and advances to customers	483,072	(21,285)	461,787	-	(18,864)	442,923
Other assets	8,917	(357)	8,560	-	-	8,560
<b>Total</b>	<b>663,443</b>	<b>(90,645)</b>	<b>572,798</b>	<b>(43,195)</b>	<b>(47,540)</b>	<b>482,063</b>
Due to banks	20,352	(2,286)	18,066	-	(721)	17,345
Due to customers	341,047	(14,759)	326,288	-	(2,036)	324,252
Derivatives and other trade liabilities	140,803	(73,243)	67,560	(43,195)	-	24,365
Other liabilities	8,404	(357)	8,047	-	-	8,047
<b>Total</b>	<b>510,606</b>	<b>(90,645)</b>	<b>419,961</b>	<b>(43,195)</b>	<b>(2,757)</b>	<b>374,009</b>

#### 4.4.5 Off-balance-sheet financial instruments

The guarantees and standby letters of credit which Rabobank provides to third parties in the event a client cannot fulfil its obligations vis-à-vis these third parties, are exposed to credit risk. Documentary and commercial letters of credit and written undertakings by Rabobank on behalf of clients authorise third parties to draw bills against Rabobank up to a fixed amount subject to specific conditions. These transactions are backed by the delivery of the underlying goods to which they relate. Accordingly, the risk exposure of such an instrument is less than that of a direct loan.

Obligations to issue loans at a specific interest rate for a set period are included among the lender's obligations. They are accounted for as such, unless these obligations do not continue after the period expected to be needed to carry out suitable acceptance procedures. After that period they are treated as transactions according to standard market conventions. Rabobank is exposed to credit risk when it promises to grant lending facilities. The size of such losses is less than the total of the unused commitments because the promises to grant credit facilities are made subject to the clients meeting certain conditions that apply to loans. Rabobank monitors the term to expiry of credit promises because long-term commitments are generally associated with a higher risk than short-term commitments.

#### 4.4.6 Credit quality of financial assets

In its financing approval process, Rabobank Group uses the Rabobank Risk Rating, which reflects the 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 (after deduction of the bad-debt provision) of the loan-related balance sheet items. 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 are linked to the probability that the client will default within a period of one year, whereby the rating is determined, in principle, on a cyclically neutral basis. D1-D4 ratings refer to default classifications. D1 represents 90 days' arrears; D2 indicates a high probability that the debtor is unable to pay; D3 indicates the debtor's inability to meet its commitments and that their properties will most likely be sold off; and D4 indicates bankruptcy status. The default ratings make up the total impaired exposure. The 'vulnerable' category consists of performance ratings which have been cancelled but which have not undergone impairment.

<b>Credit quality of financial assets</b>					
<i>in millions of euros</i>	<i>(Virtually) no risk</i>	<i>Adequate to good</i>	<i>Vulnerable</i>	<i>Impaired</i>	<i>Total</i>
<b>On 31 December 2015</b>					
Loans and advances to banks	25,249	5,909	50	2	31,210
<b>Loans and advances to customers</b>					
Loans to government clients	2,417	807	49	8	3,281
Loans to private clients:					
- overdrafts	1,222	18,453	596	910	21,181
- 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	15,784	-	-	20,151
- corporate loans	7,746	149,844	2,742	7,491	167,823
- other	3,655	3,786	45	23	7,509
<b>Total</b>	<b>85,188</b>	<b>384,750</b>	<b>8,640</b>	<b>10,468</b>	<b>489,046</b>
<b>On 31 December 2014</b>					
Loans and advances to banks	29,564	16,043	175	180	45,962
<b>Loans and advances to customers</b>					
Loans to government clients	1,269	777	3	71	2,120
Loans to private clients:					
- overdrafts	1,544	20,185	589	1,193	23,511
- mortgages	39,411	173,203	4,327	1,289	218,230
- leases	1,344	20,424	1,845	224	23,837
- reverse repurchase transactions and securities borrowing agreements	9,848	8,447	-	-	18,295
- corporate loans	12,966	144,424	3,386	7,284	168,060
- other	4,257	2,045	7	130	6,439
<b>Total</b>	<b>100,203</b>	<b>385,548</b>	<b>10,332</b>	<b>10,371</b>	<b>506,454</b>

The table below gives an age analysis of expired (overdue) but unimpaired financial assets.

<b>Age analysis</b>					
<i>in millions of euros</i>	<i>&lt; 30 days</i>	<i>30 to 60 days</i>	<i>61 to 90 days</i>	<i>&gt; 90 days</i>	<i>Total</i>
<b>On 31 December 2015</b>					
Loans and advances to banks	44	6	-	-	50
<b>Loans and advances to customers</b>					
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
<b>Total</b>	<b>6,395</b>	<b>922</b>	<b>425</b>	<b>898</b>	<b>8,640</b>
<b>On 31 December 2014</b>					
Loans and advances to banks	139	-	35	1	175
<b>Loans and advances to customers</b>					
Loans to government clients	-	1	1	1	3
Loans to private clients:					
- overdrafts	300	61	28	200	589
- mortgages	2,955	549	282	541	4,327
- leases	1,171	333	116	225	1,845
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	1,883	334	178	991	3,386
- other	6	1	-	-	7
<b>Total</b>	<b>6,454</b>	<b>1,279</b>	<b>640</b>	<b>1,959</b>	<b>10,332</b>

#### 4.4.7 Forbearance

Rabobank has developed a policy for monitoring its clemency 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 on 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'.

#### 4.4.8 Trends in the real estate portfolio

Rabobank's portfolio of commercial real estate in the Netherlands is managed by FGH Bank and the local Rabobanks.

The commercial real estate market showed some signs of recovery in 2015. The demand of real estate users for offices and business premises increased slightly, although it remains low

from a historical perspective. The supply of empty buildings is decreasing, both for offices and retail space. This is not the result of an increased growth in demand, but is due to a combination of two factors: extra initiatives to convert vacant buildings; and low levels of new housing development. However, rental prices are still under pressure in areas outside core locations in large cities. This has led to an increasingly visible demarcation between hopeless, disadvantaged and high potential properties. Long term trends such as demographic ageing, the 'New Way of Working' and online shopping are all important factors in this development. The pressure on retail property will continue for the coming years, in particular causing difficulties for mid-market retail chains. This is in contrast to the positive demand on the investment side, in which there is significant activity from both domestic and international investors. Low interest rates and limited returns on other investment segments are stimulating investments in real estate. All real estate segments are in demand among investors. Under the current market conditions, the quality of the commercial real estate portfolio is showing signs of stabilisation, especially in the second half of the year, whereby the afore-mentioned division in the market shows differences at sub-sector level.

Within Rabobank Group, more attention has been paid to the management of the commercial real estate portfolio in the Netherlands. Steps have already been taken in recent years to tighten the financing, revision and appraisal policies. At the beginning of 2015, within the context of One Rabobank, a vision that will see the bundling of Rabobank's activities to create optimal customer service, it was disclosed that FGH Bank would be integrated with Rabobank as a centre of expertise. The preparations for this process are in full swing. The table provides insight into the commercial real estate loan portfolio in the Netherlands on 31 December 2015.

The Property Development segment is presented separately. The lending by Rabobank in this sub-sector was relatively low with EUR 1.9 billion (2014: 2.3).

The commercial real estate portfolio of Rabobank in the Netherlands fell again in 2015. This was mainly due to repayments, disposals/write-downs, the sale of loans and a lower risk appetite.

<i>in millions of euros</i>	<i>Net loan portfolio</i>	<i>Gross non-performing loans</i>	<i>Provisions</i>	<i>Loan impairment charges</i>	<i>Write-downs</i>
<b>On 31 December 2015</b>					
Investment property of domestic retail banking business	7,729	1,447	588	(8)	105
Investment property of property segment	13,794	3,614	1,040	142	217
<b>Total investment property</b>	<b>21,523</b>	<b>5,061</b>	<b>1,628</b>	<b>134</b>	<b>322</b>
Property development of domestic retail banking business	784	495	301	26	83
Property development of property segment	1,101	172	62	5	1
<b>Total property development</b>	<b>1,885</b>	<b>667</b>	<b>363</b>	<b>31</b>	<b>84</b>



<i>in millions of euros</i>	<i>Net loan portfolio</i>	<i>Gross non-performing loans</i>	<i>Provisions</i>	<i>Loan impairment charges</i>	<i>Write-downs</i>
<b>On 31 December 2014</b>					
Investment property of domestic retail banking business	8,586	1,509	673	249	152
Investment property of property segment	15,099	3,394	1,098	544	333
<b>Total investment property</b>	<b>23,685</b>	<b>4,903</b>	<b>1,771</b>	<b>793</b>	<b>485</b>
Property development of domestic retail banking business	1,062	586	342	23	26
Property development of property segment	1,211	146	43	8	2
<b>Total property development</b>	<b>2,273</b>	<b>732</b>	<b>385</b>	<b>31</b>	<b>28</b>

\* The table above only presents the specific costs of credit losses and specific provisions.

In recent years, the developments in the market caused a significant deterioration in the quality of the portfolio, which is reflected in the increased level of costs for credit losses. The year 2015 has been characterised by a clear bifurcation of the portfolio. On the one hand, the increased interest from investors has caused some sub-markets to bottom out or to even show signs of recovery. The provisions already made in respect of this part of the portfolio proved to be adequate. On the other hand, structural problems in other sub-markets has caused continuing higher costs for credit losses.

Nearly the entire real estate portfolio outside the Netherlands is provided by ACC Loan Management. This portfolio is being gradually scaled down. In 2015, the additional allocations to the provision for credit losses for this portfolio were limited (EUR 40 million). Rabobank expects to make a few further provisions in 2016, albeit at a lower level than in previous years.

#### 4.5 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.

#### 4.6 Liquidity risk

Rabobank is exposed to liquidity risk i.e. the risk that the bank is unable to meet all of its (re)payment obligations in good time, as well as the risk that the bank is unable to (re)finance assets at reasonable prices or at all. This could happen if clients or professional counterparties suddenly withdraw more funds than expected, which cannot be met by the bank's cash resources and when selling or pledging assets or borrowing funds from third parties also provides no solution.

Rabobank has long recognised liquidity risk as a major risk type. Rabobank therefore has a policy whereby the term of the funding matches the term of the loans granted. Long-term loans must be financed through funds entrusted by customers or long-term funding through professional markets.

Liquidity risk is managed on the basis of three pillars. The first of these pillars sets strict limits for the 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 first twelve months. A limit framework applies here too. In order to be prepared for potential crisis situations, a number of detailed contingency funding plans (CFPs) are in place. These CFPs are included in the internal test procedures.

The second pillar is used to maintain a substantial buffer of liquid assets. In addition to the funds held at central banks,

these assets can be used to borrow from central banks, used in repo transactions or in order to sell directly in the market in order to immediately generate liquidities. The size of the liquidity buffer is related to the risk to which Rabobank is exposed through its balance sheet. Rabobank Group has internally securitised a portion of its loan portfolio which means it can be pledged from the central bank and therefore serves as an additional liquidity buffer. Since this concerns internal securitisations, solely for liquidity purposes, they are not visible in the economic balance sheet but are included in the available liquidity buffer.

The third pillar entails the restriction of liquidity risk through a prudent funding policy aimed at meeting the financing requirements of the group's units at acceptable cost. Diversification of sources of funding and currencies, flexibility of the funding instruments applied and a hands-on investor relations approach are key factors. This prevents Rabobank Group from being overly dependent on a single source of funding.

Furthermore, scenario analyses are performed each month to calculate the possible consequences of a wide range of stress scenarios. Not only market-specific scenarios, but also Rabobank-specific, as well as a combination of these scenarios, are analysed. Monthly reports on the liquidity position of the Group as a whole are submitted to the Dutch Central Bank. These reports are prepared in accordance with the guidelines drawn up by this supervisory authority.

The table below shows the non-discounted liabilities of Rabobank grouped according to the remaining liquidity period between the reporting date and the expected contract repayment date. The total amounts do not correspond exactly with the amounts in the consolidated statement of financial position because this table is based on non-discounted cash flows related to both principal and future interest payments. 'Derivatives and other trade liabilities' have not been analysed on the basis of the contractual due date, because they are not essential for the management of liquidity risk and for reporting to the Rabobank management.

<b>Contract repayment date</b>						
<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>
<b>On 31 December 2015</b>						
<b>Liabilities</b>						
Due to banks	2,911	9,465	2,521	3,492	795	19,184
Due to customers	245,973	46,182	12,534	13,290	23,848	341,827
Debt securities in issue	117	32,480	48,941	67,701	40,518	189,757
Other liabilities (excluding employee benefits)	1,471	3,467	1,088	614	48	6,688
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
<b>Total financial liabilities</b>	<b>250,531</b>	<b>92,259</b>	<b>67,528</b>	<b>92,228</b>	<b>107,821</b>	<b>610,367</b>
Financial guarantees	10,402	-	-	-	-	10,402
<b>On 31 December 2014</b>						
<b>Liabilities</b>						
Due to banks	2,480	8,777	1,270	5,015	666	18,208
Due to customers	238,695	44,500	9,987	15,138	23,079	331,399
Debt securities in issue	229	32,350	59,775	67,318	44,938	204,610
Other liabilities (excluding employee benefits)	1,543	4,878	712	811	22	7,966
Financial liabilities designated at fair value	38	684	1,523	5,624	23,553	31,422
Subordinated liabilities	-	-	3	1,382	15,340	16,725
<b>Total financial liabilities</b>	<b>242,985</b>	<b>91,189</b>	<b>73,270</b>	<b>95,288</b>	<b>107,598</b>	<b>610,330</b>
Financial guarantees	11,826	-	-	-	-	11,826

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

<b>Contract repayment date</b>						
<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>
<b>On 31 December 2015</b>						
<b>Financial assets</b>						
Cash and balances at central banks	63,650	1,284	9	-	-	64,943
Loans and advances to banks	4,412	23,130	1,878	1,300	490	31,210
Financial assets held for trading	144	397	539	1,669	723	3,472
Financial assets designated at fair value	8	307	33	848	1,000	2,196
Derivatives	6	3,071	2,870	11,226	30,940	48,113
Loans and advances to customers	20,180	51,235	37,948	89,456	259,799	458,618
Available-for-sale financial assets	49	2,385	3,344	19,636	12,359	37,773
Deferred tax assets	2,335	-	-	-	55	2,390
Other assets (excluding employee benefits)	1,030	3,910	1,669	1,113	270	7,992
<b>Total financial assets</b>	<b>91,814</b>	<b>85,719</b>	<b>48,290</b>	<b>125,248</b>	<b>305,636</b>	<b>656,707</b>
<b>Financial liabilities</b>						
Due to banks	2,911	9,459	2,492	3,415	761	19,038
Due to customers	244,194	46,108	12,322	12,550	22,419	337,593
Debt securities in issue	117	32,390	48,306	60,720	33,458	174,991
Derivatives and other trade liabilities	13	4,186	3,392	11,795	35,743	55,129
Other liabilities (excluding employee benefits)	1,363	4,350	1,343	590	48	7,694
Financial liabilities designated at fair value	62	542	2,380	4,464	9,543	16,991
Deferred tax liabilities	575	-	-	-	-	575
Subordinated liabilities	-	48	10	2,008	13,437	15,503
<b>Total financial liabilities</b>	<b>249,235</b>	<b>96,083</b>	<b>70,245</b>	<b>95,542</b>	<b>115,409</b>	<b>627,514</b>
<b>Net liquidity balance</b>	<b>(157,421)</b>	<b>(11,364)</b>	<b>(21,955)</b>	<b>29,706</b>	<b>190,227</b>	<b>29,193</b>
<b>On 31 December 2014</b>						
<b>Financial assets</b>						
Cash and balances at central banks	41,992	1,377	40	-	-	43,409
Loans and advances to banks	14,373	26,814	2,635	1,522	618	45,962
Financial assets held for trading	26	839	503	2,214	697	4,279
Financial assets designated at fair value	35	752	128	1,122	2,288	4,325
Derivatives	22	4,375	3,404	12,086	36,602	56,489
Loans and advances to customers	30,380	39,257	38,474	83,380	270,296	461,787
Available-for-sale financial assets	4	3,858	3,090	16,369	16,449	39,770
Deferred tax assets	747	-	-	-	1,754	2,501
Other assets (excluding employee benefits)	744	4,194	1,528	1,539	549	8,554
<b>Total assets</b>	<b>88,323</b>	<b>81,466</b>	<b>49,802</b>	<b>118,232</b>	<b>329,253</b>	<b>667,076</b>
<b>Financial liabilities</b>						
Due to banks	2,470	8,781	1,263	4,953	599	18,066
Due to customers	235,971	45,062	9,728	14,295	21,232	326,288
Debt securities in issue	229	32,318	59,470	63,839	33,204	189,060
Derivatives and other trade liabilities	176	4,477	3,830	15,421	43,656	67,560
Other liabilities (excluding employee benefits)	1,715	4,386	713	791	57	7,662
Financial liabilities designated at fair value	40	695	1,494	5,611	11,904	19,744
Deferred tax liabilities	473	-	-	-	-	473
Subordinated liabilities	-	-	3	1,077	10,848	11,928
<b>Total liabilities</b>	<b>241,074</b>	<b>95,719</b>	<b>76,501</b>	<b>105,987</b>	<b>121,500</b>	<b>640,781</b>
<b>Net liquidity balance</b>	<b>(152,751)</b>	<b>(14,253)</b>	<b>(26,699)</b>	<b>12,245</b>	<b>207,753</b>	<b>26,295</b>

The overview presented on the previous page, has been composed on the basis of contractual information. No account has been taken of the actual amount of the various balance sheet items. 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 2015, on the basis of the liquidity criteria set by the Dutch Central Bank, Rabobank had a substantial liquidity surplus. This was the case throughout 2015. The average liquidity surplus was 23% (2014: 26%) of the total 1-month liquidity requirement. On 31 December 2015, the surplus was 25% (2014: 23%).

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.

#### 4.7 Market risk in the trading environment

'Market risk in the trading environment' refers to changes in the value of the trading book as a result of, among other things, changes in interest rates, credit spreads, foreign currencies and share prices. Analyses of the market risk in the bank book are included in Paragraph 4.3 'Interest-rate risk in the banking environment' and Paragraph 4.5 'Currency risk in the banking environment'.

At the consolidated level, the risk is represented by the Value at Risk (VaR), basis point sensitivity and event risk. The Executive Board annually ratifies the risk appetite and the corresponding limits. These limits are converted into limits at book level and are monitored daily by the market risk management departments. In addition to the VaR, basis point sensitivity

and event risk limits, an extremely detailed system of trading controls per book is in place, including rotation risk (i.e. risk that the yield curve will shift), delta limits per bucket, nominal limits and the maximum number of contracts. The risk position is reported to the senior management on a daily basis and discussed in the various risk management committees on a monthly basis.

The VaR indicates, based on one year of historical market trends, the maximum loss for a given reliability level and horizon under 'normal' market conditions. The internal VaR model forms an integral part of the risk management framework at Rabobank. This internal model has also been approved by DNB to determine the solvency requirement for market risk in the trading book. Rabobank has opted to apply a VaR based on historical simulation for which one year's worth of historic data is used. The VaR is calculated over time horizons of both one day and ten days. For internal risk management purposes, Rabobank has opted for a confidence level of 97.5%. Furthermore, the VaR with a confidence level of 99% is also calculated on a daily basis. A significant advantage of a VaR model based on historical simulation is that no assumptions need to be made with regard to the distribution of potential value adjustments for the various financial instruments. A drawback is that a choice needs to be made with regard to the period of historical market trends which could potentially affect the amount of the VaR as calculated. Based on the requirements imposed by the regulator and following our own research, it was decided to use an historical period of one year. Back testing is used in order to test the actual outcomes on a regular basis in order to determine the validity of the assumptions and parameters/factors used in calculating the VaR.

The table below 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. The average VaR rose from EUR 3.8 million in 2014 to EUR 4.8 million in 2015. The VaR remained well within the limit of EUR 40 million throughout 2015.

<b>VaR (1 day, 97.5%)</b>							
<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>
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
2014 - 31 December	2.6	0.7	0.1	0.7	0.3	(1.2)	3.2
2014 - average	3.5	1.3	0.2	0.8	0.4	n/a	3.8
2014 - highest	15.6	7.2	0.9	1.1	0.9	n/a	22.5
2014 - lowest	2.4	0.6	0.0	0.3	0.3	n/a	2.4

In addition to the VaR, there are several other key risk indicators. The interest rate delta indicates how the value of the trading book positions changes if the yield curve moves in parallel with a 1 basis point increase. The table below shows these positions for each major currency.

<b>Interest rate delta</b>		
<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
Euro	(1.2)	0.6
US dollar	(0.4)	(0.3)
British pound	0.1	0.2
Other	0.1	0.0
<b>Total</b>	<b>(1.4)</b>	<b>0.5</b>

#### 4.8 Operational risk

Rabobank defines operational risk as the risk of losses incurred as a result of inadequate or dysfunctional internal processes, people and systems, or as a result of external trends and developments. Potential legal risks and reputational risks are considered in the assessment and management of operational risk.

In measuring and managing operational risks, Rabobank Group operates within the parameters of the most advanced Basel II ap-proach, the Advanced Measurement Approach. For the management of operational risks, Rabobank 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, measure, mitigate and monitor various types of operational risks. The risk quantification process supports the management responsible for prioritising the actions to be undertaken and the allocation 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 according to the established risk appetite. The risk management functions within the group entities and within Risk Management together constitute the 'second line of defence'. The risk management functions have a monitoring role with regard to risks and test 'the first line of defence' with respect to the way in which they manage risks. In addition, they report on the risk profile to the management and to the Executive Board, independently from the first line. Internal audits form the 'third line of defence'. At group level, the Non-Financial Risk Committee (NFRC) is responsible for formulating policy and setting the parameters.

In addition, Risk Management also reports each quarter to the NFRC on changes in operational risks at group level. A number of risk management committees have been established within the group's entities. Their responsibilities include monitoring operational risks (including system continuity risks, IT security risks and fraud risks) of the relevant entity.

The yearly risk management cycle consists of, among other things, a group-wide Risk Self Assessment, in which the most important operational risks are inventoried and, if the risks fall outside the risk appetite, for which mitigating measures are identified based on scenario analyses with senior managers of the entire Rabobank Group, in order to gain insight into the risk profile of the group.

#### 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 key market for the asset or liability. Alternatively, in the most advantageous market if there is no key 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 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 and derivatives held for trading are carried at fair value based on available quoted market prices. If quoted market prices are not available, the fair value is estimated on the basis of discounted cash flow models and option valuation models. For derivatives, the bank factors in counterparty risk and its own creditworthiness. In estimating counterparty risk, Rabobank uses the latest market data, including CDS curves and Monte Carlo simulations. Another factor that is taken into account is 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 market prices if available. If not, they are estimated from comparable assets on the market, or using valuation methods, including appropriate discounted cash flow models and option valuation models.

**Loans and advances to customers.** The fair value of issued loans is estimated on the basis of a calculation of the present value of the cash flows according to current market rates for similar loans, taking also into account the creditworthiness of the counterparty. For variable-interest loans that are reviewed regularly and do not vary significantly in terms of credit risk, the fair value is based on the carrying amount until maturity.

**Available-for-sale financial assets.** Available-for-sale financial assets are measured at fair value based on listed market prices. If quoted market prices are not available, the fair value is estimated on the basis of discounted cash flow models and option valuation models.

**Other financial assets.** For almost all other financial assets the carrying amount is a good approximation of the fair value.

**Due to banks.** Loans and advances to banks also includes interbank placings, items to be collected and deposits. The fair values of floating rate placings and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated on the basis of valid money market interest rates for debts with comparable credit risks and terms to maturity.

**Trade liabilities.** The fair value of trade liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated on the basis of valuation models.

**Financial liabilities designated at fair value.** The fair value of these liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated on the basis of discounted cash flow models and option valuation models.

**Due to customers.** Due to 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.

**Debt securities issued by Rabobank.** The fair value of these instruments is calculated using quoted market prices. For notes for which no quoted market prices are available, a discounted cash flow model is used on the basis of a current yield curve appropriate for the term to maturity.

in millions of euros	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Cash and balances at central banks	64,943	64,943	43,409	43,409
Loans and advances to banks	31,210	31,330	45,962	45,996
Loans and advances to customers	458,618	466,237	461,787	473,236
<b>Liabilities</b>				
Due to banks	19,038	19,077	18,066	18,101
Due to customers	337,593	342,228	326,288	331,049
Debt securities in issue	174,991	178,477	189,060	196,056
Subordinated liabilities	15,503	16,558	11,928	13,111

The above stated figures represent the best possible estimates by management on the basis of a range of methods and assumptions. If a quoted market price is available, this is the best estimate of fair value.

If no quoted market prices are available for fixed-term securities, equity instruments, 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, warrants and derivatives, 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:

- Category 1: Quoted prices in active markets for identical assets or liabilities; an 'active market' is a market in which transactions relating to the asset or liability occur with sufficient frequency and at a sufficient volume in order to provide price information on a permanent basis.
- Category 2: Inputs other than quoted prices included in category 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Category 3: Inputs for the asset or liability not based on observable market data.

Rabobank determines for recurrent valuations of financial instruments at fair value when transfers between the various categories of the fair-value hierarchy occurred by reassessing the category at the end of each reporting period. As of 31 December 2015, current receivables and liabilities whose carrying amount is equal to their fair value are presented in category 1. Comparative figures have been adjusted accordingly.

<i>in millions of euros</i>	<i>Category 1</i>	<i>Category 2</i>	<i>Category 3</i>	<i>Total</i>
<b>On 31 December 2015</b>				
<b>Assets</b>				
Cash and balances at central banks	64,929	9	5	64,943
Loans and advances to banks	-	30,411	919	31,330
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
Loans and advances to customers	-	128,662	337,575	466,237
Available-for-sale financial assets	33,068	4,111	594	37,773
Associates at fair value	-	-	486	486
Non-current assets held for sale and discontinued operations	-	-	155	155
<b>Liabilities</b>				
Due to banks	-	18,209	868	19,077
Due to customers	5,017	80,315	256,896	342,228
Debt securities in issue	1,593	152,351	24,533	178,477
Derivatives and other trade liabilities	578	53,863	688	55,129
Financial liabilities designated at fair value	-	16,967	24	16,991
Subordinated liabilities	16,457	101	-	16,558



<i>in millions of euros</i>	<i>Category 1</i>	<i>Category 2</i>	<i>Category 3</i>	<i>Total</i>
<b>On 31 December 2014</b>				
<b>Assets</b>				
Cash and balances at central banks	43,409	-	-	43,409
Loans and advances to banks	-	45,312	684	45,996
Financial assets held for trading	3,059	1,091	129	4,279
Financial assets designated at fair value	318	2,274	1,733	4,325
Derivatives	60	55,306	1,123	56,489
Loans and advances to customers	-	120,085	353,151	473,236
Available-for-sale financial assets	36,193	2,586	991	39,770
Associates at fair value	-	-	600	600
Non-current assets held for sale and discontinued operations	-	-	327	327
<b>Liabilities</b>				
Due to banks	-	17,912	189	18,101
Due to customers	4,492	69,502	257,055	331,049
Debt securities in issue	1,059	166,200	28,797	196,056
Derivatives and other trade liabilities	1,399	65,079	1,082	67,560
Financial liabilities designated at fair value	15	19,683	46	19,744
Subordinated liabilities	13,082	29	-	13,111

The potential effect before taxation, if more positive reasonable assumptions are used for the valuation of the financial instruments in category 3 on the profit and loss account, is 166 (2014: 108) and on equity 50 (2014: 73). The potential effect before taxation, if more negative reasonable assumptions are used for the valuation of financial instruments in category 3 on the profit and loss account, is -167 (2014: -101) and on equity -50 (2014: -67).

Category 3 of the financial assets at fair value includes private equity interests. Private equity interests amount to 430.

A significant non-perceivable input for the valuation of these interests is the multiplier. The multiplier is determined at the time the interests are acquired and is applied to the EBITDA.

The average weighted multiplier is 6.9, with a bandwidth of -1 and +1 of the multiplier.

<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 equity</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to or from category 3</i>	<i>Balance on 31 December 2015</i>
<b>Assets</b>								
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
Associates at fair value	676	158	-	41	(370)	(19)	-	486
<b>Liabilities</b>								
Derivatives and other trade liabilities	1,082	470	-	-	(1)	(838)	(25)	688
Financial liabilities designated at fair value	46	2	-	-	(22)	(2)	-	24

The table shows movements in the financial instruments which are stated at fair value in the statement of financial position and which are classified in Category 3. The fair value adjustments in Category 3 which are included in equity are accounted for in the revaluation reserves for available-for-sale financial assets. In 2015, there were significant transfers to the amount of 597 between category 1 and category 2.

<i>in millions of euros</i>	<i>Balance on 1 January 2014</i>	<i>Fair value changes incorporated in profit or loss</i>	<i>Fair value changes incorporated in equity</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to or from category 3</i>	<i>Balance on 31 December 2014</i>
<b>Assets</b>								
Financial assets held for trading	175	25	-	5	(70)	-	(6)	129
Financial assets designated at fair value	1,606	159	-	456	(937)	(1)	450	1,733
Derivatives	347	102	-	1	-	(339)	1,012	1,123
Available-for-sale financial assets	310	87	113	317	(23)	-	187	991
Associates at fair value	567	101	-	184	(176)	-	-	676
<b>Liabilities</b>								
Derivatives and other trade liabilities	74	73	-	-	-	(73)	1,008	1,082
Financial liabilities designated at fair value	54	1	-	(1)	-	(8)	-	46

The amount in total gains or losses presented in the profit and loss account for the period relating to the assets and liabilities held in Category 3 until the end of the reporting period is given in the following table.

<b>Fair value changes for financial instruments in category 3 incorporated in profit or loss</b>			
<i>in millions of euros</i>	<i>Recognised</i>	<i>Derecognised</i>	<i>Total</i>
<b>On 31 December 2015</b>			
<b>Assets</b>			
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
Associates at fair value	160	(2)	158
<b>Liabilities</b>			
Derivatives and other trade liabilities	119	351	470
Financial liabilities designated at fair value	3	(1)	2
<b>On 31 December 2014</b>			
<b>Assets</b>			
Financial assets held for trading	24	1	25
Financial assets designated at fair value	145	14	159
Derivatives	102	-	102
Available-for-sale financial assets	87	-	87
Associates at fair value	101	-	101
<b>Liabilities</b>			
Derivatives and other trade liabilities	69	4	73
Financial liabilities designated at fair value	1	-	1

The following table shows the changes in deferred profit of the financial assets held for trading. These were initially recognised at a value determined using a valuation technique based on data input not substantiated by market prices.

<b>Provision for Day 1 profit</b>		
<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
Opening balance	6	27
Additions	-	-
Amortisation	(2)	(11)
Changes	(1)	(10)
<b>Closing balance</b>	<b>3</b>	<b>6</b>

#### 4.10 Legal and arbitration proceedings

Rabobank Groep is active in a legal and regulatory environment that exposes it to substantial risk of litigation. As a result of this, Rabobank Groep is involved in legal cases, arbitrations and regulatory procedures 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 Groep 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 useful estimate) is not reported, because Rabobank Groep feels that information of this type could be detrimental to the outcome of individual cases.

When determining which of the claims the likelihood of them leading to an outflow of funds is higher than fifty percent, and therefore an estimate is made of these losses, Rabobank Groep takes into account a number of factors, including (but 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 Groep's experience and that of third parties of similar cases (if known), earlier settlement discussions, third-party settlements in similar cases (where known), available indemnities and the advice and opinions for legal advisors and other experts.

The estimate potential losses, and the existing provisions, are based on the currently available information and are for the main part subject to judgements and a number of different assumptions, variable 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 or 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 frequently impossible to process using statistical or other quantitative analysis instruments, that are frequently 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 will change from time to time, as will the cases for which an estimate can be made and the estimated potential loss for these cases. In practice the results achieved can turn out to be considerably higher or lower than the estimates of potential losses in those cases where an estimate of this kind was made. In addition, losses may occur in cases where Rabobank Group estimated that the risk of this occurring was low.

Rabobank Groep may settle legal cases or regulatory procedures or investigations before reaching an (irrevocable) fine or determination of liability. They may do so in order to avoid costs, management effort at this level, or other negative business consequences and/or regulatory or reputational consequences of continuing with the disputes relating to liability, even if Rabobank Group is of the opinion that it has arguments to defend itself against such liability. It may also do this when the potential consequences of losing a case are disproportionate to the costs of a settlement. 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.

#### 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 the provision of statements for laying down interest rate benchmarks. Rabobank is cooperating, and will continue to cooperate, with the regulators and authorities involved in these global investigations.

On 29 October 2013, Rabobank entered into a settlement agreement with various authorities in relation to their investigations into the historical Libor and Euribor submission processes of Rabobank. Additional information is available on the bank's corporate website. All amounts payable under this settlement agreement 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 and representatives (including managers and directors) in respect of the manipulation, attempts of manipulation or

mutual coordination between banks for establishing interest rate benchmarks. 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 mentioned in connection with a number of 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 several Dutch courts in civil proceedings relating to EURIBOR. Furthermore, various individuals and entities have made a number of allegations relating to Euribor in letters to and legal proceedings against Rabobank and/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.

### Fortis

'The Dutch Investors' Association' (VEB) has 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 sub prime 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. We maintain 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. Depending on the outcome of these proceedings, it will become clear whether separate loss proceedings are to be expected. Rabobank is defending itself against the claim; at present, however Rabobank is unable to assess the outcome of these or any subsequent proceedings.

### Interest rate derivatives in the SME segment

Rabobank provides interest rate derivatives for business customers who wish to reduce the interest rate risk associated with variable (e.g. indexed Euribor) loans. Such an interest rate swap protects customers from rising interest rates and helps businesses to keep their interest payments at an acceptable level.

For business customers who have both a loan and an interest rate derivative, the bank (re)assessed the individual position in 2014 and 2015. If a closed interest rate derivative no longer suits the customer's requirements, the bank and the customer set out to find a solution which is acceptable to the customer. Solutions vary from adjustments to the transactions to termination or (partial) compensation. Each of these solutions is tailor-made, which means that all the circumstances of a case known to Rabobank, as well as knowledge of the company concerned, are considered in the assessment. In December 2015, Rabobank took note of the conclusion by the AFM that the banks' revaluations of the interest rate derivatives are unsatisfactory. It has found shortcomings during its own testing of the revaluations. Rabobank is currently working with the AFM on a suitable solution to the situation that has arisen.

Rabobank is involved in civil proceedings in the Netherlands relating to interest rate derivatives. The majority of these concern individual cases. In addition, there is a pending collective action against all Rabobanks concerning accusations with regard to interest rate derivatives, including accusations with regard to Euribor. Rabobank will defend itself against all these claims.

Furthermore, there are pending complaints proceedings against Rabobank regarding interest rate derivatives brought by Kifid (Dutch Financial Services Complaints Authority, which, in January 2015, opened an enquiry window for businesses with interest rate derivatives).

### BSA/AML

In 2015, Rabobank concluded a written agreement with the Federal Reserve Bank of New York and the New York Department of Financial Services. Under this agreement, Rabobank is required to, amongst other things, improve the BSA/AML (Bank Secrecy Act/Anti-Money Laundering) framework for its American company. In 2013, Rabobank, N.A. (RNA), a group company, almost entirely owned by Rabobank, agreed to a Consent Order with the US Office of the Comptroller of the Currency with regard to its BSA/AML programme. American authorities are investigating the BSA/AML compliance programme of RNA as well as the historical conduct and

practices involved and have, in this context, requested documentation and other information to be submitted to them. Both Rabobank and RNA are providing their full cooperation to this investigation.

## 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 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 retail banking supports Rabobank Group in becoming the market leader in the Netherlands and focuses on the food and agricultural sectors at international level. This segment develops corporate banking activities on a regional basis and in addition controls globally operating divisions such as Treasury Rabobank Group, 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 retail banking operations fall under 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. DLL operates in European markets with the car leasing company Athlon. Real estate activities are reported under the real estate segment. 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. Furthermore, the results of FGH Bank are recognised under the real estate segment. The segment Other 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 and under normal market conditions. The dividend to the amount of 264 (2014: 218) that was disbursed to the local Rabobanks is, as opposed to previous years, no longer included under other income of the domestic retail banking segment. Other than from operating activities, there is no other material comprehensive income between the business segments. Allowing for the way in which the segments are reported internally from the 2015 accounts onwards, the consequences of hedge accounting are no longer included in the consolidation effects/hedge accounting, but instead under Other segments.

The financial reporting principles used for the segments are identical to those described in the 'Accounting policies' Section.

<i>in millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects</i>	<i>Total</i>
<b>For the year ended 31 December 2015</b>							
Net interest income	5,661	2,270	1,094	348	(234)	-	9,139
Net fee and commission income	1,371	513	57	29	(16)	(62)	1,892
Other income	18	653	568	302	662	(220)	1,983
<b>Total income</b>	<b>7,050</b>	<b>3,436</b>	<b>1,719</b>	<b>679</b>	<b>412</b>	<b>(282)</b>	<b>13,014</b>
Staff costs	2,134	1,123	601	196	(38)	770	4,786
Other administrative expenses	2,520	1,101	277	124	(20)	(1,086)	2,916
Depreciation	116	107	38	7	47	128	443
<b>Operating expenses</b>	<b>4,770</b>	<b>2,331</b>	<b>916</b>	<b>327</b>	<b>(11)</b>	<b>(188)</b>	<b>8,145</b>
Impairment losses on goodwill	-	612	10	1	-	-	623
Loan impairment charges	343	526	85	90	(11)	-	1,033
Regulatory levies	171	139	19	15	-	-	344
<b>Operating profit before taxation</b>	<b>1,766</b>	<b>(172)</b>	<b>689</b>	<b>246</b>	<b>434</b>	<b>(94)</b>	<b>2,869</b>
Taxation	445	161	191	65	(183)	(24)	655
<b>Net profit</b>	<b>1,321</b>	<b>(333)</b>	<b>498</b>	<b>181</b>	<b>617</b>	<b>(70)</b>	<b>2,214</b>
Business segment assets	325,194	488,744	40,091	21,665	117,462	(326,455)	666,701
Investments in associates	16	487	32	197	2,940	-	3,672
<b>Total assets</b>	<b>325,210</b>	<b>489,231</b>	<b>40,123</b>	<b>21,862</b>	<b>120,402</b>	<b>(326,455)</b>	<b>670,373</b>
Business segment liabilities	296,086	476,806	35,411	19,591	111,941	(310,742)	629,093
<b>Total liabilities</b>	<b>296,086</b>	<b>476,806</b>	<b>35,411</b>	<b>19,591</b>	<b>111,941</b>	<b>(310,742)</b>	<b>629,093</b>
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	281,941	98,798	29,656	15,287	475	-	426,157

<i>in millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects</i>	<i>Total</i>
<b>Value adjustments in loans and advances to customers</b>							
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	556	120	91	(10)	-	1,134
Write-down of defaulted loans during the year	(1,440)	(478)	(167)	(218)	(4)	-	(2,307)
Interest and other adjustments	190	(14)	(9)	32	(2)	-	197
<b>Balance on 31 December 2015</b>	<b>3,963</b>	<b>2,880</b>	<b>322</b>	<b>1,175</b>	<b>32</b>	<b>-</b>	<b>8,372</b>
Individual value adjustment (specific allowance)	2,615	2,612	151	1,092	32	-	6,502
Collective value adjustment (collective allowance)	884	30	83	-	-	-	997
IBNR	464	238	88	83	-	-	873
<b>Total</b>	<b>3,963</b>	<b>2,880</b>	<b>322</b>	<b>1,175</b>	<b>32</b>	<b>-</b>	<b>8,372</b>

<i>in millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects</i>	<i>Total</i>
<b>For the year ended 31 December 2014</b>							
Net interest income	5,783	2,416	1,000	313	(394)	-	9,118
Net fee and commission income	1,318	552	30	36	(20)	(37)	1,879
Other income	131	825	548	267	362	(241)	1,892
<b>Total income</b>	<b>7,232</b>	<b>3,793</b>	<b>1,578</b>	<b>616</b>	<b>(52)</b>	<b>(278)</b>	<b>12,889</b>
Staff costs	2,302	1,164	535	198	77	810	5,086
Other administrative expenses	2,233	1,166	251	104	(173)	(1,049)	2,532
Depreciation	127	87	48	9	46	120	437
<b>Operating expenses</b>	<b>4,662</b>	<b>2,417</b>	<b>834</b>	<b>311</b>	<b>(50)</b>	<b>(119)</b>	<b>8,055</b>
Impairment losses on goodwill	-	26	-	6	-	-	32
Loan impairment charges	1,422	420	131	656	4	-	2,633
Regulatory levies	354	67	9	8	50	-	488
<b>Operating profit before taxation</b>	<b>794</b>	<b>863</b>	<b>604</b>	<b>(365)</b>	<b>(56)</b>	<b>(159)</b>	<b>1,681</b>
Taxation	261	105	168	(102)	(552)	(41)	(161)
<b>Net profit</b>	<b>533</b>	<b>758</b>	<b>436</b>	<b>(263)</b>	<b>496</b>	<b>(118)</b>	<b>1,842</b>
Business segment assets	354,315	494,452	37,226	22,953	106,617	(338,284)	677,279
Investments in associates	17	684	22	193	2,891	-	3,807
<b>Total assets</b>	<b>354,332</b>	<b>495,136</b>	<b>37,248</b>	<b>23,146</b>	<b>109,508</b>	<b>(338,284)</b>	<b>681,086</b>
Business segment liabilities	326,699	482,889	32,957	21,862	101,859	(324,051)	642,215
<b>Total liabilities</b>	<b>326,699</b>	<b>482,889</b>	<b>32,957</b>	<b>21,862</b>	<b>101,859</b>	<b>(324,051)</b>	<b>642,215</b>
Investments in property and equipment	140	39	1,509	4	59	-	1,751
Impairment of tangible and intangible assets	9	32	1	6	24	-	72
Goodwill	322	676	455	1	-	-	1,454
Private sector loan portfolio	289,881	95,192	27,465	16,711	482	-	429,731

<i>in millions of euros</i>	<i>Domestic retail banking</i>	<i>Wholesale banking and international retail banking</i>	<i>Leasing</i>	<i>Real estate</i>	<i>Other segments</i>	<i>Consolidation effects</i>	<i>Total</i>
<b>Value adjustments in loans and advances to customers</b>							
Balance on 1 January 2014	4,561	2,672	455	842	51	-	8,581
Loan impairment charges from Loans and advances to customers	1,469	448	185	657	3	-	2,762
Write-down of defaulted loans during the year	(1,263)	(355)	(268)	(335)	(6)	-	(2,227)
Interest and other adjustments	69	51	6	106	-	-	232
<b>Balance on 31 December 2014</b>	<b>4,836</b>	<b>2,816</b>	<b>378</b>	<b>1,270</b>	<b>48</b>	<b>-</b>	<b>9,348</b>
Individual value adjustment (specific allowance)	3,297	2,424	186	1,141	44	-	7,092
Collective value adjustment (collective allowance)	1,014	169	101	-	-	-	1,284
IBNR	525	223	91	129	4	-	972
<b>Total</b>	<b>4,836</b>	<b>2,816</b>	<b>378</b>	<b>1,270</b>	<b>48</b>	<b>-</b>	<b>9,348</b>



## 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.

On 31 December 2015

Geographic location	Country	Name of subsidiary	Type of operations	Income from continued operations	Average number of internal employees in FTE	Operating profit before taxation	Taxation	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	8,873	35,041	2,100	224	-
Other Eurozone countries	France	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	172	612	73	28	-
	Belgium	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	97	295	29	7	-
	Germany	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	225	699	101	27	-
	Italy	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	52	165	24	9	-
	Luxembourg	DLL, Rabo Real Estate Group	Leasing, Real estate	2	12	-	-	-
	Ireland	DLL, Rabobank, ACC Loan Management	Leasing, Wholesale banking and international retail banking	270	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	43	165	20	6	-
Rest of Europe (non-Eurozone)	United Kingdom	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	227	666	26	7	-
	Norway	DLL	Leasing	11	31	6	2	-
	Sweden	DLL	Leasing	31	123	7	2	-
	Denmark	DLL, Rabo Real Estate Group	Leasing, Real estate	9	24	5	(1)	-
	Switzerland	DLL	Leasing	2	6	1	-	-
	Russia	DLL	Leasing	12	55	6	1	-
	Poland	DLL	Leasing	16	121	8	3	-
	Czech Republic	Rabo Real Estate Group	Real estate	(1)	1	(1)	-	-
	Hungary	DLL	Leasing	6	31	2	-	-
	Romania	DLL	Leasing	-	2	-	-	-
North America	Turkey	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	25	54	10	3	-
	United States	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	1,461	3,989	(112)	189	-
	Canada	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	97	212	56	14	-

<i>Geographic location</i>	<i>Country</i>	<i>Name of subsidiary</i>	<i>Type of operations</i>	<i>Income from continued operations</i>	<i>Average number of internal employees in FTE</i>	<i>Operating profit before taxation</i>	<i>Taxation</i>	<i>Government subsidies received</i>
Latin America	Mexico	DLL	Leasing	11	58	5	2	-
	Cayman Islands	Rabobank	Wholesale banking and international retail banking	-	-	-	-	-
	Curacao	Rabobank	Wholesale banking and international retail banking	108	13	53	2	-
	Brazil	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	324	683	156	53	-
	Chile	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	53	304	(51)	(15)	-
	Argentina	DLL	Leasing	2	37	(7)	-	-
Asia	India	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	31	126	8	6	-
	Singapore	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	69	199	28	3	-
	Indonesia	Rabobank	Wholesale banking and international retail banking	41	1,112	(15)	1	-
	Malaysia	Rabobank	Wholesale banking and international retail banking	3	2	2	-	-
	China	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	179	353	4	(3)	-
	South Korea	DLL	Leasing	4	24	-	-	-
	Japan	DLL	Leasing	-	1	-	-	-
Australia	Australia	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	371	967	168	49	-
	New Zealand	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	180	311	113	32	-
Other	Mauritius, Kenya	Rabobank	Wholesale banking and international retail banking	1	1	1	-	-
				<b>13,014</b>	<b>46,956</b>	<b>2,869</b>	<b>655</b>	<b>-</b>

### Per 31 december 2014

<i>Geographic location</i>	<i>Country</i>	<i>Name of subsidiary</i>	<i>Type of operations</i>	<i>Income from continued operations</i>	<i>Average number of internal employees in FTE</i>	<i>Operating profit before taxation</i>	<i>Taxation</i>	<i>Government subsidies received</i>
The Netherlands	The Netherlands	Local Rabobanks, Rabobank, DLL, Obvion, Friesland Zekerheden Maatschappij NV, Rabohypotheekbank, Rabo Real Estate Group	Domestic retail banking, Wholesale banking and international retail banking, Leasing, Real estate	8,995	37,553	185	(595)	-
Other Eurozone countries	France	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	165	597	60	27	-
	Belgium	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	81	301	26	6	-
	Germany	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	169	677	135	55	-
	Italy	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	61	167	26	9	-
	Luxembourg	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	8	11	14	(4)	-
	Ireland	DLL, Rabobank, ACC Loan Management	Leasing, Wholesale banking and international retail banking	237	545	(30)	-	-
	Finland	DLL	Leasing	4	5	2	1	-
	Austria	DLL	Leasing	1	2	1	-	-

<i>Geographic location</i>	<i>Country</i>	<i>Name of subsidiary</i>	<i>Type of operations</i>	<i>Income from continued operations</i>	<i>Average number of internal employees in FTE</i>	<i>Operating profit before taxation</i>	<i>Taxation</i>	<i>Government subsidies received</i>
	Portugal	DLL	Leasing	3	18	(2)	-	-
	Spain	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	61	169	24	8	-
<b>Rest of Europe (non-Eurozone)</b>	United Kingdom	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	205	694	(10)	(7)	-
	Norway	DLL	Leasing	13	28	5	2	-
	Sweden	DLL	Leasing	29	115	4	-	-
	Denmark	DLL, Rabo Real Estate Group	Leasing, Real estate	11	24	4	1	-
	Switzerland	DLL	Leasing	4	5	2	-	-
	Russia	DLL	Leasing	15	55	7	2	-
	Poland	DLL, Rabobank, Bank BGZ	Leasing, Wholesale banking and international retail banking	206	2,795	2	2	-
	Czech Republic	Rabo Real Estate Group	Real estate	-	1	-	-	-
	Hungary	DLL	Leasing	6	27	2	-	-
	Romania	DLL	Leasing	1	2	1	-	-
	Turkey	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	21	33	5	2	-
<b>North America</b>	United States	DLL, Rabobank, Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	1,179	3,991	625	190	-
	Canada	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	93	201	51	12	-
<b>Latin America</b>	Mexico	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	8	56	1	(1)	-
	Cayman Islands	Rabobank	Wholesale banking and international retail banking	-	-	-	-	-
	Curacao	Rabobank	Wholesale banking and international retail banking	99	13	73	2	-
	Brazil	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	294	706	71	30	-
	Chile	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	58	332	5	(2)	-
	Argentina	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	3	27	2	-	-
<b>Asia</b>	India	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	24	112	10	4	-
	Singapore	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	75	184	33	4	-
	Indonesia	Rabobank	Wholesale banking and international retail banking	41	1,487	(11)	(3)	-
	Malaysia	Rabobank	Wholesale banking and international retail banking	-	2	2	-	-
	China	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	168	341	81	16	-
	South Korea	DLL	Leasing	6	26	2	-	-
	Japan	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	-	1	-	-	-
<b>Australia</b>	Australia	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	354	952	139	41	-
	New Zealand	DLL, Rabobank	Leasing, Wholesale banking and international retail banking	191	307	134	37	-
<b>Other</b>	Mauritius	Rabobank	Wholesale banking and international retail banking	-	-	-	-	-
				<b>12,889</b>	<b>52,562</b>	<b>1,681</b>	<b>(161)</b>	<b>-</b>

	Additions to property and equipment and intangible assets	Additions to property and equipment and intangible assets
	On 31 December 2015	On 31 December 2014
<i>in millions of euros</i>		
The Netherlands	1,588	1,483
Other Eurozone countries	944	109
Rest of Europe (non-Eurozone)	101	84
North America	230	234
Latin America	-	3
Asia	7	15
Australia	77	43
Other and consolidation effects	-	-
<b>Total</b>	<b>2,947</b>	<b>1,971</b>

## 6 Cash and balances at central banks

<i>in millions of euros</i>	2015	2014
Cash	861	726
Deposits at central banks other than mandatory reserve deposits	63,686	42,318
	<b>64,547</b>	<b>43,044</b>
Mandatory reserve deposits at central banks	396	365
<b>Total cash and balances at central banks</b>	<b>64,943</b>	<b>43,409</b>

The average minimum reserve to be held for the Netherlands for the month of December 2015 was 3,109 (December 2014: 2,964).

## 7 Loans and advances to banks

<i>in millions of euros</i>	2015	2014
Deposits with other banks	11,220	13,565
Reverse repurchase transactions and securities borrowing agreements	17,271	27,592
Loans	2,494	4,471
Other	126	120
<b>Gross due from other banks</b>	<b>31,111</b>	<b>45,748</b>
Less: loan impairment charges loans and advances to banks	(16)	(26)
	<b>31,095</b>	<b>45,722</b>
Reclassified assets	115	240
<b>Total loans and advances to banks</b>	<b>31,210</b>	<b>45,962</b>
<b>Loan impairment allowance loans and advances to banks</b>		
Balance on 1 January	26	51
Loan impairment charges loans and advances to banks	(10)	(14)
Write-down of defaulted loans during the year	-	(17)
Other changes	-	6
<b>Balance on 31 December</b>	<b>16</b>	<b>26</b>

The loan impairment charges of the loans and advances to banks are included in the profit and loss account 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 (2014: 206).

## 8 Financial assets held for trading

<i>in millions of euros</i>	2015	2014
Purchased loans	520	712
Short-term government securities	19	123
Government bonds	1,073	950
Other debt securities	1,637	2,117
Equity instruments	223	377
<b>Total</b>	<b>3,472</b>	<b>4,279</b>

## 9 Financial assets designated at fair value

<i>in millions of euros</i>	2015	2014
Government bonds	-	12
Other debt securities	791	2,494
Purchased loans	1,006	1,090
Venture capital (equity instrument)	270	274
Other equity instruments	129	455
<b>Total</b>	<b>2,196</b>	<b>4,325</b>

The change in the current year in the fair value of the loans designated as being at fair value with adjustments in the profit and loss account that is allocable to the changes in the credit risk amounts to 5 (2014: 14). The cumulative change is -29 (2014: -34). 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 loans designated at fair value.

## 10 Derivatives and other trade liabilities

Derivatives are used at Rabobank for the purpose of mitigating at least a portion of the long-term 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 optimise its income within the risk appetite framework. Derivatives are used for hedging purposes, but 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 changes in exchange or interest rates, or to purchase or sell foreign currency or a financial instrument on a future date at a fixed specified price in an organised financial market. 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 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, for example. The resulting exposures are largely mitigated by entering into reverse positions with one or more professional counterparties, within the 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. The net fair value of these interest rate swaps on 31 December 2015 was -9,374 (2014: -12,869). The net fair value of the cross-currency swaps on 31 December 2015 was 2,190 (2014: 3,900).

Rabobank tests the hedge effectiveness on the basis of statistical regressive analysis models, both prospectively and retrospectively. At year-end 2015, the hedge relations were very effective within the range set by IAS 39.

The IFRS ineffectiveness for the year ended 31 December 2015 was 130 (2014: -164). The result on the hedging instrument amounted to 1,466 (2014: -5,242), with the result from the hedged position, allocable to the hedged risk, amounting to -1,336 (2014: 5,078).

### *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 regressive analysis models, both prospectively and retrospectively. At year-end 2015, the hedge relations were very effective within the range set by IAS 39. On 31 December 2015, the net fair value of the cross-currency interest rate swaps, classified as cash flow hedges was -707 (2014: -2,660).

In 2015, Rabobank accounted for an amount of 659 (2014: 548) after taxation in equity as effective changes in the fair value of derivatives in cash flow hedges. In 2015, an amount of -709 (2014: -586) after taxation of cash flow hedge reserves was

reclassified to the profit and loss account. On 31 December 2015, the cash flow hedge reserves as part of equity totalled -39 (2014: 11) 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 profit. The cash flow hedge reserve relates to a large number of derivatives and hedged positions with different terms. The maximum term is 26 years, with the largest concentrations exceeding five years. The IFRS ineffectiveness for the year ended 31 December 2015 was 181 (2014: 185).

### ***Net investment hedges***

Rabobank uses foreign forward-exchange contracts to hedge a portion of the currency translation risk of net investments in foreign entities. The net fair value of these foreign forward-exchange contracts on 31 December 2015 was 4 (2014: 8). On 31 December 2015, futures contracts with a nominal amount of 657 (2014: 1,797) were designated as net investment hedges. These resulted in exchange gains and losses of -6 for the year (2014: -87), which are deferred in equity. A total of 22 was made in withdrawals from equity during the reporting year (2014: 106). For the year ended 31 December 2015, 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.

<i>in millions of euros</i>	<i>Notional amounts</i>	<i>Fair values</i>	
		Assets	Liabilities
<b>Balance on 31 December 2015</b>			
Derivatives held for trading	2,819,875	43,152	41,708
Derivatives held as hedges	148,307	4,961	12,848
Short positions shares and bonds	-	-	573
<b>Total derivative financial assets/liabilities recognised</b>	<b>2,968,182</b>	<b>48,113</b>	<b>55,129</b>
<b>Derivatives held for trading</b>			
<b>Currency derivatives</b>			
<b>Unlisted tradeable contracts (OTC)</b>			
Currency swaps	395,309	5,028	7,626
Currency options - purchased and sold	5,812	87	56
<b>Listed tradeable contracts</b>	<b>4,062</b>	<b>39</b>	<b>27</b>
Currency futures	3	-	-
<b>Total currency derivatives</b>	<b>405,186</b>	<b>5,154</b>	<b>7,709</b>
<b>Interest rate derivatives</b>			
<b>Unlisted tradeable contracts (OTC)</b>			
Interest rate swaps	2,236,520	33,238	29,369
OTC interest rate options	101,210	4,135	4,143
<b>Total OTC contracts</b>	<b>2,337,730</b>	<b>37,373</b>	<b>33,512</b>
<b>Listed tradeable contracts</b>			
Interest rate swaps	67,932	1	1
<b>Total interest rate derivatives</b>	<b>2,405,662</b>	<b>37,374</b>	<b>33,513</b>
<b>Credit derivatives</b>			
Credit default swaps	2,782	1	5
Total return swaps	558	1	10
<b>Total credit derivatives</b>	<b>3,340</b>	<b>2</b>	<b>15</b>
<b>Equity instruments/index derivatives</b>			
<b>Unlisted tradeable contracts (OTC)</b>			
Options - purchased and sold	2,793	162	127
<b>Listed tradeable contracts</b>			
Options - purchased and sold	1,239	95	47
<b>Total equity instruments/index derivatives</b>	<b>4,032</b>	<b>257</b>	<b>174</b>
Other derivatives	1,655	365	296
<b>Total derivative financial</b>	<b>2,819,875</b>	<b>43,152</b>	<b>41,708</b>
<b>Derivatives held as hedges</b>			
<b>Derivatives designated as fair value hedges</b>			
Currency swaps and cross-currency interest rate swaps	84,006	2,231	41
Interest rate swaps	47,687	1,787	11,161
<b>Derivatives designated as cash flow hedges</b>			
Currency swaps and cross-currency interest rate swaps	15,957	939	1,646
<b>Derivatives classified as net investment hedges</b>			
Currency futures contracts	657	4	-
<b>Total derivative financial assets/liabilities designated as hedges</b>	<b>148,307</b>	<b>4,961</b>	<b>12,848</b>



<i>in millions of euros</i>	<i>Notional amounts</i>	<i>Fair values</i>	
		Assets	Liabilities
<b>Balance on 31 December 2014</b>			
Derivatives held for trading	2,545,638	50,172	48,298
Derivatives held as hedges	158,464	6,317	17,938
Short positions shares and bonds	-	-	1,324
<b>Total derivative financial assets/liabilities recognised</b>	<b>2,704,102</b>	<b>56,489</b>	<b>67,560</b>
<b>Derivatives held for trading</b>			
<b>Currency derivatives</b>			
<b>Unlisted tradeable contracts (OTC)</b>			
Currency swaps	362,705	5,190	6,842
Currency options - purchased and sold	3,990	81	58
<b>Listed tradeable contracts</b>			
Currency futures	4,912	61	42
<b>Total currency derivatives</b>	<b>371,607</b>	<b>5,332</b>	<b>6,942</b>
<b>Interest rate derivatives</b>			
<b>Unlisted tradeable contracts (OTC)</b>			
Interest rate swaps	1,993,667	39,016	35,237
Interest rate options	113,689	4,897	5,199
<b>Total OTC contracts</b>	<b>2,107,356</b>	<b>43,913</b>	<b>40,436</b>
<b>Listed tradeable contracts</b>			
Interest rate swaps	49,301	1	4
<b>Total interest rate derivatives</b>	<b>2,156,657</b>	<b>43,914</b>	<b>40,440</b>
<b>Credit derivatives</b>			
Credit default swaps	3,988	6	10
Total return swaps	1,996	15	49
<b>Total credit derivatives</b>	<b>5,984</b>	<b>21</b>	<b>59</b>
<b>Equity instruments/index derivatives</b>			
<b>Unlisted tradeable contracts (OTC)</b>			
Options - purchased and sold	6,409	446	374
<b>Listed tradeable contracts</b>			
Options - purchased and sold	3,122	187	138
<b>Total equity instruments/index derivatives</b>	<b>9,531</b>	<b>633</b>	<b>512</b>
Other derivatives	1,859	272	345
<b>Total derivative financial</b>	<b>2,545,638</b>	<b>50,172</b>	<b>48,298</b>
<b>Derivatives held as hedges</b>			
<b>Derivatives designated as fair value hedges</b>			
Currency swaps and cross-currency interest rate swaps	92,569	3,950	50
Interest rate swaps	44,400	1,571	14,440
<b>Derivatives designated as cash flow hedges</b>			
Currency swaps and cross-currency interest rate swaps	19,698	788	3,448
<b>Derivatives classified as net investment hedges</b>			
Currency futures contracts	1,797	8	-
<b>Total derivative financial assets/liabilities designated as hedges</b>	<b>158,464</b>	<b>6,317</b>	<b>17,938</b>

## 11 Loans and advances to customers

<i>in millions of euros</i>	2015	2014
<b>Loans initiated by Rabobank:</b>		
<b>Loans to government clients:</b>		
- leases	227	207
- other	3,064	1,928
<b>Loans to private clients:</b>		
- overdrafts	22,486	24,983
- mortgages	212,685	218,482
- leases	25,923	24,078
- reverse repurchase transactions and securities borrowing agreements	20,151	18,295
- corporate loans	173,899	175,123
- other	7,773	6,744
<b>Gross loans and advances to customers</b>	<b>466,208</b>	<b>469,840</b>
Less: loan impairment allowance loans and advances to customers	(8,372)	(9,348)
	<b>457,836</b>	<b>460,492</b>
Reclassified assets	782	1,295
<b>Total loans and advances to customers</b>	<b>458,618</b>	<b>461,787</b>
<b>Loan impairment allowance loans and advances to customers</b>		
Balance on 1 January	9,348	8,581
Loan impairment charges from loans and advances to customers	1,134	2,762
Write-down of defaulted loans during the year	(2,307)	(2,227)
Interest and other changes	197	232
<b>Total loan impairment allowance loans and advances to customers</b>	<b>8,372</b>	<b>9,348</b>
Individual value adjustment (specific allowance)	6,502	7,092
Collective value adjustment (collective allowance)	997	1,284
IBNR	873	972
<b>Total loan impairment allowance loans and advances to customers</b>	<b>8,372</b>	<b>9,348</b>
Gross carrying amount of loans whose value adjustments were established on an individual basis	17,965	18,567

Rabobank acquired financial and non-financial assets during the year by taking possession of collateral with an estimated value of 62 (2014: 86). 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.

	31 December 2015		31 December 2014	
<i>in millions of euros</i>	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets held for trading reclassified to loans	183	174	347	334
Available-for-sale financial assets reclassified to loans	714	678	1,188	1,213
<b>Total financial assets reclassified to loans</b>	<b>897</b>	<b>852</b>	<b>1,535</b>	<b>1,547</b>

If the reclassification had not been made, net profit for the assets held for trading would have been 2 higher (2014: 26 higher). The change in the equity position in 2015 would have been 43 more negative (2014: 62 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	
	2015	2014
Net interest income	3	-
Loan impairment charges	-	1
<b>Operating profit before taxation on reclassified financial assets held for trading</b>	<b>3</b>	<b>1</b>
Net interest income	16	37
Loan impairment charges	2	121
<b>Operating profit before taxation on reclassified available-for-sale financial assets</b>	<b>18</b>	<b>158</b>

Loan impairment charges include reversed impairments and recoveries subsequent to write-downs to the amount of 3 (2014: 148) and impairments to the amount of 1 (2014: 26).

### 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>	2015	2014
<b>Receivables from gross investment in finance leases</b>		
Not exceeding 1 year	8,872	8,798
Longer than 1 year but less than 5 years	18,775	17,370
Longer than 5 years	1,183	857
<b>Total receivables from gross investment in finance leases</b>	<b>28,830</b>	<b>27,025</b>
Unearned deferred finance income from finance leases	2,967	3,074
<b>Net investment in finance leases</b>	<b>25,863</b>	<b>23,951</b>
Net investment in finance leases		
Not exceeding 1 year	8,575	7,838
Longer than 1 year but less than 5 years	16,443	15,391
Longer than 5 years	845	722
<b>Net investment in finance leases</b>	<b>25,863</b>	<b>23,951</b>

On 31 December 2015, the provisions for finance leases included in value adjustments amounted to 287 (2014: 334). The unguaranteed residual values accruing to the lessor amounted to 1,705 (2014: 2,166). The contingent lease payments recognised as income in 2015 were nil (2014: nil). The finance leases chiefly concern the lease of equipment and cars, as well as factoring products.

## 12 Available-for-sale financial assets

<i>in millions of euros</i>	2015	2014
Short-term government papers	1,191	2,297
Government bonds	30,053	31,456
Other debt securities	5,594	4,740
Equity instruments	935	1,277
<b>Total available-for-sale financial assets</b>	<b>37,773</b>	<b>39,770</b>

The impairment of available-for-sale financial assets amounted to 160 (2014: 60) and is recognised in profit and loss account under 'Net income from financial assets and liabilities at fair value through profit or loss'.

<i>in millions of euros</i>	2015	2014
Gains/(losses) on available-for-sale financial assets	148	418

The changes in available-for-sale financial assets can be broken down as follows:

<i>in millions of euros</i>	2015	2014
Opening balance	39,770	46,552
Foreign exchange differences	703	1,106
Additions	6,219	9,863
Disposals (sale and repayment)	(8,431)	(19,528)
Fair value changes	(335)	1,836
Other changes	(153)	(59)
<b>Closing balance</b>	<b>37,773</b>	<b>39,770</b>

## 13 Investments in associates and joint ventures

The carrying amount of the investments in associates and joint ventures is 3,672 (2014: 3,807). These joint ventures are addressed in Section 48, 'Joint ventures'.

<i>in millions of euros</i>	2015	2014
Opening balance	3,807	3,747
Foreign exchange differences	(43)	7
Purchases	37	54
Sales	(44)	(54)
Share of profit of associates	352	139
Dividends paid out (and capital repayments)	(384)	(53)
Revaluation	(53)	75
Other	-	(108)
<b>Total</b>	<b>3,672</b>	<b>3,807</b>

The main associates in terms of the size of the capital interest held by Rabobank include:

<i>On 31 December 2015</i>	<i>Shareholding</i>	<i>Voting rights</i>
<b>The Netherlands</b>		
Achmea B.V.	29%	29%
Equens N.V.	15%	15%
Gilde Venture Capital	Various	Various

Rabobank holds less than 20% of the voting rights in Equens, but has significant control in Equens. For example, two Rabobank representatives are Members of the Supervisory Board and another is the Chairman of the Audit & Compliance Committees. Due to Rabobank's substantial stake in Equens, this stake is classified as an 'associate'.

On 3 November 2015, Rabobank entered into an agreement on the basis of which it is expected that the minority shareholding of 15.15% in Equens SE (Equens) will be reduced to a minority shareholding of approximately 6%. Worldline will transfer the major part of its Financial Processing & Software Licensing activities to Equens and will become the majority shareholder. It is expected that the conclusion of this transaction will take place in the first half of the 2016 and may result in a book profit, the magnitude of which will depend on a variety of circumstances at the moment of conclusion. Rabobank will have the possibility to sell a part or all of the remaining shareholding in Equens for a period of three years after the conclusion of the transaction.

Achmea is a strategic partner of Rabobank for insurance products. Interpolis, a subsidiary of the Achmea Group, works closely with the local Rabobanks. Achmea's head office is located in Zeist, the Netherlands. No listed market price is available for the interest in Achmea. The interest in Achmea is valued according to the equity method.

<i>Achmea</i>	2015	2014
Cash and balances at central banks	2,117	1,716
Investments	63,605	65,817
Banking credit portfolio	14,866	15,227
Other assets	11,628	10,445
<b>Total assets</b>	<b>92,216</b>	<b>93,205</b>
Insurance related provisions	60,539	61,559
Loans and funds borrowed	7,603	7,011
Other liabilities	14,494	14,817
<b>Total liabilities</b>	<b>82,636</b>	<b>83,387</b>
Revenues	23,225	26,796
Result from continuing operations	386	16
Result from discontinued operations	-	-
Other comprehensive income	(250)	288
Total comprehensive income	136	304

<i>Other associates</i>	2015	2014
Result from continuing operations	260	143
Result from discontinued operations after taxation	-	-
<b>Net profit</b>	<b>260</b>	<b>143</b>
Other comprehensive income	(41)	30
<b>Total comprehensive income</b>	<b>219</b>	<b>173</b>

## 14 Intangible fixed assets

<i>in millions of euros</i>	<i>Goodwill</i>	<i>Software developed in-house</i>	<i>Other intangible assets</i>	<i>Total</i>
<i>Year ended 31 December 2015</i>				
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
Depreciation	-	(116)	(77)	(193)
Impairments	(623)	(30)	-	(653)
<b>Closing balance</b>	<b>905</b>	<b>428</b>	<b>160</b>	<b>1,493</b>
Cost	1,571	1,450	646	3,667
Accumulated depreciation and impairments	(666)	(1,022)	(486)	(2,174)
<b>Net carrying amount</b>	<b>905</b>	<b>428</b>	<b>160</b>	<b>1,493</b>
<i>Year ended 31 December 2014</i>				
Opening balance	1,381	428	182	1,991
Foreign exchange differences	77	1	3	81
Additions	7	138	75	220
Disposals	-	(8)	(7)	(15)
Other	21	8	11	40
Depreciation	-	(117)	(80)	(197)
Impairments	(32)	(29)	-	(61)
<b>Closing balance</b>	<b>1,454</b>	<b>421</b>	<b>184</b>	<b>2,059</b>
Cost	1,490	1,356	648	3,494
Accumulated depreciation and impairments	(36)	(935)	(464)	(1,435)
<b>Net carrying amount</b>	<b>1,454</b>	<b>421</b>	<b>184</b>	<b>2,059</b>

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 impairment of goodwill of 623 (2014: 32) is related to RNA and is recognised in the 'Wholesale banking and international retail banking'. The outlook for the future profitability of RNA deteriorated during the first half of 2015. The loan portfolio of RNA has developed less favourably than expected. The development of costs and stricter capital requirements as a result of increased regulatory pressure also led to a deterioration in the outlook for RNA during the first six months of 2015. These elements, in combination with the recent closure of some units, gave an indication of potential impairment of the goodwill. The test to establish whether this potential impairment had occurred, resulted in a downward adjustment of goodwill (of EUR 604 million). This was mainly the result of the decline in growth parameters from on average 10.9% to 7.5% for the next five years, a decline of the multiplier (used for calculating the present value of the discounted cash flows after the forecast period) from 18 to 16 and a rise in the discount factor from 13% to 14%. The recoverable value of approximately USD 1.6 billion is based on the estimated fair value less the costs of sale and is a Category 3 valuation

according to the fair value hierarchy. This is because some inputs for determining the recoverable value consist of non-observable market data. On 31 December 2015, the remaining goodwill in respect of RNA amounted to 131. At year-end 2014, the value in use was higher than the carrying amount. There was therefore no reason to calculate the fair value less the costs of sale at that time.

Impairments of software developed in-house and other intangible assets are not individually material. The total impairments of software developed in-house was 30 (2014 29). 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>
<b>Year ended 31 December 2015</b>			
Opening balance	<b>1,969</b>	<b>5,179</b>	<b>7,148</b>
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
<b>Closing balance</b>	<b>1,945</b>	<b>5,820</b>	<b>7,765</b>
Cost	3,292	9,285	12,577
Accumulated depreciation and impairments	(1,347)	(3,465)	(4,812)
<b>Net carrying amount</b>	<b>1,945</b>	<b>5,820</b>	<b>7,765</b>
<b>Year ended 31 December 2014</b>			
Opening balance	<b>2,101</b>	<b>4,800</b>	<b>6,901</b>
Foreign exchange differences	13	108	121
Purchases	121	1,630	1,751
Disposals	(74)	(484)	(558)
Impairments	(11)	(1)	(12)
Depreciation	(109)	(131)	(240)
Depreciation of operating lease assets	-	(914)	(914)
Other	(72)	171	99
<b>Closing balance</b>	<b>1,969</b>	<b>5,179</b>	<b>7,148</b>
Cost	3,314	8,207	11,521
Accumulated depreciation and impairments	(1,345)	(3,028)	(4,373)
<b>Net carrying amount</b>	<b>1,969</b>	<b>5,179</b>	<b>7,148</b>

## 16 Investment properties

Investment properties are stated at cost.

<i>in millions of euros</i>	2015	2014
Opening balance	452	1,055
Purchases	4	609
Sales	(44)	(1,051)
Depreciation	(11)	(10)
Impairments	(25)	13
Other	5	(164)
<b>Closing balance</b>	<b>381</b>	<b>452</b>
The fair value approximates the carrying amount (2014: approximated the carrying amount)		
Cost	774	810
Accumulated depreciation and impairments	(393)	(358)
<b>Net carrying amount</b>	<b>381</b>	<b>452</b>

External valuations of the investment properties were performed by duly certified external parties in accordance with RICS valuation standards or other equivalent standards. The investment properties are valued, for the determination of fair value, on the basis of the methodologies which are the most appropriate for the property in question. This includes the discounted cash flow valuation method and the capitalisation based on net initial yields for comparable transactions.

For the internally valued real estate investments in-house real estate expertise is used. In 2014, 84% of appraisals were carried out by certified staff of Rabo Real Estate Group. Investment properties valued internally are typically measured using a discounted cash flow valuation technique.

<b>Valuations</b>		
	2015	2014
External valuations	100%	44%
Internal valuations	0%	56%

## 17 Other assets

<i>in millions of euros</i>	Note	2015	2014
Receivables and prepayments		2,217	1,535
Accrued interest		1,500	1,599
Precious metals, goods and warehouse receipts		1,320	1,495
Real estate projects		2,018	1,971
Accrued income		379	101
Employee benefits	25	7	6
Other assets		558	1,853
<b>Total other assets</b>		<b>7,999</b>	<b>8,560</b>

### Real estate projects

<i>in millions of euros</i>	2015	2014
Building sites and equalisation funds	1,206	1,227
Work in progress	488	426
Completed developments	324	318
<b>Total real estate projects</b>	<b>2,018</b>	<b>1,971</b>

Real estate stocks are valued at the lower of cost or net realisable value. The net recoverable value of the building sites and equalisation funds is the highest of the direct yield amount and the indirect yield amount. The direct yield amount is the estimated value of sale less the estimated costs of completing the sale. The indirect yield value is the estimated yield based on ordinary business operations less the estimated costs of completion and the estimated costs necessary to complete the sale, whereby the estimated cash flows are discounted at the weighted average capital base. In determining the weighted average capital base, the bank factors in expected capital, timing of cash flows, operational risk and certain conditions specific to Rabobank Real Estate Group.

Rabobank uses assessments and estimates to determine both direct and indirect recoverable value. In determining direct and indirect yield, risks related to current land operations, sites not subject to a zoning plan, and equalisation funds, including demographic trends, location, use and the elaboration of development plans and administrative decision-making, are incorporated on a location specific basis as much as possible. For individual locations this results in expected movements in land and house prices, expected margins per home, and other variables, which ultimately determine the direct and indirect yield amount.

For individual plots and sites, the net recoverable value is determined by comparing the direct and indirect yield amounts with each other. For plots of land ready for construction and current land operations, net recoverable value is generally equal to the indirect yield amount. For the other categories, both the direct and the indirect yield amount may have been decisive in determining the net recoverable value. Under such circumstances the direct yield amount is generally used more often the longer it takes to begin construction.

The risk of deviations from assessments and estimates is generally greater for sites not subject to a zoning plan than for sites which are subject to a zoning plan, whereby the risk of deviations further increases if the commencement of construction is expected to be delayed.

In 2015, the net recoverable 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 -2 (2014: 16). A negative carrying amount may arise, for example, if Rabo Real Estate Group has committed to developing real estate, whereby the property, according to current estimates, is loss-making and the loss is greater than the amount capitalised at that time.

<i>in millions of euros</i>	<i>Balance on 1 January 2015</i>	<i>Additions/ release</i>	<i>Withdrawals/ other changes</i>	<i>Balance on 31 December 2015</i>
<b>Movements in provisions for property projects</b>				
Building sites and equalisation funds	669	(2)	(34)	633
Work in progress	116	5	32	153
Completed developments	60	(21)	(35)	4
<b>Total</b>	<b>845</b>	<b>(18)</b>	<b>(37)</b>	<b>790</b>

<i>in millions of euros</i>	<i>Balance on 1 January 2014</i>	<i>IFRS 11 accounting policy change</i>	<i>Additions/ release</i>	<i>Withdrawals/ other changes</i>	<i>Balance on 31 December 2014</i>
<b>Movements in provisions for property projects</b>					
Building sites and equalisation funds	850	(101)	16	(96)	669
Work in progress	266	(25)	24	(149)	116
Completed developments	41	-	(2)	21	60
<b>Total</b>	<b>1,157</b>	<b>(126)</b>	<b>38</b>	<b>(224)</b>	<b>845</b>

<b>Work in progress</b>		
<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
Homes in preparation and under construction	686	495
Commercial real estate in development and in progress	108	205
Pre-invoiced terms for housing construction	(276)	(127)
Pre-invoiced terms for commercial real estate	(30)	(147)
<b>Total work in progress</b>	<b>488</b>	<b>426</b>

## 18 Due to banks

<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
Demand deposits	2,040	1,162
Fixed-term deposits	16,146	16,136
Repurchase agreements	581	708
Miscellaneous liabilities to other banks	271	60
<b>Total due to banks</b>	<b>19,038</b>	<b>18,066</b>

## 19 Due to customers

<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
Current accounts	69,675	56,255
Deposits with agreed maturity	96,363	96,572
Deposits redeemable at notice	162,083	162,857
Repurchase agreements	488	2,025
Other due to customers	8,984	8,579
<b>Total due to customers</b>	<b>337,593</b>	<b>326,288</b>

Due to customers also includes balances at central banks amounting to EUR 23 billion (2014: 20).

## 20 Debt securities in issue

<i>in millions of euros</i>	<i>2015</i>	<i>2014</i>
Certificates of deposit	38,554	41,824
Commercial paper	14,399	13,241
Bonds	113,415	127,792
Other debt securities	8,623	6,203
<b>Total debt securities in issue</b>	<b>174,991</b>	<b>189,060</b>

## 21 Other liabilities

<i>in millions of euros</i>	<i>Note</i>	<i>2015</i>	<i>2014</i>
Payables		5,959	5,411
Accrued interest		2,543	2,791
Employee benefits	25	356	385
Other		(811)	(546)
Provision for day 1 profit		3	6
<b>Total other debt</b>		<b>8,050</b>	<b>8,047</b>



## 22 Financial liabilities designated at fair value

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 is a gain of 367 (2014: loss of 669). The cumulative change in fair value of structured notes attributable to changes in the credit risk of Rabobank amounts to 1,041 before taxes (2014: 674). The book value of the structured notes is 5,973 (2014: 5,108) lower than the amount Rabobank is obliged to repay to the holders of the structured notes. The change in fair value that is attributable to changes in credit risk is calculated by establishing a ratio to the change in the credit spread of the non-structured notes issued by Rabobank.

<i>in millions of euros</i>	2015	2014
(Structured) notes	12,188	14,629
Other debt securities	353	688
Deposits with agreed maturity	4,450	4,427
<b>Total financial liabilities designated at fair value</b>	<b>16,991</b>	<b>19,744</b>

## 23 Provisions

<i>in millions of euros</i>	2015	2014
Restructuring provision	354	315
Provision for tax and legal issues	412	267
Other	227	212
<b>Total provisions</b>	<b>993</b>	<b>794</b>
Changes in provisions were as follows:		
<b>Restructuring provision</b>		
Opening balance	315	396
Additions	285	135
Withdrawals	(207)	(172)
Releases	(39)	(44)
<b>Closing balance</b>	<b>354</b>	<b>315</b>
<b>Provision for tax and legal issues</b>		
Opening balance	267	268
Additions	231	68
Withdrawals	(80)	(44)
Releases	(6)	(25)
<b>Closing balance</b>	<b>412</b>	<b>267</b>
<b>Other</b>		
Opening balance	212	386
Additions	102	61
Withdrawals	(56)	(26)
Releases	(31)	(209)
<b>Closing balance</b>	<b>227</b>	<b>212</b>
<b>Total provisions</b>	<b>993</b>	<b>794</b>

In the additions deducted from the profit of the restructuring provision, an amount of 183 (2014: 80) 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 2016. Approximately 16% (2014: 21%) of the provision for tax and legal issues relates to tax claims. The provision for tax and legal issues is based on the best possible estimates available at year-end, taking into account legal and tax advice. The timing of the cash outflow 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>	Up to one year	1 - 5 years	Longer than 5 years	Total
On 31 December 2015	861	131	1	993
On 31 December 2014	653	141	-	794

## 24 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% (2014: 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 1,648 (2014: 1,657). 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 2015, there was a realistic expectation that sufficient taxable profits would be generated within the applicable periods.

	Deferred tax assets	Deferred tax liabilities	Deferred tax charges	Tax on other comprehensive income
<i>in millions of euros</i>				
<b>For the year ended 31 December 2015</b>				
Pensions and other post-employment allowances	55	-	7	9
Impairments	255	(17)	122	-
Financial liabilities at fair value	(250)	-	42	-
Other 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)	-
<b>Total</b>	<b>2,390</b>	<b>575</b>	<b>121</b>	<b>27</b>
<i>in millions of euros</i>				
<b>For the year ended 31 December 2014</b>				
Pensions and other post-employment allowances	54	1	1	(8)
Impairments	437	(13)	203	-
Financial liabilities at fair value	(287)	-	(168)	-
Other provisions	3	11	36	-
Hedging of interest rate risk	183	-	262	-
Carry forward losses	1,754	(89)	(33)	-
Goodwill and other intangible assets	-	3	(58)	-
Revaluation reserves for available-for-sale financial assets	(112)	8	-	(114)
Revaluation reserves – Cash flow hedges	(7)	-	-	9
Property and equipment, including leases	61	705	(38)	-
Other temporary differences	415	(153)	(349)	-
<b>Total</b>	<b>2,501</b>	<b>473</b>	<b>(144)</b>	<b>(113)</b>

## 25 Employee benefits

<i>in millions of euros</i>	<b>2015</b>	<b>2014</b>
Employee benefits – assets	(7)	(6)
Employee benefits – liabilities	356	385
<b>Net pension liabilities</b>	<b>349</b>	<b>379</b>
Pension plans	110	116
Other employee benefits	239	263
<b>Net pension liabilities</b>	<b>349</b>	<b>379</b>

### 25.1 Pension plans

Rabobank has placed its 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 will have fully and definitely complied 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 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 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 2014, the Friesland Bank and ACC Loan Management pension schemes still remain as defined benefit pension plans, with exception to a few very small plans. These are career-average defined benefit pension plans, administered by a fund or otherwise. 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 2015. The tables relating to the weighted averages of the main actuarial

assumptions and the future premium payments in 2015 relate to these two pension plans. The table showing investments in plan assets are based on the pension plan administered by ACC Loan Management.

<i>in millions of euros</i>	2015	2014
Present value of liabilities administered by funds	679	673
Fair value of plan assets	569	557
<b>Net liabilities</b>	<b>110</b>	<b>116</b>

Movements in plan assets and liabilities:

<i>in millions of euros</i>	2015	2014
<b>Present value of liabilities administered by funds</b>		
Present value of entitlements on 1 January	673	545
Exchange rate differences	9	9
Net interest income	18	21
Increase in entitlements during the year	6	3
Premiums contributed by the employees	-	-
Benefits paid	(22)	(17)
Pension plan amendment	-	26
Curtailments	-	(1)
Other	8	2
Actuarial gains and losses arising from changes in demographic assumptions	2	39
Actuarial gains and losses arising from changes in financial assumptions	(15)	46
<b>Present value of liabilities held in a fund on 31 December</b>	<b>679</b>	<b>673</b>
<b>Fair value of plan assets</b>		
Fair value of assets on 1 January	557	479
Exchange rate differences	5	7
Net interest income	15	19
Premium contributed by the employer	7	8
Premiums contributed by the employees	-	-
Benefits paid	(22)	(17)
Transfer of accrued benefits and costs	(2)	-
Other	1	(5)
Actuarial result	8	66
<b>Fair value of plan assets on 31 December</b>	<b>569</b>	<b>557</b>

Estimated premium contributions for 2016 are approximately 6. Plan assets have been allocated as follows:

	2015	2014
Shares and alternatives	10.1%	24.2%
Interest-bearing securities	45.0%	31.0%
Real estate	3.6%	4.7%
Cash and cash equivalents	1.1%	0.6%
Other	40.2%	39.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The costs recognised in the consolidated profit and loss account are shown in the table below.

<i>in millions of euros</i>	2015	2014
Interest on liabilities	18	21
Interest on plan assets	(15)	(19)
Costs based on the period of employment during the year	6	3
Pension plan amendment	-	26
Losses/(gains) on discounts, settlements and costs	1	1
<b>Total cost of defined benefit pension plans</b>	<b>10</b>	<b>32</b>

The weighted averages of the main actuarial assumptions for the valuation of the pension provision (defined benefit pension plans) as at 31 December are shown in the table below (in % per year):

	2015	2014
Discount rate	2.5%	2.3%
Wage inflation	1.6%	1.6%
Price inflation	1.6%	1.6%

## 25.2 Other employee benefits

Other employee benefits mainly comprise liabilities for future long-service awards for an amount of 95 (2014: 106).

## 26 Subordinated liabilities

<i>in millions of euros</i>	2015	2014
Rabobank	15,479	11,902
Other	24	26
<b>Total subordinated liabilities</b>	<b>15,503</b>	<b>11,928</b>

In 2015, Rabobank issued four subordinated bonds in AUD and USD. The AUD 225 million bond matures in July 2025 and has a coupon rate of 5.00%. The AUD 475 million bond matures in July 2025 and has a variable coupon rate. Rabobank is entitled, but not obliged, to early repayment of these AUD bond loans on 2 July 2020. The USD 1,500 million bond matures in August 2025 and has a coupon rate of 4.375%. The USD 1,250 million bond matures in August 2045 and has a coupon rate of 5.25%. In 2014, Rabobank issued three subordinated bonds in GBP, Euros and JPY. The EUR 2 billion bond matures in May 2026 and has a coupon rate of 2.50%. Rabobank is entitled, but not obliged, to early repayment of this bond loan in 2019. The GBP 1 billion bond matures in May 2029 and has a coupon rate of 4.625%. The JPY 50.8 billion bond matures in December 2024 and has a coupon rate of 1.429%.

Rabobank issued three subordinated loans in 2013: a EUR 1,000 million loan with a fixed interest rate of 3.875% and a maturity date in 2023; a USD 1,750 million loan with a fixed interest rate of 4.625% and a maturity date in 2023; and a USD 1,250 million loan with a fixed interest rate of 5.75% and a maturity date in 2043.

In 2012, Rabobank issued three subordinated loans: a EUR 1,000 million loan with a fixed interest rate of 4.125% and a maturity date in 2022; a GBP 500 million loan with a fixed interest rate of 5.25% and a maturity date in 2027; and a USD 1,500 million loan with a fixed interest rate of 3.95% and a maturity date in 2022. In 2010, Rabobank issued a EUR 1,000 million loan with a fixed interest rate of 3.75% and a maturity date in 2020. In 2009, Rabobank issued a EUR 1,000 million loan with a fixed interest rate of 5.875% and a maturity date in 2019.

## 27 Contingent liabilities

### Credit related contingent liabilities

Credit granting liabilities represent the unused portions of funds authorised for the granting of credit in the form of loans, financial guarantees, letters of credit and other lending related financial instruments. With regard to the credit risk exposure from credit granting liabilities, 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 credit granting liabilities are subject to the clients in question continuing to meet specific standards of creditworthiness. Financial guarantees represent irrevocable undertakings that, provided certain conditions are met, Rabobank will make payments on behalf of clients if they are unable to meet their financial obligations to third parties. Rabobank also 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. The contingent liabilities include guarantees for providers of collective and individual pension savings plans, as required by government authorities. The likelihood of an outflow of resources embodying economic benefits is very low.

<i>in millions of euros</i>	2015	2014
Financial guarantees	10,402	11,826
Credit granting liabilities	46,903	36,429
Letters of credit	4,980	5,392
<b>Credit related contingent liabilities</b>	<b>62,285</b>	<b>53,647</b>

The contractual commitments relating to the acquisition, construction and development of work in progress and investment properties amounts to 678 (2014: 587).

Rabobank is involved in a number of legal and arbitration proceedings in the Netherlands and other countries, including the United States, in connection with claims brought by and against Rabobank Group arising from its operations.

For additional information, please refer to Paragraph 4.10, 'Legal and arbitration proceedings'.

### Liabilities relating to operating leases

Rabobank has concluded various operating lease contracts as lessee, mainly with respect to properties, information systems and cars. The future net minimum lease payments under non-cancellable operating leases can be broken down as follows:

<i>in millions of euros</i>	2015	2014
Not later than 1 year	103	76
Later than 1 year but not later than 5 years	308	237
Later than 5 years	185	166
<b>Total liabilities relating to operating leases</b>	<b>596</b>	<b>479</b>

The expected future minimum lease payments receivable from sub-leases are 3 (2014: 3). The operating lease expenses are 73 (2014: 75). 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>	2015	2014
Not later than 1 year	1,340	1,393
Later than 1 year but not later than 5 years	2,050	2,456
Later than 5 years	38	71
<b>Total payments receivable from operating leases</b>	<b>3,428</b>	<b>3,920</b>

No contingent lease payments were recognised as assets during the year under review.

## 28 Equity Rabobank and local Rabobanks

Equity Rabobank Group.

<i>in millions of euros</i>	2015	2014
Foreign currency translation reserves	(76)	(94)
Revaluation reserves for available-for-sale financial assets	512	643
Revaluation reserves for associates	2	2
Revaluation reserves – Cash flow hedges	(39)	11
Remeasurement reserve - Pensions	(175)	(196)
Retained earnings	25,482	24,528
<b>Total reserves and retained earnings at year-end</b>	<b>25,706</b>	<b>24,894</b>

Changes in the reserves were as follows:

<i>in millions of euros</i>	2015	2014
<b>Foreign currency translation reserves</b>		
Opening balance	(94)	(575)
Exchange rate differences emerging during the year	18	481
<b>Closing balance</b>	<b>(76)</b>	<b>(94)</b>
<b>Revaluation reserves - Available-for-sale financial assets</b>		
Opening balance	643	282
Foreign exchange 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)
<b>Closing balance</b>	<b>512</b>	<b>643</b>
<b>Revaluation reserves for associates</b>		
Opening balance	2	29
Fair value changes	-	(27)
<b>Closing balance</b>	<b>2</b>	<b>2</b>
<b>Revaluation reserves - Cash flow hedges</b>		
Opening balance	11	49
Fair value changes	659	548
Transferred to profit or loss	(709)	(586)
<b>Closing balance</b>	<b>(39)</b>	<b>11</b>
<b>Remeasurement reserve - pensions</b>		
Opening balance	(196)	(3,251)
Changes at associates	3	(11)
Fair value changes	18	(14)
Re-entry remeasurement reserve - pensions	-	3,080
<b>Closing balance</b>	<b>(175)</b>	<b>(196)</b>
<b>Retained earnings</b>		
Opening balance	24,528	27,197
Net profit	2,061	1,692
Payments on equity instruments	(1,174)	(1,072)
Re-entry remeasurement reserve - pensions	-	(3,080)
Other	67	(209)
<b>Closing balance</b>	<b>25,482</b>	<b>24,528</b>
<b>Total reserves and retained earnings</b>	<b>25,706</b>	<b>24,894</b>

## 29 Rabobank Certificates

In the period 2000-2005, Rabobank issued member certificates as part of its member loyalty programme. There were four issues (in 2000, 2001, 2002 and 2005) under which member certificates were only made available to members of local Rabobanks and were traded once a month on an internal market. On 14 January 2014, the certificate holder meeting approved the proposed change in order to facilitate a Euronext Amsterdam listing. The Rabobank Certificates have been listed on Euronext Amsterdam since 27 January 2014. Since the stock exchange listing, Rabobank Certificates are also available to non-Rabobank members. This has increased the marketability of this instrument.

Rabobank Certificates represent private participation rights issued by Rabobank via the foundation Stichting Administratie Kantoor Rabobank Certificaten and belong to the Common Equity Tier 1 equity of Rabobank.

The initial share price on 27 January 2014 amounted to 105.00% (EUR 26.25). On 31 December 2015, the share price amounted to 111.46% (EUR 27.87). Of the total 237,961,365 certificates, an average of 4.3 million were traded every day on Euronext Amsterdam during this period.

The distribution paid per certificate in 2015 was EUR 1,625 (2014: 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>	2015	2014
<b>Changes during the year:</b>		
Opening balance	5,931	5,823
Rabobank Certificates issued during the year	18	108
<b>Closing balance</b>	<b>5,949</b>	<b>5,931</b>

## 30 Capital Securities and Trust Preferred Securities III to VI

Capital Securities and Trust Preferred Securities III to VI can be broken down as follows:

<i>in millions of euros</i>	2015	2014
Capital Securities	8,002	6,530
Trust Preferred Securities III to VI	1,131	1,043
<b>Total Capital Securities and Trust Preferred Securities III to VI</b>	<b>9,133</b>	<b>7,573</b>

### Capital Securities

All Capital Securities are perpetual and have no expiry date. The distribution on Capital Securities per issue is as follows:

#### Equity instruments issued directly

##### *Issue of EUR 1,500 million*

The distribution 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.

Capital Securities are recognised as equity, as there is no formal obligation to repay the principal or to pay the periodic dividend. These Capital Securities comply with the current rules i.e. CRD IV and CRR requirements, with regard to additional tier 1 capital. The conditions include the requirement that the securities must not pay starter interest and must absorb losses if a certain trigger is reached. In that case, the relevant amount will be debited from the principal. The debiting will occur on a pro rata basis with other additional tier 1 instruments. This instrument has two triggers: One at Rabobank Group level and the other at the level of Rabobank with the local Rabobanks (Local Rabobank Group). For Rabobank Group, the trigger is at a common equity tier 1 ratio of 7%, and for the Local Rabobank Group at 5.125% respectively; this series of Capital Securities absorbs losses from that point onwards. 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%.

##### *Issue of USD 2,000 million*

The distribution is 8.40% per year and is made payable every six months in arrears as of the issue date (9 November 2011), for the first time on 29 December 2011. The Capital Securities are perpetual and first redeemable on 29 June 2017. If the Capital Securities are not redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the US Treasury Benchmark Rate plus a 7.49% mark-up.

##### *Issue of USD 2,000 million*

The distribution is 8.375% per year and is made payable every six months in arrears as of the issue date (26 January 2011), for the first time on 26 July 2011. 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.

##### *Issue of EUR 500 million*

The distribution is 9.94% per year and is made payable annually in arrears as of the issue date (27 February 2009), for the first time on 27 February 2010. As of 27 February 2019, the distribution will be made payable every quarter based on the three-month Euribor plus an annual 7.50% mark-up.

##### *Issue of USD 2,868 million*

The distribution is 11.0% per year and is made payable every six months in arrears as of the issue date (4 June 2009), for the first time on 31 December 2009 (long first interest period). As of 30 June 2019, the distribution will be made payable every quarter based on the three-month USD Libor plus an annual 10.868% mark-up.

##### *Issue of CHF 750 million*

The distribution is 6.875% per year and is made payable annually in arrears as of the issue date (14 July 2009), for the first time on 12 November 2009 (short first interest period). As of 12 November 2014, the distribution will be made payable every six months based on the six-month CHF Libor plus an annual 4.965% mark-up. The issue was redeemed on the earliest redemption date of 12 November 2014.

##### *Issue of GBP 250 million*

The distribution is 6.567% per year and is made payable every six months in arrears as of the issue date (10 June 2008), for the first time on 10 December 2008. As of 10 June 2038, the distribution will be made payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up.

##### *Issue of CHF 350 million*

The distribution is 5.50% per year and is made payable annually in arrears as of the issue date (27 June 2008), for the first time on 27 June 2009. As of 27 June 2018, the distribution will be made payable every six months on 27 June and 27 December based on the six-month CHF Libor plus an annual 2.80% mark-up.

### ***Issue of ILS 323 million***

The distribution is 4.15% per year and is made payable annually in arrears as of the issue date (14 July 2008), for the first time on 14 July 2009. As of 14 July 2018, the distribution will be made payable annually based on an index related to the interest rate paid on Israeli government bonds with terms between 4.5 and 5.5 years plus an annual 2.0% mark-up.

### ***Issue of USD 225 million***

The distribution is 7.375% per year and is made payable every six months in arrears from the issue date (24 September 2008), for the first time on 24 March 2009. The issue was redeemed on the earliest redemption date of 24 March 2014.

### ***Issue of NZD 900 million***

The distribution on the NZD Capital Securities equals the one-year swap interest rate plus an annual 0.76% mark-up and is made payable annually on 8 October, until 8 October 2017. As of 8 October 2017, the distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an equivalent mark-up.

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.

## **Equity instruments issued by subsidiaries**

### ***Issue of NZD 280 million***

Rabobank Capital Securities Limited has issued capital securities, the distribution of which equals the five-year swap interest rate plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As of the issue date (27 May 2009), the distribution 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 distribution 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 distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% mark-up.

### ***Issue of EUR 125 million***

In November 2004, Friesland Bank N.V. issued perpetual Capital Securities. These are undated bonds listed on the Euronext stock exchange. The bonds are subordinated to all the bank's other present and future liabilities. For supervisory purposes, the bond loan qualifies as part of the bank's core capital.

The distribution on the bond loan is linked to the yield on Dutch 10-year government bonds plus a margin of 0.125%, maximum 8%. The interest rate is reset on a quarterly basis. Interest payments must be deferred if, 20 days prior to the date of payment, it is known that payment of interest will cause the solvency ratio to drop below the minimum capital required by the supervisory authority. In addition, the bank may decide to defer interest payments. The bond was redeemed on the earliest redemption date on 3 December 2014.

## ***Trust Preferred Securities III to VI***

In 2004, four tranches of non-cumulative Trust Preferred Securities were issued.

- Rabobank Capital Funding Trust III, Delaware, a group company of Rabobank, issued 1.5 million non-cumulative Trust Preferred Securities. The expected distribution is 5.254% up to and including 21 October 2016. For the period 21 October 2016 to 31 December 2016 inclusive, the expected distribution is equal to the interpolated USD Libor rate for the period, plus 1.5900%. The company has the right not to make a distribution. Thereafter, the expected distribution is equal to the three-month USD Libor rate plus 1.5900%. The total proceeds from this issue amounted to USD 1,500 million. As of 21 October 2016, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval has been secured from the Dutch Central Bank.
- Rabobank Capital Funding Trust IV, Delaware, a group company of Rabobank, issued 350,000 non-cumulative Trust Preferred Securities. The expected distribution is 5.556% up to and including 31 December 2019. Thereafter, the expected distribution is equal to the six-month GBP Libor rate plus 1.4600%. The company has the right not to make a distribution. The total proceeds from this issue amounted to GBP 350 million. As of 31 December 2019, these Trust Preferred Securities can be repurchased on each distribution date (which is once every half-year) after prior written approval has been secured from the Dutch Central Bank.
- Rabobank Capital Funding Trust V, Delaware, a group company of Rabobank, issued 250,000 non-cumulative Trust Preferred Securities. The expected distribution is the three-month BBSW rate plus 0.6700% up to and including 31 December 2014. Thereafter, the expected distribution is equal to the three-month BBSW rate plus 1.6700%. The company has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. The issue was redeemed on the earliest redemption date on 31 December 2014.



- Rabobank Capital Funding Trust VI, Delaware, a group company of Rabobank, issued 250,000 non-cumulative Trust Preferred Securities. The expected distribution is 6.415% up to and including 31 December 2014. Thereafter, the expected distribution is equal to the three-month BBSW rate plus 1.6700%. The company has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. The issue was redeemed on the earliest redemption date on 31 December 2014.

For the Trust Preferred Securities issued in 2004, a payment is required if a distribution is paid on items of a more subordinated nature (such as Rabobank Certificates) or on items of the same rank (pari passu); with the provision that no payment is required if the DNB objects to such payment (e.g. if Rabobank Group's solvency ratio is lower than 8%). If Rabobank Group makes a profit, Rabobank can either pay or not pay compensation on these items at its own discretion.

<b>Trust Preferred Securities</b>		
<i>in millions of euros</i>	2015	2014
<b>Changes during the year:</b>		
Opening balance	1,043	1,269
Repayments	-	(382)
Exchange rate differences and other	88	156
<b>Closing balance</b>	<b>1,131</b>	<b>1,043</b>

### 31 Other non-controlling interests

This item relates to shares held by third parties in subsidiaries and other group companies.

<i>in millions of euros</i>	2015	2014
Opening balance	473	446
Net profit	75	58
Exchange rate differences	(10)	22
Entities included in consolidation/deconsolidated	8	(10)
Revaluation reserves - available-for-sale financial assets	-	-
Other	(54)	(43)
<b>Closing balance</b>	<b>492</b>	<b>473</b>

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 65 (2014: 77). The following financial data apply:

<b>De Lage Landen Participacoes Limitada</b>	2015	2014
Revenues	82	100
Net profit	25	(11)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>25</b>	<b>(11)</b>
Profit attributable to third parties	12	1
Dividends paid	13	-
Financial assets	1,088	1,628
Other assets	82	98
Financial liabilities	931	1,394
Other liabilities	32	70

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 78 (2014: 67). The following financial data apply:

<b>AGCO Finance SNC</b>	2015	2014
Revenues	39	39
Net profit	20	19
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>20</b>	<b>19</b>
Profit attributable to third parties	10	9
Dividends paid	7	6
Financial assets	1,311	1,240
Other assets	41	36
Financial liabilities	1,179	1,128
Other liabilities	13	12

### 32 Interest

<i>in millions of euros</i>	2015	2014
<b>Interest income</b>		
Cash and balances at central banks	103	112
Loans and advances to banks	338	405
Financial assets held for trading	75	108
Financial assets designated at fair value	52	71
Loans and advances to customers	17,271	18,168
Available-for-sale financial assets	938	1,170
Derivatives held as economic hedges	(1,266)	(1,535)
Other	82	139
<b>Total interest income</b>	<b>17,593</b>	<b>18,638</b>
<b>Interest expense</b>		
Due to banks	452	458
Other trade liabilities	17	20
Due to customers	3,033	3,719
Debt securities in issue	3,796	4,152
Other liabilities	603	462
Financial liabilities designated at fair value	466	681
Other	87	28
<b>Total interest expense</b>	<b>8,454</b>	<b>9,520</b>
<b>Net interest income</b>	<b>9,139</b>	<b>9,118</b>

Capitalised interest attributable to qualifying assets amounted to 21 (2014: 21). The average interest rate applied in determining interest charges to be capitalised ranges between 1.0% and 5.5% (2014: between 0.3% and 5.5%).

### 33 Commissions

<i>in millions of euros</i>	2015	2014
<b>Fee and commission income</b>		
Asset management	44	69
Insurance commissions	325	326
Lending	545	455
Purchase and sale of other financial assets and handling fees	433	402
Payment services	633	615
Custodial fees and securities services	7	10
Other commission income	90	198
<b>Total fee and commission income</b>	<b>2,077</b>	<b>2,075</b>
<b>Fee and commission expense</b>		
Purchase and sale of other financial assets	8	28
Payment services	35	22
Custodial fees and securities services	11	17
Handling fees	35	40
Other commission expense	96	89
<b>Total fee and commission expense</b>	<b>185</b>	<b>196</b>
<b>Net fee and commission income</b>	<b>1,892</b>	<b>1,879</b>

### 34 Income from associates

<i>in millions of euros</i>	2015	2014
Rabobank share of profit of associates	352	139
Discontinued/disposed interests in associates	14	6
<b>Income from associates</b>	<b>366</b>	<b>145</b>

### 35 Net income from financial assets and liabilities at fair value through profit or loss

<i>in millions of euros</i>	2015	2014
Income from financial assets and liabilities held for trading and from derivatives held or issued for trading	164	600
Income from other financial assets and liabilities at fair value through profit or loss and derivatives used to hedge the interest rate risk of other financial liabilities at fair value	599	(568)
Other	(160)	187
<b>Total income from financial assets and liabilities at fair value through profit or loss</b>	<b>603</b>	<b>219</b>

The financial assets and liabilities listed in the above table are combined into portfolios. Profits from these instruments must be considered in conjunction with each other. Total income from financial assets and liabilities at fair value through profit or loss shows a balance of 276 (2014: 2) in relation to changes in the fair value of the other financial liabilities designated at fair value that is attributable to changes in the credit risk and hedge accounting. The changes in fair value of the other financial liabilities designated at fair value that can be assigned to the changes in Rabobank's credit risk is shown under Other Segments and in the above table under Income for other financial assets and liabilities at fair value through profit or loss and derivatives used to cover the interest rate risk of the other financial liabilities at fair value. The results relating to the application of hedge accounting are shown under Other Segments and in the above table under Results of financial assets and liabilities held for trading and derivatives held or issued for trading.

<i>in millions of euros</i>	2015	2014
Income from interest rate instruments	639	173
Income from equity instruments	(99)	82
Income from foreign currencies	64	(37)
Other	(1)	1
<b>Total income from financial assets and liabilities at fair value through profit or loss</b>	<b>603</b>	<b>219</b>

### 36 Other results

<i>in millions of euros</i>	2015	2014
Real estate activities	282	184
Rental income	369	432
Other	215	494
<b>Total other results</b>	<b>866</b>	<b>1,110</b>

Income from real estate activities includes project income of 1,495 (2014: 1,344), project charges of 1,253 (2014: 1,122) and impairments of -40 (2014: 38).

Rental income includes operating lease income and rental income from investment properties. Operating lease income includes income of 1,373 (2014: 1,972), depreciation charges of 1,002 (2014: 914) and other costs of 9 (2014: 703). Rental income from investment properties includes income of 50 (2014: 94), depreciation of 11 (2014: 10) and other costs of 32 (2014: 7).

## 37 Staff costs

<i>in millions of euros</i>	2015	2014
Wages and salaries	3,194	3,331
Social security contributions and insurance costs	394	424
Pension costs - defined contribution plans	500	532
Pension costs - defined benefit pension plans	9	32
Other post-employment provisions	(65)	54
Other staff costs	754	713
<b>Total staff costs</b>	<b>4,786</b>	<b>5,086</b>

Expressed in FTEs, the average number of internal and external employees in Rabobank during the year was 52,885 (2014: 58,408).

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 tRabobank 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% percent of both the direct and the deferred portion of the variable remuneration is allocated in cash. The cash component of the direct portion is immediately awarded following allocation. The cash component of the deferred portion is awarded to employees only after vesting (after a period of three years).

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 cash component of the variable remuneration is measured in accordance with IAS 19 Employee benefits, whereas payment of the DRNs is measured in accordance with IFRS 2 Share based payments. 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 100,000 and both the immediate and the deferred portion are paid fully in cash, which means that no DRNs are awarded.

On 31 December 2015, the costs of equity instrument-based payments were 8 (2014: 10). On 31 December 2015, a liability of 26 was recognised (2014: 23). The costs of variable remuneration paid in cash were 91 (2014: 97). The number of DRNs outstanding is presented in the following table.

<i>in thousands</i>	2015	2014
Opening balance	1,014	952
Awarded during the year	249	348
Paid during the year	(126)	(166)
Changes from previous year	(100)	(120)
<b>Closing balance</b>	<b>1,037</b>	<b>1,014</b>

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 2015		Year of payment				
<i>in millions of euros</i>	2016	2017	2018	2019	2020	Total
Variable remuneration, excluding DRNs	90.7	6.2	7.0	7.0	-	110.9
DRNs	11.5	7.8	4.5	3.8	3.7	31.3
<b>Total</b>	<b>102.2</b>	<b>14.0</b>	<b>11.5</b>	<b>10.8</b>	<b>3.7</b>	<b>142.2</b>

On 31 December 2014		Year of payment				
<i>in millions of euros</i>	2015	2016	2017	2018	2019	Total
Variable remuneration, excluding DRNs	101.5	6.8	6.2	7.5	-	122.0
DRNs	3.6	12.0	4.4	4.2	5.3	29.5
<b>Total</b>	<b>105.1</b>	<b>18.8</b>	<b>10.6</b>	<b>11.7</b>	<b>5.3</b>	<b>151.5</b>

## 38 Other administrative expenses

Other administrative expenses increased by 15% to EUR 2,916 million (2014: 2,532). Domestic retail banking saw an increase in other administrative expenses due to higher contributions to provisions for reorganisation and legal costs. In 2014, other administrative expenses fell by EUR 193 million due to the partial release of a provision previously created for DSB Bank. The remaining EUR 30 million of this provision was released in 2015.

## 39 Depreciation

<i>in millions of euros</i>	2015	2014
Depreciation of property and equipment	250	240
Depreciation of intangible assets	193	197
<b>Total depreciation</b>	<b>443</b>	<b>437</b>

## 40 Loan impairment charges

<i>in millions of euros</i>	2015	2014
Loans and advances to banks	(10)	(14)
Loans and advances to customers	1,134	2,762
Recoveries following write-downs	(101)	(130)
Credit related liabilities	57	2
Other assets	(47)	13
<b>Total loan impairment charges</b>	<b>1,033</b>	<b>2,633</b>

## 41 Regulatory levies

The regulatory levies consist of bank tax and levy, contributions to the national resolution fund and the resolution levy. Banks operating in the Netherlands on 1 October of the year under review are required to pay bank tax. There are two rates of bank tax: A rate of 0.044% for current liabilities and a rate of 0.022% for long-term liabilities, based on the balance on December 2014. In 2015, Rabobank Group was charged a total of 168 (2014: 167). In 2015, the bank levy in Ireland amounted to 4. In 2015, the contribution to the National Resolution Fund amounted to 172 (2014: 0). The resolution levy, a one-off levy imposed by the Dutch government on the Dutch banking industry in connection with the nationalisation of SNS Reaal, totalled 321 in 2014.

## 42 Taxes

<i>in millions of euros</i>	2015	2014
<b>Current income tax</b>		
Reporting period	555	79
Previous years	(21)	(96)
Deferred tax	121	(144)
<b>Total taxes</b>	<b>655</b>	<b>(161)</b>

The tax on the operating profit of Rabobank differs as follows from the nominal amount based on the Dutch corporate tax rate:

<i>in millions of euros</i>	2015	2014
Operating profit before taxation	2,869	1,681
Tax exempt income	(419)	(247)
Non-deductible expenses	239	599
Tax losses not recognised in previous years	(15)	(2)
Other	(288)	(753)
	<b>2,386</b>	<b>1,278</b>
Tax calculated on a tax rate of 25.0% (2014: 25.0%)	597	320
Effect of different tax rates and other non-recurring tax gains or losses	58	(481)
<b>Corporate taxes</b>	<b>655</b>	<b>(161)</b>

## 43 Non-current assets held for sale

The non-current assets held for sale amount to 155 (2014: 327) mainly comprise various types of real estate (including residential and commercial) in a variety of countries and recognised in the segment 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 Category 3. The parameters used to determine the fair value of the property investments, depending on the type of real estate, include: the current and expected market rent per m<sup>2</sup>, current and expected future vacancy rates, the location of the property, the marketability of the property, the average discount rate, development budget and any credit risk.

## 44 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 25.

	<i>Investments in associates</i>		<i>Other related parties</i>	
<i>in millions of euros</i>	2015	2014	2015	2014
<b>Loans</b>				
Outstanding at beginning of year	360	490	11	68
Provided during the year	9	14	-	-
Redeemed during the year	(8)	(144)	-	(57)
Other	-	-	-	-
<b>Loans as of 31 December</b>	<b>361</b>	<b>360</b>	<b>11</b>	<b>11</b>
<b>Due to banks and due to customers</b>				
Outstanding at beginning of the year	6,822	6,544	-	-
Received during the year	829	573	-	-
Repaid during the year	(382)	(295)	-	-
Other	-	-	-	-
<b>Debts as of 31 December</b>	<b>7,269</b>	<b>6,822</b>	<b>-</b>	<b>-</b>
Other liabilities	39	23	-	-
Credit guarantees and other guarantees issued by Rabobank	28	37	-	-
<b>Income</b>				
Net interest income	10	84	-	-
Fee and commission income	234	234	-	-
Trading income	-	-	-	-
Other	-	2	-	-
<b>Total income from transactions with related parties</b>	<b>244</b>	<b>320</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>				
Interest expense	347	358	-	-
Fee and commission expense	-	-	-	-
Impairments	25	20	-	-
<b>Total expenses from transactions with related parties</b>	<b>372</b>	<b>378</b>	<b>-</b>	<b>-</b>

## 45 Costs of external auditor

<i>in millions of euros</i>	2015	2014
Financial statements audit	7	6
Other audit engagements	1	1
Other non-audit services	-	-
<b>Total</b>	<b>8</b>	<b>7</b>

In the year under review, the audit firm Ernst & Young Accountants LLP in the Netherlands invoiced the above 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.

Expenses related to members and former members of the Supervisory Board total 1.2 (2014: 1.6). 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 for 2015 (exclusive of VAT and other charges) is:

<i>in euros</i>	<i>Chairman</i>	<i>Vice Chairman</i>	<i>Member</i>
Supervisory Board	288,750	71,500	55,000
Audit Committee	32,500	15,000	15,000
Risk Committee	32,500	15,000	15,000
Appeals Committee	7,500	-	7,500
Cooperative Issues Committee	15,000	-	15,000
Appointments Committee	3,750	-	3,750
Remuneration Committee	3,750	-	3,750

## 46 Remuneration of the Supervisory Board and the Executive Board

The members of the Supervisory Board and the Executive Board are listed in Section 54 of these consolidated financial statements. Rabobank exclusively regards the members of the Executive Board as key management personnel. The members of the Executive Board are among the identified staff as disclosed in Section 37. In 2015, the remuneration of members and former members of the Executive Board amounted to 6.4 (2014: 6.3).

<i>in thousands of euros</i>	<i>Total salaries</i>	<i>Pension contributions</i>	<i>Individual pension contribution</i>	<i>Redemption of remuneration component</i>	<i>Other</i>	<i>Total</i>
W. Draijer	980	25	212	-	1	1,218
A. Bruggink	884	26	189	-	1	1,100
B.J. Marttin	884	26	189	-	1	1,100
R.J. Dekker	807	26	171	-	2	1,006
H. Nagel	807	26	171	-	1	1,005
J.L. van Nieuwenhuizen	779	25	165	-	-	969
<b>Total 2015</b>	<b>5,141</b>	<b>154</b>	<b>1,097</b>	<b>-</b>	<b>6</b>	<b>6,398</b>
<b>Total 2014</b>	<b>4,993</b>	<b>1,302</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>6,299</b>

At year-end 2015, there were a total of 11,647 DRNs outstanding with members and former members of the Executive Board (year-end 2014: 12,133 pieces). 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 EUR 94,600. 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.

The table below shows the remuneration (excluding VAT and other charges) for individual members of the Supervisory Board.

<i>in thousands of euros</i>	<i>Remuneration</i>
W. Dekker	341
I.P. Asscher-Vonk	100
C.H. van Dalen (temporarily stepped down on 6-11-2015)	66
L.N. Degle	85
S.L.J. Graafsma	110
E.A.J. van de Merwe	103
R. Teerlink (Vice Chairman as of 1-4-2015)	99
C.P. Veerman (in office until 7 March 2015)	17
A.A.J.M. Kamp	85
M. Trompetter (in office as of 23 September 2015)	24
<b>Total 2015</b>	<b>1,030</b>
<b>Total 2014</b>	<b>1,084</b>

At Rabobank, the Chairman of the Supervisory Board holds a number of roles which are related to the cooperative. These roles are specified in the Annual Report.

<i>in millions of euros</i>	<i>Executive Board</i>		<i>Supervisory Board</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
<b>Loans, advances and guarantees</b>				
<b>Outstanding on 1 January</b>	<b>4.9</b>	<b>3.4</b>	<b>2.6</b>	<b>1.5</b>
Provided during the year	1.2	-	-	0.1
Redeemed during the year	(1.8)	(1.1)	(0.7)	(0.1)
Reduction on account of leaving office	-	(0.2)	(0.9)	-
Increase on account of taking office	-	2.8	0.4	1.1
<b>Outstanding on 31 December</b>	<b>4.3</b>	<b>4.9</b>	<b>1.4</b>	<b>2.6</b>

The loans, advances and guarantees of the members of the Executive Board in office on 31 December 2015 and the average interest rates were as follows:

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
<b>On 31 December 2015</b>		
R.J. Dekker	1.2	1.6
B.J. Martin	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 2015 and the average interest rates were as follows:

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
<b>On 31 December 2015</b>		
A.A.J.M. Kamp	1.0	2.7
M. Trompetter	0.4	4.9

At year-end 2015, 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 Executive Board and Supervisory Board have invested in Rabobank Certificates in person and/or through their own pension B.V. At year-end 2015, this involved in total 40,950 certificates.

<i>Number of Rabobank Certificates</i>	
<b>On 31 December 2015</b>	
A. Bruggink	12,166
I.P. Asscher-Vonk	6,894
L.N. Degle	4,640 in pension B.V.
S.L.J. Graafsma	4,050 in pension B.V.
C.H. van Dalen	13,200

## 47 Main subsidiaries

At the year-end 2015, Rabobank Group consists of 106 independent local Rabobanks in the Netherlands, members of the central organisation Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and a number of specialised subsidiaries.

<b>On 31 December 2015</b>	<i>Share</i>	<i>Voting rights</i>
<b>Main subsidiaries</b>		
<b>The Netherlands</b>		
DLL International B.V.	100%	100%
Rabo Vastgoedgroep N.V.	100%	100%
FGH Bank N.V.	100%	100%
OWM Rabobanken B.A.	100%	100%
Obvion N.V.	100%	100%
Rabohypotheekbank N.V.	100%	100%
Rabo Merchant Bank N.V.	100%	100%
Raiffeisenhypotheekbank N.V.	100%	100%
<b>Other Eurozone countries</b>		
ACC Loan Management Limited	100%	100%
<b>North America</b>		
Rabobank Capital Funding LCC III to VI	100%	100%
Rabobank Capital Funding Trust III to VI	100%	100%
Utrecht America Holdings Inc.	100%	100%
<b>Australia and New Zealand</b>		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%



All subsidiaries listed in the table are consolidated. In 2015, 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.

## 48 Joint ventures

Virtually all joint ventures are entities of Rabo Real Estate Group. Their total carrying amount is -39 (2014: -23) and are valued in accordance with the equity method.

Rabo Real Estate Group often puts partnerships in place 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 derivative thereof or related structure. In the case of CV-BVs, the risk of

a participating party is generally limited to the issued capital and the partners are only entitled to the net assets from 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, having cognisance in the 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 conclusion.

Since a separate legal structure is established for each partnership in which the participating partners change and separate projects are not of a substantial size, Rabo Real Estate Group did not maintain any material joint arrangements in 2014 and 2015.

Result from joint ventures	2015	2014
Profit or loss from continuing operations	(5)	(39)
Post-tax profit or loss from discontinued operations	-	-
<b>Net profit</b>	<b>(5)</b>	<b>(39)</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(5)</b>	<b>(39)</b>

## Contingent assets and liabilities

Rabo Real Estate Group entered into the following commitments:

- with regard to real estate projects, on 31 December 2015, commitments with third parties (including subcontractors and architects) have been entered into to the amount of 17 (2014: 7).
- with regard to commercial real estate projects, no commitments with subcontractors and architects have been entered into (2014: 29).

The principle joint ventures in terms of the size of the capital interest held by Rabobank include:

On 31 December 2015	Share	Voting rights
<b>The Netherlands</b>		
Real estate development company De Westlandse Zoom CV, Monster	25%	25%
Real estate development company Waalfront CV, Nijmegen	50%	50%
FIRST Rotterdam CV, Rotterdam	50%	50%

## 49 Transfer of financial assets and financial assets provided as collateral

### Reverse repurchase transactions and securities borrowing agreements

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under 'Loans and advances to banks' or 'Loans and advances to customers' and as per 31 December amount to:

in millions of euros	2015	2014
Loans and advances to banks	17,271	27,592
Loans and advances to customers	20,151	18,295
<b>Total reverse repurchase transactions and securities borrowing agreements</b>	<b>37,422</b>	<b>45,887</b>

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 2015, the total fair value of the securities received under the terms of the agreements was 37,853 (31 December 2014: 47,540). 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.

### Repurchase transactions and securities lending agreements

Repurchase transactions and securities lending agreements concluded by Rabobank are included under 'Due to banks' and 'Due to customers' as of 31 December totalled:

<i>in millions of euros</i>	2015	2014
Due to banks	581	708
Due to customers	488	2,025
<b>Total repurchase and securities lending</b>	<b>1,069</b>	<b>2,733</b>

On 31 December 2015 and 2014, interest-bearing securities with a carrying amount of 1,075 and 2,757 respectively were provided as collateral for repurchase agreements and the like. 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.

### 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 these financial assets is 81,023 (2014: 79,940) with the corresponding liability amounting to 80,925 (2014: 80,341). Approximately 72% (2014: 71%) of the transferred assets are securitised internally for liquidity purposes.

### 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>	2015	2014
Cash and balances at central banks	54	-
Loans and advances to banks	5,186	7,289
Loans and advances to customers	13,838	10,905
Available-for-sale financial assets	2,563	2,575
<b>Total</b>	<b>21,641</b>	<b>20,769</b>

## 50 Structured entities

### Consolidated structured entities

A structured entity is an entity which is structured such that voting rights or comparable rights do not constitute the dominant factor in determining who exercises control over the entity. Rabobank uses structured entities in order to securitise 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), DLL (LEAP) and Athlon (Highway). 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.

## 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.

The following table shows the nature and risks of Rabobank's interests in non-consolidated structured entities. The maximum exposure to loss in respect of the interests in non-consolidated structured entities is 3,028 (2014: 4,153), which also includes contingent liabilities.

<i>in millions of euros</i>						
	On 31 December 2015			On 31 December 2014		
<b>Assets recognised by Rabobank</b>	Securitisations	Other	Total	Securitisations	Other	Total
Financial assets held for trading	1	100	101	30	107	137
Financial assets designated at fair value	255	72	327	377	45	422
Derivatives	463	-	463	622	-	622
Loans and advances to customers	1,011	-	1,011	1,363	-	1,363
Available-for-sale financial assets	670	61	731	722	75	797
Investments in associates	-	395	395	-	600	600
<b>Total financial assets recognised by Rabobank</b>	<b>2,400</b>	<b>628</b>	<b>3,028</b>	<b>3,114</b>	<b>827</b>	<b>3,941</b>
<b>Liabilities recognised by Rabobank</b>						
Derivatives	3	-	3	86	-	86
Due to customers	393	-	393	610	-	610
<b>Total liabilities recognised by Rabobank</b>	<b>396</b>	<b>-</b>	<b>396</b>	<b>696</b>	<b>-</b>	<b>696</b>

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>
<b>On 31 December 2015</b>					
Securitisations	1	46	64	111	-
Asset management	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>46</b>	<b>64</b>	<b>111</b>	<b>-</b>
<b>On 31 December 2014</b>					
Securitisations	3	34	618	655	-
Asset management	-	35	(46)	(11)	-
<b>Total</b>	<b>3</b>	<b>69</b>	<b>572</b>	<b>644</b>	<b>-</b>

## 51 Events after the reporting period

After discussions between:

1. Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Amsterdam;
2. The cooperative member banks of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

decided at the respective meetings of the members' councils of the banks concerned (2) on 2 December 2015 and at the General Meeting of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. on 9 December 2015 to enter into a legal merger as of 1 January 2016.

One of the consequences of the decisions taken was that the former bank (1) received the assets of the banks referred to (2) under universal title and the banks referred to (2) ceased to exist. During the aforementioned General Meeting, the bank (1), in connection with the merger, decided to change its name to Coöperatieve Rabobank U.A. as of 1 January 2016. The legal merger has no impact on the consolidated figures.

## 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 2015 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 2015, the internal controls on the internal financial reporting in Rabobank provide a reasonable measure of certainty based on the criteria established by COSO.

Ernst & Young Accountants LLP, which has audited the consolidated financial statements of Rabobank for the financial year ended 31 December 2015, also examined management's assessment of the effectiveness of the internal control over financial reporting in Rabobank. The report of Ernst & Young Accountants LLP is included on page 246.

W. Draijer

B.C. Brouwers

Utrecht, 17 February 2016

## 53 Approval of the Supervisory Board

The publication of these financial statements was approved by the Supervisory Board on 17 February 2016. The financial statements will be presented to the General Meeting, to be held on 20 April 2016, 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 and CRO a.i.*

B.C. Brouwers, *CFO*

R.J. Dekker, *Member*

B.J. Marttin, *Member*

H. Nagel, *Member*

J.L. van Nieuwenhuizen, *Member*

### On behalf of the Supervisory Board

W. Dekker, *Chairman*

R. Teerlink, *Vice Chairman*

I.P. Asscher-Vonk, *Secretary*

L.N. Degle

S.L.J. Graafsma

A.A.J.M. Kamp

E.A.J. van de Merwe

M. Trompetter

# Independent auditor's report

To: the general members' council of Coöperatieve Rabobank U.A.

## Report on the audit of the consolidated financial statements 2015

### Our opinion

We have audited the consolidated financial statements 2015 of Coöperatieve Rabobank U.A. (hereafter: Rabobank), based in Amsterdam.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Rabobank as at 31 December 2015 and of its result and its cash flows for 2015 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 consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2015;
- The following statements for 2015: consolidated statements of income and comprehensive income, changes in equity and cash flows; and
- The notes comprising a summary of the significant accounting policies and other explanatory information

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those standards are further described in the Our responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of Rabobank in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Materiality	EUR 150 million
Benchmark used	5% of operating profit before tax (rounded)
Additional explanation	We have applied operating profit before tax as this benchmark is an importance metric for the financial performance of Rabobank.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in earnings in excess of EUR 7.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

Rabobank is for financial reporting purposes head of a group of entities. The financial information of this group is included in the consolidated financial statements of Rabobank.

Our group audit mainly focused on significant group entities in retail banking and wholesale banking globally as well as on the leasing and real estate activities as well as on an associate in insurance activities. We have:

- used the work of other EY auditors when auditing entities outside the Netherlands, as well as the audit of the real estate activities;
- used the work of other non-EY auditors when auditing the entities in Ireland, as well as the audit of the leasing and insurance activities;
- performed audit procedures ourselves at the other group entities in scope.

All these entities represented 87% of the consolidated operating profit before taxation and 97% of total assets. This provided us with the evidence we needed for our opinion on the financial statements as a whole. The remaining entities were considered to be immaterial.

For the in-scope components the group audit team instructed component auditors as to the significant areas to be covered, including the significant risks identified for the consolidated financial statements and the information to be reported back. The group audit team allocated component materiality levels depending on the mix of size and risk profile of the group across the components.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our audit response
<b>Provision for loan losses (see note 4.4 and 11)</b>	
<p>The provision for loan losses amount to EUR 8,372 million as at 31 December 2015.</p> <p>The appropriateness of loan loss provisions is a key area of judgment for management. The identification of loans that are deteriorating, the assessment of objective evidence for impairment, the value of collateral and the determination of the recoverable amount are inherently uncertain involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. The associated risk management disclosure is complex and dependent on high quality data. Specific portfolios of focus included the retail portfolio in the Netherlands, the shipping portfolio and the commercial real estate portfolio.</p> <p>Given the impact of inherent uncertainty of the loan loss provision and the subjectivity involved in the judgments made, we considered this to be an important item for our audit.</p>	<p>We assessed and tested the design and operating effectiveness of the controls related to the timely recognition and measurement of impairments for loan losses, including the quality of underlying data and systems. For loan loss provisions calculated on an individual basis we examined a selection of individual loan exposure in detail, and challenged management assessment of the recoverable amount. We tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. This included taking into consideration the impact of forbearance. We applied professional judgment in selecting the loan exposures for our detailed inspection with an emphasis on exposures in sectors that pose an increased uncertainty for recovery in the current market circumstances, for example commercial real estate exposures, retail exposures and exposures in the shipping industry.</p> <p>We tested, supported by our specialists, the sufficiency of the underlying models, assumptions and data used by Rabobank to measure loan loss impairments for portfolios of loans with similar credit characteristics. Likewise we have tested the models, assumptions and data used for the collective impairment for incurred but not identified loan losses, including the appropriateness of the respective loss identification period that is used in these models.</p> <p>Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provisions to assess compliance with disclosure requirements included in EU-IFRS.</p>
<b>Fair values of financial assets and liabilities (see note 4.9)</b>	
<p>The financial instruments that are measured at fair value are significant for the financial statements. At 31 December 2015, derivatives (both assets/liabilities), trading positions, available for sale investments and other financial liabilities at fair value through profit or loss amount to EUR 48,113/EUR 55,129 million, EUR 3,472 million, EUR 37,773 million and EUR 16,991 million respectively.</p> <p>For financial instruments that are actively traded and for which quoted market prices are available, there is high objectivity in the determination of fair values ('level 1 valuation'). Regarding 'level 3' assets, observable market prices or market parameters are not available. As a result the fair value is subject to estimation uncertainty as significant judgment is applied to estimate fair value. Regarding 'level 2' assets, observable market prices or market parameters are available as inputs for valuation models that are used to determine the fair values.</p> <p>Given the judgment applied in the estimation of the fair values, we determined this to be a significant item for our audit.</p>	<p>We have tested the level 1 fair valuations by comparing the fair values applied by Rabobank with publicly available market data. For level 2 and level 3 valuations we tested the appropriateness of the models used by Rabobank and the reliability of the data that was used as input to these models.</p> <p>We assessed the design and operating effectiveness of the internal controls over valuation and performed independently price verification and model approval. We performed additional procedures for areas of higher risk and estimation with the assistance of our valuation specialists.</p> <p>This included, where relevant, comparison of judgments made to current and emerging market practice and reperformance of valuations on a sample basis.</p> <p>We also assessed the impact of other sources of fair value information including gains or losses on disposal. Besides we assessed the design and operating effectiveness of the controls over related disclosures including the disclosure of valuation sensitivity and fair value hierarchy.</p> <p>Finally, we assessed the completeness and accuracy of the disclosures relating to fair values of financial assets and liabilities to assess compliance with disclosure requirements included in EU-IFRS.</p>

Risk	Our audit response
<b>Other provisions (see note 4.10, 23 and 24)</b>	
At 31 December 2015, provisions amount to EUR 993 million.  Other provisions are accrued for regarding restructurings, uncertainties associated with legal, tax and compliance risks. IFRS provide specific criteria determining the point in time other provisions must be accrued for. Assessments are made both on likelihood of certain risks and the possibility to estimate the amounts involved. Especially the outcome of legal procedures might be very difficult to predict. Procedures have been developed to cope with the uncertainties, including involvement of internal and external experts. Nevertheless, judgments regarding other provisions inherently are (highly) uncertain and best estimates regarding other provisions might change over time.  Given the uncertainty of provisions and the unpredictability of final outcomes, we determined this to be a significant item for our audit.	We assessed and tested the design and operating effectiveness of the controls related to the timely recognition and measurement of other provisions. We included (tax) specialists in our team to assess risks and audit the proper application of IFRS. Judgments were discussed with management and challenged based on internal and/or external information available. We assessed the design and operating effectiveness of the controls over related disclosures. Finally, we assessed the completeness and accuracy of the disclosures relating to other provisions to assess compliance with disclosure requirements included in EU-IFRS.
<b>Reliability and continuity of electronic data processing</b>	
Rabobank Group is dependent on the IT-infrastructure for the continuity of their business processes. Rabobank Group invested in the improvement of IT-hardware, systems and processes, focused on the increased effectiveness of the IT-infrastructure and the reliability and continuity of electronic data processing.	We tested IT- security, change management and application controls embedded in Rabobank's key processes. We assessed the reliability and continuity of electronic data processing only to the extent necessary within the scope of the audit of the annual accounts. We included IT-auditors in our audit-team. Our work consisted of assessing the developments in the IT-infrastructure and analysing the impact on the IT-organisation. Additionally, we tested the design and operating effectiveness of relevant internal controls related to IT- systems and processes.

### **Consolidated financial statements as part of the (complete) financial statements**

The (complete) financial statements of Rabobank 2015 include the 'Consolidated financial statements 2015 Rabobank Group' and the 'Financial statements 2015 Rabobank'. For a proper understanding of the financial position and result the consolidated financial statements must be considered in connection with the company financial statements. On 17 February 2016 we issued a separate auditor's report on the company financial statements.

### **Responsibilities of management and the Supervisory Board for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated financial statements, management is responsible for assessing Rabobank's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the consolidated financial statements using the

going concern basis of accounting unless management either intends to liquidate Rabobank or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on Rabobank's ability to continue as a going concern in the consolidated financial statements.

The Supervisory Board is responsible for overseeing Rabobank's financial reporting process.

### **Our responsibilities for the audit of the consolidated financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rabobank's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Rabobank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Rabobank ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures.
- Evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, when not communicating the matter is in the public interest.

### ***Report on other legal and regulatory requirements***

#### **Report on the management board report and the other information**

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

### **Engagement**

We were engaged as auditor of Coöperatieve Rabobank U.A. as of the audit for the year 1972 and have operated as statutory auditor ever since that date.

Amsterdam, 17 February 2016

Ernst & Young Accountants LLP

signed by C.B. Boogaart

# Independent auditor's Assurance Report

To: the executive board and supervisory board of  
Coöperatieve Rabobank U.A.

## Scope

We have performed an assurance engagement on the effectiveness of internal control over the consolidated financial reporting of Coöperatieve Rabobank U.A. (hereafter: Rabobank) as at 31 December 2015.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting policies. A company's internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union and by Part 9 of Book 2 of the Dutch Civil Code, and that receipts and expenditures of the company are being made only in accordance with authorisations of management of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

## Executive Board's responsibility

The Executive Board of Rabobank is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

The statement of the Executive Board regarding its assessment of the effectiveness of internal control over financial reporting is included on page 103.

## Auditor's responsibility

Our responsibility is to conclude on the effectiveness of Rabobank's internal control over the consolidated financial reporting as at 31 December 2015, based on the procedures performed during our assurance engagement. We conducted our assurance engagement in accordance with Dutch law, including ISAE 3000 Assurance engagements other than audits or reviews of historical financial information based on criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission (2013 framework), (the COSO criteria). This requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our assurance engagement included obtaining an understanding of internal control over financial reporting, evaluating the assessment of Rabobank's Executive Board, testing and evaluate the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements or omissions. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

Our opinion is formed based on the matters as explained in this assurance report. In our opinion the internal control over the consolidated financial reporting as at 31 December 2015 by Rabobank is in all material respects effective in accordance with the COSO criteria.

Amsterdam, 17 February 2016

Ernst & Young Accountants LLP

signed by C.B. Boogaart







# Financial Statements

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# 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>
<b>Assets</b>			
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
<b>Total assets</b>		<b>483,969</b>	<b>498,469</b>

<i>in millions of euros</i>	<i>Note</i>	<i>On 31 December 2015</i>	<i>On 31 December 2014</i>
<b>Liabilities</b>			
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
		<b>447,822</b>	<b>466,876</b>
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
<b>Total equity and liabilities</b>		<b>483,969</b>	<b>498,469</b>
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>	<i>2015</i>	<i>2014</i>
Income from interests in group companies and other equity interests after tax	764	764
Other results after tax	144	588
<b>Net profit</b>	<b>908</b>	<b>1,352</b>

Prepared in accordance with Section 2 of Article 402 of the Dutch Civil Code.

# Notes to the financial statements of Rabobank

## 1 General

The financial statements of Rabobank, a credit institution as referred to in Section 1:1 of the Financial Supervision Act, have been prepared in accordance with accounting policies generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. With one exception, these accounting policies are the same as those used in preparing the consolidated financial statements of Rabobank Group, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The exception is the valuation of participating interests (and joint ventures). The participating interests are valued at net asset value. The terminology of the following accounting policies is derived from the consolidated financial statements. Rabobank Group, the Coöperatieve Rabobank U.A. (Rabobank) and the legal entities and companies that form part of the group, is an international financial services provider operating on the basis of cooperative principles. On 31 December 2015, Rabobank Group comprised 106 independent local Rabobanks (with 506 branches) in the Netherlands, members of the central organisation Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and a number of specialised subsidiaries. On 1 January 2016, the local Rabobanks and the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. entered into a legal merger. Furthermore, on 1 January 2016, the name of the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed into Coöperatieve Rabobank U.A. More information on this matter is included in the Section 'Events after the reporting period'. Rabobank has its registered office in Amsterdam. The accounting policies applicable to the financial statements of Rabobank are set out below.

## 2 Accounting policies

The main accounting policies used in preparing these financial statements are explained below.

### 2.1 General

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 mentioned hereafter. The remaining assets and liabilities are accounted for on a historical cost basis, unless otherwise stated. Unless otherwise stated, all amounts in the financial statements are in millions of euros. These accounting policies contain several references to individual income statement items. The profit and loss account is prepared in accordance with article 2: of Article 402 of the Dutch Civil Code. The aforementioned income statement items are not included herein. Insofar as other insights prompted reclassifications, the comparative figures have been accordingly.

### **New and amended standards issued by the IASB and endorsed by the European Union, applicable to the financial year under review**

#### *Improvements to International Financial Reporting Standards cycle 2011-2013*

The objective of the improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2011 on areas of inconsistencies in IFRS or ambiguous wording. The amendments to IFRS 3 and 13 represent clarifications of, or adjustments to, the respective standards. The amendments to IAS 40 concern changes to the existing requirements or additional guidelines for the application of these requirements. These improvements have no impact on profit or equity and took effect on 1 January 2015.

### **New and amended standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union which do not yet apply in the current financial year**

#### *Improvements to International Financial Reporting Standards cycle 2010-2012*

The objective of the improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycles that began in 2010 and 2011 on areas of inconsistencies in IFRS or where clarification of wording was required. The amendments to IFRS 8 and IAS 16, 24 and 38 represent clarifications of, or adjustments to, the respective standards. The amendments to IFRS 2 and 3 concern changes to the existing requirements or additional guidelines for the application of these requirements. These improvements have no impact on profit or equity and took effect on 1 January 2016.

### ***Amendments to IAS 19 Defined benefit plans: Employee Contributions***

The objective of this amendment is to simplify and clarify the administrative processing of employee contributions or contributions from third parties in relation to defined benefit pension plans. This amendment has no impact on profit or equity and took effect on 1 January 2016.

### ***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 has no impact on profit or equity and took effect on 1 January 2016.

### ***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 has no impact on profit or equity and took effect on 1 January 2016.

### ***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 has no impact on profit or equity and took effect on 1 January 2016.

### ***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 have no impact on profit or equity and took effect on 1 January 2016.

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

#### ***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.

#### ***Classification and measurement***

Financial assets are classified and measured according to the way in which they are managed by Rabobank as well as by the type of contractual flows of cash in these assets. Both determine whether they 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 there are deviations with respect to embedded derivatives and equity instruments. There are almost no changes in the processing of financial liabilities with exception to certain liabilities at fair value where the results have to be included as equity because of changes to Rabobank's credit risk.

#### ***Impairments***

The rules governing impairments apply to financial assets at amortised cost and FVOCI, as well as to lease receivables, certain lending liabilities and financial guarantees. At the first booking, a provision is taken to the amount of the expected credit losses from possible non-payment in the coming 12 months ('12-months expected credit loss' (ECL)). If the credit risk increases significantly, a provision will be required to the amount of the expected credit losses from possible non-payment during the expected term of the financial asset ('ECL term'). In determining the amount of these provisions IFRS 9 uses expected future credit losses whilst IAS 39 only looks at extraordinary impairments for which objective evidence already exists. In this way, it is expected that the extraordinary impairments will change pro-cyclically giving more extreme results (both positive and negative). In addition, the size of the provisions will be greater because under IFRS 9, in addition to the current provision for posts already in default, there is also a facility for all other financial assets equivalent to the size of the 12-month ECL or period ECL.

#### ***Hedge accounting***

The hedge accounting rules envisage simplifying hedge accounting by establishing a closer link to the risk management strategy and allowing a broader range of hedging instruments and risks to be hedged. IFRS 9 does not explicitly address the subject of macro-hedge accounting; this is seen as a separate

subject. In order to avoid a possible conflict between the current practice of macro-hedge accounting and new hedge-accounting rules, IFRS 9 provides the option of continuing to use the current conditions governing macro-hedge accounting from IAS 39.

### Application

The rules governing classification, measurement and impairments are applied retrospectively by amending the opening balance sheet on 1 January 2018. There is no obligation to amend the comparative figures. The outlook for the hedge-accounting conditions is that they will come into effect on 1 January 2018.

### Expected impact

Rabobank has started making preparations for the implementation phase. The main impact is expected to be on loan impairments. It is not yet possible to reliably estimate the potential impact. More clarity on this subject is expected in the 2016 financial statements.

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

- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint venture

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 profit or equity.

### Judgements and estimates

These financial statements were prepared on the basis of the principle of a going concern because there are no indications to the contrary. The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities on the date of the financial statements, as well as the amounts reported for income and expenses during the reporting period. Some accounting principles require critical estimates that are based on assessments and the use of assumptions. Although management bases their estimates 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. The following accounting principles have been identified as principles which lead to a high degree of assessment and estimation uncertainty.

### Loan impairment allowance

Loan impairment allowances are recognised if there is objective evidence that Rabobank will not be able to collect all amounts due under the original terms of the contract. Determining a provision requires a significant degree of judgement formulation, based on the evaluation by the management of the risks in the loan portfolio, the current economic circumstances, credit losses over the previous years, as well as developments in financial credits, business sectors, business concentrations and geopolitics. Changes in judgement formulation as well as further analyses may lead to changes in the magnitude of loan impairment allowance over time. Determining objective evidence for decreased creditworthiness and determining the magnitude of the recoverable amount form part of the processes that are surrounded by inherent uncertainty and which involve various assumptions and factors regarding the creditworthiness of the borrowers, expected future cash flows and the value of collateral.

### Commercial real estate

Due to weaker market conditions for both residential and commercial real estate and the limited number of transactions, there is increased uncertainty regarding property valuations (i.e. land holdings, work in progress, completed developments and investment properties) and property financing. Property valuations are subject to a number of different assumptions and valuation methods. The use of different assumptions and methods may, due to their subjectivity, result in different outcomes.

## 2.2 Capital interests

### 2.2.1 Subsidiaries

The subsidiaries i.e. those companies and other entities (including special purpose entities) in which Rabobank has direct or indirect control over financial and operational policy, are stated at net asset value. Subsidiaries are included from the date on which Rabobank obtains control, and ceases to be included on the date that this control ends.

### 2.2.2 Investments in associates and joint ventures

Investments in associates and joint ventures are measured at net asset value. In accordance with this method, Rabobank's share of profits or losses of an associate are, subject to Rabobank's accounting policies, (after the acquisition) recognised in the profit and loss account, and its share in the changes in reserves after the acquisition are recognised in reserves. The cumulative changes after acquisition are adjusted to the cost of the investment.

Associates are entities over which Rabobank has significant influence and in which it usually holds between 20% and 50%

of the voting rights but over which it does not exercise control. A joint venture is an agreement between one or more parties whereby the parties, which have shared control over the agreement, are entitled to the net assets under the agreement. Unrealised profits on transactions between Rabobank and its associates and joint ventures are eliminated in accordance with the size of Rabobank's interest in the associates and joint ventures. Unrealised losses are also eliminated unless the transaction indicates that an impairment loss should be recognised on the asset transferred.

Investments by Rabobank in associates include the goodwill acquired. If Rabobank's share in the losses of an associate equals or exceeds its interest in the associate, Rabobank will not recognise any more losses of the associate unless Rabobank has given undertakings or made payments on behalf of the associate.

## 2.3 Derivatives and hedging

### 2.3.1 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 as well as acquired).

Derivatives can be traded either on the stock exchange or over the counter (OTC) between Rabobank and a client. All derivatives are recognised at fair value. The fair value is determined on the basis of listed market prices (a small bid-ask range applies to derivatives quoted in EUR, USD and/or GBP, and mid prices are used), prices offered by traders, cash flow discounting models and option valuation models based on current market prices and contracted prices for the underlying instruments, as well as the time value of money, yield curves and the volatility of the underlying assets and liabilities. All derivatives are included under assets if their fair value is positive and under liabilities if their fair value is negative. Derivatives that are embedded in other financial instruments are treated separately if their risks and characteristics are not closely related to those of the underlying derivative contract and this contract is not classified as at fair value, whereby unrealised profits or losses are recognised in the results.

#### *Instruments not used for hedging*

If Rabobank enters into derivatives for trading purposes, realised and unrealised gains and losses are accounted for under 'Net income from financial assets and liabilities at fair value through profit or loss'.

### *Hedging instruments*

Rabobank also uses derivatives as part of asset and liability management to manage its interest rate risks, credit risks and foreign currency risks. Rabobank makes use of the possibilities provided by the EU through the carve-out in IAS 39. The carve-out facilitates the application of fair value portfolio hedge accounting to certain positions.

On the date of concluding a derivative contract, Rabobank can designate certain derivatives as: (1) a hedge of the fair value of an asset or 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 entity (net investment hedge). Hedge accounting can be applied for derivatives designated in this manner if certain criteria are met. The criteria derivatives must satisfy to be recognised as hedging instruments include the following:

- formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy and the hedge relationship before the application of hedge accounting;
- the hedge is expected to be effective (in a range of 80% to 125%) in offsetting changes in the hedged item's fair value or cash flows allocable to the hedged risks during the entire reporting period;
- the hedge is continuously effective from the moment of its inception.

Changes in the fair value of derivatives that are designated as fair value hedges and appear effective in relation to the hedged risks are recognised in the profit and loss account, together with the corresponding changes in the fair value of the assets or liabilities hedged against for the specific risks covered.

If the hedge no longer meets the criteria for hedge accounting (according to the fair value hedge model), the cumulative adjustment in the fair value of a hedged interest-bearing financial instrument is amortised through the profit and loss account over the period to maturity of the normal term for this interest rate for the financial instrument.

For hedges of net investments in foreign entities, the derivative is measured at fair value, whereby changes in the fair value, to the extent that they are effective, are taken up in equity. The change in the hedged equity instrument as a result of exchange-rate fluctuations are also recognised under equity until the equity instrument is disposed of.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that appear effective in relation to the hedged risks are recognised in the hedging reserve included under Equity. The ineffective portion of the changes

in the fair value of derivatives are recognised in the profit and loss account.

If the forecast transaction or the non-current liability results in the recognition of a non-financial asset or a non-financial liability, any deferred profits or losses included in equity are restated at the initial carrying amount (cost) of the asset or the liability. In all other cases, deferred amounts included in equity are taken to the statement of income and are classified as income or expenses in the periods in which the hedged non-current liability or the forecast transaction had an effect on the profit and loss account.

Certain derivative contracts, although they are economic hedges in relation to the managed risk positions taken by Rabobank, do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading purposes. As part of Rabobank's risk management, various risks, including interest rate and liquidity risks inherent in mortgage loans granted and savings deposits raised, that arise at local Rabobanks are transferred to Rabobank by means of inter-company loans and derivatives. To hedge those risks, Rabobank enters into derivative financial transactions with external parties, applying hedge accounting in the consolidated financial statement. As a result of the transfers, those risks are presented in various forms in the statement of financial position of Rabobank. Combined, they represent the hedged item with respect to the hedge in the company financial statement for which hedge accounting is applied in conformity with Dutch Accounting Standard 290.

#### 2.3.4 Trade liabilities

Trade liabilities 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 leasing and securities repurchasing agreements. Securities sold short are recognised at fair value on the reporting date.

### 2.4 Assets held for trading (trading portfolio)

Financial assets held for trading are financial assets acquired with the objective of generating profit from short-term fluctuations in prices or traders' margins, or financial assets that form part of portfolios characterised by patterns of short-term profit participation.

Financial assets held for trading are measured at fair value based on listed bid prices. All related comprehensive income is included under 'Net income from financial assets and liabilities at fair value through profit or loss'. Interest earned on financial assets is recognised as interest income.

Dividends received on financial assets held for trading are recognised as 'Net income from financial assets and liabilities at fair value through profit or loss'.

All acquisitions and sales of financial assets held for trading which require delivery within a time limit prescribed under the regulations or in accordance with market conventions are accounted for on the transaction date.

### 2.5 Other financial assets and liabilities designated at fair value

Rabobank makes use of the option to include certain financial assets (other than those held for trading) and certain liabilities at fair value through profit or loss. Financial assets, including venture capital, and liabilities have been placed in this category by management upon initial recognition, if (any or all) of the following criteria are met:

- such a designation eliminates or substantially reduces any inconsistent treatment that would otherwise have arisen upon measurement of the assets or liabilities or recognition of profits or losses on the basis of different accounting policies; or
- 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 financial instrument, unless the embedded derivative financial instrument does not significantly affect the cash flows or if it is evident that separate recognition is not required.

Interest earned on assets with this classification is recognised as interest income and interest due on liabilities with this classification is recognised as interest expense. Any other realised and unrealised gains and losses on the revaluation of these financial instruments at fair value are included under 'Income from other financial assets and liabilities at fair value through profit or loss'. All purchases and sales of other financial assets and liabilities designated at fair value and which have to be delivered within a period prescribed by regulations or market convention are recognised on the transaction date.

### 2.6 Day 1 profit

If, at the time a financial instrument is entered into, valuation methods are used at fair value, a discrepancy may arise between the transaction price and the fair value. Such a discrepancy is referred to as 'day 1 profit'. Rabobank immediately accounts for this profit under 'Net income from financial assets and liabilities at fair value through profit or loss', if the valuation method is based on observable inputs (of active markets).

If non-observable inputs are used, the day 1 profit is amortised over the term of the transaction and accounted for as 'Other liabilities'. Profit is taken at a subsequent stage if the financial instrument concerned has been sold or the inputs become visible at a later stage.

## 2.7 Available-for-sale financial assets (investment portfolio)

Management determines the classification of financial assets on the date of acquisition, depending on the purpose for which the investments are acquired.

Financial assets that are intended to be held indefinitely and that could be sold for liquidity purposes or in response to changes in interest rates, exchange rates or share prices are classified as available for sale.

Available-for-sale financial assets are initially recognised at fair value, including transaction costs, based on quoted bid prices or values derived from cash flow models. The fair values of unlisted equity instruments are estimated 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 equity unless they relate to amortised interest of exchange rate differences of monetary assets. If such financial assets are disposed of, the adjustments to fair value are recognised in the profit and loss account.

Debt instruments are impaired if there are objective indications that the fair value has decreased to such a degree that no reasonable assumptions can be made that the value will recover to the carrying amount in the foreseeable future.

On each reporting date, management assesses whether there are objective indications on the impairment of available-for-sale assets. Examples of objective evidence for value adjustments are:

- significant financial difficulties on the part of the issuer;
- default in making interest or redemption payments;
- the disappearance of active markets for the financial asset caused by financial difficulties.

In the event of impairment, the cumulative loss is determined by the difference between the cost and the current fair value, less any previously recognised impairment. This is transferred from the revaluation reserves in equity to the profit and loss account. If the impairment of a debt instrument diminishes in a subsequent period and the diminution can be objectively attributed to an event that occurred after the impairment, the impairment is reversed through the profit and loss account.

Equity instruments are impaired if their cost permanently exceeds their recoverable value. In other words, their fair value is significantly lower than their cost or lower than their cost for the long term. The recoverable amount of investments in

unlisted equity instruments is determined using approved 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 profit and loss account.

All purchases and sales made in accordance with standard market conventions for available-for-sale financial assets are recognised on the transaction date. All other purchases and sales are recognised on the settlement date.

## 2.8 Repurchase agreements and reverse repurchase agreements (professional securities transactions)

Financial assets that are sold subject to related sale and repurchase agreements are included in the financial statements under 'Financial assets held for trading' and 'Available-for-sale financial assets'. The liability to the counterparty is included under 'Due to banks' or 'Due to customers', subject to relevance. Financial assets acquired under reverse sale and reverse repurchase agreements are recognised as 'Loans and advances to banks', or 'Loans and advances to customers', subject to relevance. The difference between the selling price and repurchasing price is recognised as interest income or interest expense over the term of the agreement on the basis of the effective interest method.

## 2.9 Securitisations and other de-recognition constructions

Rabobank securitises, sells and carries various financial assets, which may involve a sale of these assets to special purpose entities (SPEs), which then issue securities to investors. Rabobank has the option of retaining an interest in sold securitised financial assets in the form of subordinated interest-only strips, subordinated securities, spread accounts, servicing rights, guarantees, put options and call options, and other constructions.

A financial asset (or a portion of thereof) is de-recognised if:

- the rights to the cash flows from the asset expire;
- the rights to the cash flows from the asset and a substantial portion of the risks and benefits of ownership of the asset are transferred;
- a commitment to transfer the cash flows from the asset is presumed and a substantial portion of the risks and benefits are transferred;
- not all the economic risks and benefits are retained or transferred, but the control over the asset is transferred.

A financial liability or a part thereof is de-recognised if it ceases to exist i.e. after the contractual obligation has been fulfilled, cancelled, or has expired.

If Rabobank retains control over the asset but does not retain a substantial portion of the risks and benefits, the asset is



recognised in proportion to the continued involvement of Rabobank. A related liability is also recognised to the extent of the continued involvement of Rabobank. The recognition of changes in the value of the liability corresponds to the recognition of changes in the value of the asset.

If a transaction does not meet the above conditions for de-recognition, 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 de-recognition, the transfer does not result in the contractual rights of Rabobank being 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 or obligations.

Profits and losses on securitisations and sale transactions partly depend on the previous carrying amounts of the financial assets transferred. These are allocated to the sold and retained interests on the basis of the relative fair values of these interests on the date of sale. Any gains and losses are recognised through profit or loss at the time of transfer.

The fair value of the sold and retained interests is based on quoted market prices or calculated as the present value of the future expected cash flows on the basis of pricing models that take into account various assumptions such as credit losses, discount rates, yield curves, payment frequency and other factors.

Rabobank decides whether the SPE should be included in the consolidated financial statement. For this purpose, it performs an assessment of the SPE by taking a number of factors into consideration, including the activities, decision making powers and the allocation of the benefits and risks associated with the activities of the SPE.

## 2.10 Cash and balances at central banks

Cash equivalents are highly liquid short-term assets held to meet current obligations in cash, rather than for investments or other purposes. Such investments have remaining terms of less than 90 days from inception. Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

## 2.11 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is transferred to the statement of financial position if a legal right to offset the recognised amounts exists and it is intended to settle the expected future cash flows on a net basis, or to realise the asset and settle the liability simultaneously. This mainly concerns offsetting current account balances and derivatives. The offsetting of taxes is discussed in Paragraph 2.23.

## 2.12 Foreign currency

### *Foreign entities*

Items included in the financial statements of each entity in Rabobank Group are carried in the currency that best reflects the economic reality of the underlying events and circumstances that are relevant for the entity (the functional currency).

The consolidated financial statements are presented in euros, which is the parent company's functional currency.

The profit and loss accounts and cash flows of foreign entities are translated into the presentation currency of Rabobank at the exchange rates valid on the transaction dates, which is approximately equal to the average exchange rates on 31 December. Translation differences arising on the net investments in foreign entities and on loans and other currency instruments designated as hedges of these investments are recognised in equity. If a foreign entity is sold, any such translation differences are recognised in the profit and loss account as part of the profit or loss on the sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are recognised as the assets and liabilities of the foreign entity and are translated at the closing rate.

### *Foreign-currency transactions*

Transactions in foreign currencies are translated into the functional currency at the exchange rates valid on the transaction dates. Translation differences arising on the settlement of such transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Translation differences that qualify as net investment hedges are recognised in equity.

Translation differences on debt securities and other monetary financial assets carried at fair value are included under foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are recognised as part of the fair value gains or losses. Translation differences on available-for-sale non-monetary items are included in the revaluation reserves reported under 'Equity'.

## 2.13 Interest

Interest income and expenses for all interest-bearing instruments is recognised in the profit and loss account on an accrual basis, whereby the effective interest method is applied. Interest income includes coupons relating to fixed interest financial assets and financial assets held for trading, as well as the cumulative premiums and discounts on government treasury securities and other cash equivalent instruments.

If any loans suffer impairment losses, they are written down to their recoverable amounts. The interest income recognised henceforth is based on the original discount rate for the calculation of the present value of the future cash flows used to determine the recoverable amounts. Interest on derivatives held for economic hedging purposes is shown separately under interest income.

## 2.14 Commission

Income from asset management activities consists mainly of unit trust, fund management commission and administration. Income from asset management and insurance brokerage is recognised as earned once the services have been provided. Commission is generally recognised on an accrual basis. Commission received for negotiating a transaction, or taking part in 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 transactions.

## 2.15 Loans and advances to customers and receivables loans and advances to banks

Loans and advances to customers and receivables loans and advances to banks are non-derivatives with fixed or definable payments that are not listed on an active market. An exception hereto are such assets that Rabobank classifies as held for trading purposes, or initially recognised at fair value for which value adjustments are recognised in the profit and loss account, or as available for sale. Loans and advances to customers and receivables are initially recognised at fair value, including transaction costs, and subsequently carried at amortised cost, including transaction costs. Loans are subject to either individual or collective impairment analyses. A value adjustment, a provision for expected losses on loans, is recognised if there is objective evidence that Rabobank will not be able to collect all amounts due under the original terms of the contract. The amount of the provision is the difference between the carrying amount and the achievable amount i.e. the cash value of expected cash flows. As well as the expected interest income and repayments, the provision amount also includes the amounts that can be obtained from guarantees and securities and are calculated at present value at the original (average) effective borrowing rate.

The provision for loans includes losses if there is objective evidence that losses are allocable to some

Examples of objective evidence for value adjustments are:

- significant financial difficulties on the part of the borrower;
- default in making interest and/or redemption payments on the part of the borrower;
- loan renegotiations;

- possibility of bankruptcy or financial reorganisation on the part of the borrower;
- changes in borrowers' payment status;
- changes in economic circumstances that could cause the borrower to default.

For each separate business unit, the losses are estimated on the basis of the credit ratings of the borrowers and the value of the collateral provided to the bank, with consideration given to the actual economic conditions under which the borrowers conduct their activities. The carrying amount of the loans is reduced through the use of a provision account, based on what the bank considers the most likely scenario, and the loss is recognised in the profit and loss account. Provisions for the impairment of expected loan losses are made as soon as the enforcement process is completed, the security provided has been realised, when virtually no other means of recovery are available and in the event of a formal cancellation of a debt. Any amounts subsequently collected are added under the item 'Credit loss costs' in the profit and loss account. As soon as the prospects for continuity have recovered and arrears have been cleared as agreed, the loan is no longer considered impaired (not fully collectible). Management continually assesses these renegotiated loans to ensure that all criteria are satisfied with a view to expected future cash flows.

Non-performing loans are loans that meet at least one of the following criteria:

- Property loans with arrears of more than 90 days;
- It is likely that the debtor will fail to fully pay their debt (principal sum, interest or fees) if the bank would not resort to the enforcement of its security interests (if present), regardless of the number of days or the amount in arrears.

The general provision constitutes the provision adopted for the portion of the portfolio that remains effectively impaired as in the reporting period but which has not yet been identified as such (IBNR; incurred but not reported) in the bank's risk systems. As before, Basel II parameters, adjusted to the IFRS guidelines and to current developments, are used here in order to determine the provision. An important factor in determining the general provision is what is known as the Loss Identification Period (LIP) i.e. the period between the time a loss event occurs at the client's company and the time the bank has recorded the loss event in its risk systems. The LIP is expressed in months and varies between portfolios.

On each reporting date, management assesses whether there is objective evidence that reclassified loans previously recognised as available-for-sale assets have been impaired.

For exposures classified as corporate exposures under CRD IV, exposures are measured in accordance with the 'one debtor' principle. This principle entails that the approved limit

for a debtor applies to the sum of all exposures – including derivatives, guarantees and the like – of the debtor group in which the debtor has been classified. Debtor groups include all debtors who form part of the economic entity in which legal entities and companies are affiliated with the same organisation. In addition, the majority shareholders also form part of the economic entity. The ‘one debtor’ principle applies across all entities; the exposures of the debtor group must be included for all group divisions.

## 2.16 Goodwill and other intangible assets

### 2.16.1 Goodwill

#### *Goodwill*

Goodwill is the amount by which the acquisition price paid for a subsidiary or associate exceeds the fair value on the date Rabobank acquired its share of the net assets and the contingent liabilities of the entity acquired. With each acquisition, the other non-controlling interests are recognised at fair value or at the proportion of the identifiable assets and liabilities of the acquired entity. Impairment tests are performed annually or – if indications so dictate – more frequently to determine whether impairment has occurred.

#### *Software development costs*

Costs related to the development or maintenance of software are recognised as an expense at the time they are incurred. Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and that will probably provide economic benefits exceeding the costs for longer than a year are recognised as goodwill and other intangible assets. Direct costs include employee expenses of the software development team, financing and an appropriate portion of the relevant overhead.

Expenditures that improve the performance of software compared with their original specifications are added to the original cost of the software. Software development costs are recognised as assets and amortised on a linear basis over a period not exceeding five years.

#### *Other intangible assets*

Other intangible assets are mainly those identified through business combinations. They are amortised over their terms. Rabobank performs an impairment test every year based on expected future cash flows. An impairment loss is taken if the expected future profits do not justify the carrying amount of the asset.

### *Impairment losses on goodwill*

During the fourth quarter of each financial year, or more frequently if indications of impairment exist, goodwill is tested for impairment by comparing the recoverable amount with the carrying amount. The highest of value in use on the one hand and fair value less selling costs on the other determines the recoverable amount. The definition of cash flow generating units depends on the type of company acquired. The value of a cash flow generating unit is arrived at by determining the present value of the expected future cash flows of the cash flow generating unit in question at the interest rate before tax.

The most important assumptions used in the cash flow model depend on the input data which reflect different financial and economic variables, such as the risk-free interest rate in a country and a premium reflecting the inherent risk from the entity concerned. The variables are determined subject to review by management. Impairments of goodwill are included under ‘Impairments of goodwill’ in the statement of income.

### *Impairment losses on other intangible assets*

On each reporting date, Rabobank assesses whether there are indications of impairment of other intangible assets. If such indications exist, impairment testing is carried out to determine whether the carrying amount of the other intangible assets is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Goodwill and software under development are tested for impairment each year on the reporting date or more frequently if indications of impairment exist. Impairment losses and reversed impairments of other intangible fixed assets are included in the profit and loss account.

## 2.17 Fixed tangible assets

Equipment (for own use) is recognised at historical cost net of accumulated depreciation and impairments if applicable. Property (for own use) mainly consists of offices and is also recognised at cost less accumulated depreciation and impairments if applicable.

Each asset is depreciated to its residual value over its estimated useful life:

- Land	Not depreciated
- Buildings	25 - 40 years
Equipment, including	
- Computer equipment	1 - 5 years
- Other equipment and vehicles	3 - 8 years

Rabobank every year assesses whether there are indications of impairment of tangible fixed assets. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is immediately written down to the recoverable amount. Impairment losses and reversed impairments of tangible fixed assets are included in 'Other administrative expenses' in the statement of income. Gains and losses on the disposal of tangible fixed assets are determined in proportion to their carrying amounts and taken into account when determining the operating result. Repair and maintenance work is charged to the profit and loss account at the time the relevant costs are incurred. Expenditures on extending or increasing the benefits from land and buildings compared with their original benefits are capitalised and subsequently depreciated.

## 2.18 Investment properties

Investment properties, mainly office buildings, are held for their long-term rental income and are not used by Rabobank or its subsidiaries. Investment properties are recognised as long-term investments and included in the statement of financial position at cost, net of accumulated depreciation and impairment. Investment properties are depreciated over a term of 40 years.

## 2.19 Leasing

### *Rabobank as lessee*

Leases relating to property and equipment under which virtually all risks and benefits of ownership are transferred to Rabobank are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or at the present value of the minimum lease payments if the present value is lower. Lease payments are apportioned between the lease liability and the finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding lease liabilities are included under 'Other liabilities' after the deduction of finance charges. The interest components of the finance charges are charged to the profit and loss account over the term of the lease. A tangible fixed asset acquired under a lease agreement is depreciated over the useful life of the asset or, if shorter, the term of the lease.

Leases under which a considerable portion of the risks and benefits of ownership of the assets are retained by the lessor are classified as operating leases. Operating lease payments (less any discounts by the lessor) are charged to the profit and loss account on a linear basis over the term of the lease.

### *Rabobank as lessor*

#### Finance leases

If assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable under 'Loans and advances to banks' or 'Loans and advances to customers'. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

#### Operating leases

Assets leased under operating leases are included in the statement of financial position under 'property and equipment'. The assets are depreciated over their expected useful lives in line with those of comparable items of property and equipment. Rental income (less discounts granted to lessees and write-downs) is recognised under 'Other results' on a linear basis over the term of the lease.

## 2.20 Provisions

Provisions are recognised if Rabobank has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If Rabobank expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only if the reimbursement is virtually certain. The provisions are carried at the discounted value of the expected future cash flows.

### *Restructuring*

Restructuring provisions comprise payments under redundancy schemes and other costs directly attributable to restructuring programmes. These costs are accounted for during the period in which a legal or actual payment obligation arises for Rabobank, a detailed plan has been prepared for redundancy pay, and there are realistic expectations among the parties concerned that the reorganisation will be implemented.

### *Tax and legal issues*

The provision for tax and legal issues is based on the best possible estimates available in 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*

This item includes provisions for onerous contracts, credit guarantees and obligations under the terms of the deposit guarantee scheme.

## **2.21 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 trustee administered funds as determined by periodic actuarial calculations. A defined benefit pension plan is one that incorporates a promise to pay an amount of pension benefit, which is usually based on several factors such as age, number of years in service and remuneration. A defined contribution plan is one in the context of which Rabobank pays fixed contributions to a separate entity (a pension fund) and acquires no legal or constructive obligation if the fund has insufficient assets to pay all the benefits to employee-members of the plan in respect of service in current and past periods.

### *Pension obligations*

The obligation under the defined benefit pension plans is the present value of the defined benefit pension obligation in the reporting period after the deduction of the fair value of fund investments. The defined benefit obligation is calculated annually by independent actuaries based on the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future outflow of cash funds based on the interest rates of high-quality corporate bonds with terms which approach that of the corresponding obligation. The majority of pension plans are career-average schemes. The costs of these plans i.e. the net pension charges for the period less employee contributions and interest, are included under 'Staff costs'. Net interest expenses or income are calculated by applying the discount rate at the beginning of the year for the asset or liability based on the defined benefit pension plan.

Actuarial gains and losses arising from actual developments or actuarial assumptions are recognised in the consolidated statement of comprehensive income.

### *Defined contribution plans*

Under defined contribution plans, Rabobank pays contributions into publicly or privately managed pension insurance schemes on a compulsory, contractual or voluntary basis. Once the contributions have been made, Rabobank has no further payment obligations. The regular contributions are costs for the year in which they are due and are included on this basis under 'Staff costs'.

### *Other post-employment obligations*

Some Rabobank business units provide other post-employment allowances. To become eligible for such benefits, the usual requirement is that the employee remains in service until retirement and has been with the company a minimum number of years. The expected costs of these benefits are accrued during the years of service, based on a system similar to that for defined benefit pension plans. The obligations are valued each year by independent actuaries.

### *Variable remuneration*

The costs of variable remuneration paid unconditionally and in cash are recognised in the year in which the employee renders the services. The costs of conditional payments in cash are included in staff costs in the profit and loss account in the period during which the employee's services are received, which equals the vesting period of the cash payment. The liability is recognised in other liabilities. The accounting treatment of equity instrument-based payments is disclosed in Paragraph 2.22.

## **2.22 Equity instrument-based payments**

Remuneration for services rendered by identified staff is made 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 awarded equity instruments' fair value on the award date and are recalculated annually at the value applicable at the time. The costs of the awarded equity instruments are included in staff costs in the profit and loss account in the period during which the employee's services are received, which equals the vesting period of the equity instruments. The liability is recognised in other liabilities.

## **2.23 Tax**

Current tax receivables and payables are offset if there is a legally enforceable right to offset such items and if simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset such items and if they relate to the same tax authority and arise from the same tax group.

Provisions are formed in full for deferred tax liabilities, using the liability method, arising from temporary differences on the reporting date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

The main temporary differences relate to the depreciation of tangible fixed assets, the revaluation of certain financial assets and liabilities, including derivatives, provisions for pensions

and other post-employment benefits, provisions for loan losses and other impairment and tax losses, and, in connection with business combinations, the fair values of the net assets acquired and their tax bases. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted on the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Provisions are formed in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Taxes on profit are calculated in accordance with the tax legislation of the relevant jurisdiction and recognised as an expense in the period in which the profit is realised. The tax effects of carrying forward unused tax losses are recognised as an asset if it is probable that future taxable profits will be available against which the losses can be utilised.

Deferred tax assets or deferred tax liabilities are included for the revaluation of available-for-sale financial assets and cash flow hedges that are directly taken to equity. Upon realisation, they are recognised in the profit and loss account together with the respective deferred gain or loss.

## 2.24 Due to banks, amounts due to customers and debt securities in issue (including subordinated liabilities)

These borrowings are initially recognised at fair value i.e. the issue price less directly allocable and non-recurring transaction costs, and subsequently carried at amortised cost, including transaction costs.

If Rabobank repurchases one of its own debt instruments, it is de-recognised, with the difference between the carrying amount of a liability and the consideration paid being recognised in the profit and loss account.

## 2.25 Rabobank Certificates

The proceeds from the issue of Rabobank Certificates are available to Rabobank Group in perpetuity and are subordinate to all liabilities and to the Trust Preferred Securities and the Capital Securities. As the payment of planned distributions is fully discretionary, the proceeds from the issue of Rabobank Certificates are recognised as equity. As a result of this, their dividends are treated as part of equity.

## 2.26 Capital Securities

Capital Securities are recognised as 'Equity' because there is no formal obligation to (re)pay the principal sum or to pay the dividend. The dividends paid on these instruments are shown as part of equity.

## 2.27 Financial guarantees

Financial guarantee contracts require the issuer to compensate the holder for a loss the latter incurs because a specified debtor fails to meet its obligations in accordance with the terms of a debt security. Such financial guarantees are recognised the first time at fair value and subsequently at the value of the discounted obligation. Under the guarantee or the higher value the first time, the amount is reduced by the already recognised cumulative result to show the accounting principles for the income.

# 3 Rabobank Group solvency and capital management

The ratios that apply to Rabobank Group are set out below.

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 strives to be better than other financial institutions. Rabobank manages its solvency position based on policy documents. The solvency position and the objectives are periodically on the agenda of the Risk Management Committee and the Balance Management Committee of the Executive Board and 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) of the bank 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. For 2015, the qualifying capital, tier 1 capital and core capital remain subject to the minimum of 8%, 6% and 4.5% respectively. 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.

<b>Minimum capital buffer</b>				
		<i>CET 1</i>	<i>Tier 1</i>	<i>Total capital</i>
Minimum	2015	4.5%	6.0%	8.0%
Capital conservation buffer <sup>1</sup>	2016-2019	2.5%	2.5%	2.5%
Minimum + capital conservation buffer		7.0%	8.5%	10.5%
Countercyclical buffer <sup>1</sup>	2016-2019		0% - 2.5%	
Systemic risk buffer <sup>1</sup>	2016-2019	3.0%	3.0%	3.0%

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

<sup>1</sup> 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%.

<b>Rabobank Group's ratios</b>		
<i>in millions of euros</i>	2015	2014
Retained earnings	25,482	24,528
Expected dividends	(126)	(119)
Rabobank Certificates	5,949	5,931
Part of non-controlling interests treated as qualifying capital	23	28
Reserves	224	365
Deductions	(5,539)	(5,248)
Transition guidance	2,741	3,229
<b>Common Equity Tier 1-capital</b>	<b>28,754</b>	<b>28,714</b>
Capital Securities	1,488	-
Grandfathered instruments	6,373	7,283
Non-controlling interests	5	6
Deductions	(76)	(3)
Transition guidance	(1,492)	(2,126)
<b>Tier 1 capital</b>	<b>35,052</b>	<b>33,874</b>
Part of subordinated liabilities treated as qualifying capital	15,078	11,738
Non-controlling interests	6	8
Deductions	(85)	-
Transition guidance	(596)	(481)
<b>Qualifying capital</b>	<b>49,455</b>	<b>45,139</b>
Risk-weighted assets	213,092	211,870
Common Equity Tier 1 ratio	13.5%	13.6%
Tier 1 ratio	16.4%	16.0%
Total capital ratio	23.2%	21.3%
Equity capital ratio	14.7%	14.4%

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 set to be phased in after five years for 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 will need 'grandfathering'. This means that these instruments will be phased out from the definition of solvency ratios, in line with the statutory requirements.



## 4 Risk exposure on financial instruments

### 4.1 Risk organisation

Rabobank Group manages risks at various levels. 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 Balance Sheet and Risk Management Committees are the advisory and executive committees of the Executive Board. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of Rabobank Group. The Chief Risk Officer, who is also a Member of the Executive Board, is responsible for the risk management policy within Rabobank Group. Responsibility for the risk policy within Rabobank Group is spread across two directorates. Risk Management is in charge of the policies relating to interest rate, market, liquidity, currency and operational risks, as well as for the policy for credit risks at portfolio level. Credit Risk Management is responsible for the credit risk acceptance policy at item level. Furthermore, the group entities practise independent risk management.

#### *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. Rabobank accepts deposits from customers at fixed and variable rates of interest for a variety of terms and aims to earn interest margins on these funds by investing them in high quality assets. Rabobank also aims to increase these margins through a portfolio approach of short funds and the allocation to loans for longer terms at higher interest rates, at the same time keeping sufficient cash resources to meet all payments that might become due.

A further objective of Rabobank is to increase its interest rate result by obtaining above-average margins, after the deduction of provisions, and by granting loans to commercial and retail borrowers with various credit ratings. These risks apply not only to loans recognised in the statement of financial position. Rabobank also gives guarantees, such as letters of credit, letters of performance and other guarantee documents.

### 4.3 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 bank books, investment books and capital books is adversely affected by changes in interest rates on the money and capital-markets. Bank books contain financial products and related derivatives which are held in order to generate interest rate income and the stable growth thereof. Investment books consist of financial instruments which are held for strategic purposes, including for the management of solvency risk, interest rate risk and liquidity risk. Capital books contain financial instruments financed with the bank's own capital.

Rabobank accepts a certain amount of interest rate risk in the banking environment, as this constitutes a fundamental part of banking, but at the same time the bank also aims to avoid unexpected material fluctuations in the 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 risk appetite for interest rate risk and the corresponding interest rate risk limits.

As part of its interest rate risk policy, Rabobank uses the following two key criteria:

- equity at risk, duration of equity; and
- income at risk; the vulnerability of the interest income to a gradual increase or decrease in interest rates over the next 12 months.

Interest rate risk at Rabobank arises as a result of discrepancies in the maturities and terms of loans and funds, option risk, basis risk and yield-curve risk. Any interest rate risk to which clients are exposed as a result of an increase in their obligations due to interest rate movements has no effect on the level of risk Rabobank is exposed to. Any negative effects arising from this exposure are regarded as a credit risk.

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 Central Treasury is responsible for implementing the decisions of this committee, while Group Risk Management is responsible for measurement and reporting. Rabobank's interest rate risk arises primarily from mortgages provided and business loans provided with a long fixed-interest period. These mortgages and loans are financed with, among other things, customers' savings, customers' current account balances and with funding provided by professional money market and capital market players. Measurements of interest rate risk are not only based on the contractually agreed data, but also on customer behaviour in the interest rate risk models that are used. Account is therefore taken of the early redemption of mortgages, and demand deposits, such as balances in immediately callable variable interest savings accounts and credit balances in payment accounts and

business current accounts, are modelled using the replicating portfolio method. This method is used to select portfolios of money and capital market instruments that most closely replicate the behaviour of the balance sheet items. The definition used for managing interest rate risk varies from the IFRS definition of equity. For interest rate risk management, the economic value of equity is defined as the present value of the assets less the present value of the liabilities plus the present value of the off-balance-sheet items. Through the use of hedge accounting and due to the fact that a large portion of the balance sheet is stated at amortised cost (in IFRS terms) and apart from the inherent counterparty risk therefore does not change in value, the effects of the calculated impairments on IFRS capital will be largely restricted to an impact on interest income.

#### 4.4 Credit risk

Credit risk is the risk that a counterparty is unable to meet a financial or other contractual obligation vis-à-vis the bank. Credit risk is inherent to granting loans. Positions in 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 a key factor when granting loans. A multi-level committee structure is 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 directly by the Executive Board.

The credit risk exposure relating to each individual borrower is further restricted by the use of sub-limits to hedge amounts at risk, not all of which are disclosed in the statement of financial position, and the use of daily delivery risk limits for trading items such as forward currency contracts. Most 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.

The maximum credit risk incurred in the reporting period in the event that counterparties fail to fulfil their obligations in respect of financial instruments, without taking into account the fair value of the collateral obtained, is 473,394 (2014: 490,627).

##### 4.4.1 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. This credit risk is managed as part of the general lending limits for clients. Where needed, Rabobank obtains collateral or other safeguards with respect to credit risks inherent in these transactions. The credit risk exposure represents the current fair value of all open derivative contracts showing a positive market value, taking into account master netting agreements enforceable under law.

##### 4.4.2 Collateral and credit management methods

The credit risk Rabobank is exposed to is restricted in part by obtaining collateral where necessary. The amount and nature of the collateral required depends partly on the assessment of the credit risk of the loan to the counterparty. Rabobank follows guidelines for the purpose of accepting and valuing different types of collateral. The major types of collateral are:

- Residential mortgage collateral;
- Mortgage collateral on immovable property, pledges on movable property, inventories and receivables, mainly for business loans;
- Cash and securities, mainly for securities lending activities and reverse repurchase transactions.

The management monitors the market value of collateral obtained and requires additional collateral where necessary. Rabobank also uses credit derivatives to manage credit risks. Rabobank further limits its exposure to credit risk by entering into master netting arrangements with counterparties for a significant volume of transactions. In general, master netting arrangements do not lead to the 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 of Rabobank from derivatives to which offsetting arrangements apply is highly sensitive to the closure of new transactions, the lapse of existing transactions and fluctuations in market interest and exchange rates.

##### 4.4.3 Off-balance-sheet financial instruments

The guarantees and standby letters of credit which Rabobank provides to third parties in the event a client cannot fulfil its obligations vis-à-vis these third parties, are exposed to credit risk. Documentary and commercial letters of credit and written undertakings by Rabobank on behalf of clients authorise third parties to draw bills against Rabobank up to a fixed amount subject to specific conditions. These transactions are backed by the delivery of the underlying goods to which they relate. Accordingly, the risk exposure of such an instrument is less than that of a direct loan.

Obligations to issue loans at a specific interest rate for a set period are included among the lender's obligations. They are accounted for as such, unless these obligations do not continue after the period expected to be needed to carry out suitable acceptance procedures. After that period they are treated as transactions according to standard market conventions. Rabobank is exposed to credit risk when it promises to grant lending facilities. The size of such losses is less than the total of the unused commitments because the promises to grant credit facilities are made subject to the clients meeting certain conditions that apply to loans. Rabobank monitors the term to expiry of credit promises because long-term commitments are generally associated with a higher risk than short-term commitments.

#### 4.4.4 Forbearance

Rabobank has developed a policy for monitoring its clemency 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 on 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'.

#### 4.4.5 Trends in the real estate portfolio

Rabobank's portfolio of commercial real estate in the Netherlands is managed by FGH Bank and the local Rabobanks. The commercial real estate market showed some signs of recovery in 2015. The demand of real estate users for offices and business premises increased slightly, although it remains low from a historical perspective. The supply of empty buildings is decreasing, both for offices and retail space. This is not the result of an increased growth in demand, but is due to a combination of two factors: extra initiatives to convert vacant buildings; and low levels of new housing development. However, rental prices are still under pressure in areas outside core locations in large cities. This has led to an increasingly visible demarcation between hopeless, disadvantaged and high potential properties. Long term trends such as demographic ageing, the 'New Way of Working' and online shopping are all important factors in this development. The pressure on retail property will continue for the coming years, in particular causing difficulties for mid-market retail chains. This is in contrast to the positive demand on the investment side, in which there is significant activity from both domestic and international investors. Low interest rates and limited returns on other investment segments are stimulating investments in real estate. All real estate segments are in demand among investors. Under the current market conditions, the quality of the commercial real estate portfolio is showing signs of stabilisation, especially in the second half of the year, whereby the aforementioned division in the market shows differences at sub-sector level.

Within Rabobank Group, more attention has been paid to the management of the commercial real estate portfolio in the Netherlands. Steps have already been taken in recent years to tighten the financing, revision and appraisal policies. At the beginning of 2015, within the context of One Rabobank, a vision that will see the bundling of Rabobank's activities to create optimal customer service, it was disclosed that FGH Bank would be integrated with Rabobank as a centre of expertise. The preparations for this process are in full swing.

#### 4.5 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 hedged the currency risk in full in 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.

#### 4.6 Liquidity risk

Rabobank is exposed to liquidity risk i.e. the risk that the bank is unable to meet all of its (re)payment obligations in good time, as well as the risk that the bank is unable to (re)finance assets at reasonable prices or at all. This could happen if clients or professional counterparties suddenly withdraw more funds than expected, which cannot be met by the bank's cash resources and when selling or pledging assets or borrowing funds from third parties also provides no solution.

Rabobank has long recognised liquidity risk as a major risk type. Rabobank therefore has a policy whereby the term of the funding matches the term of the loans granted. Long-term loans must be financed through funds entrusted by customers or long-term funding through professional markets.

Liquidity risk is managed on the basis of three pillars. The first of these pillars sets strict limits for the 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 first twelve months. A limit framework applies here too. In order to be prepared for potential crisis situations, a number of detailed contingency funding plans (CFPs) are in place. These CFPs are included in the internal test procedures.

The second pillar is used to maintain a substantial buffer of liquid assets. In addition to the funds held at central banks, these assets can be used to borrow from central banks, used

in repo transactions or in order to sell directly in the market in order to immediately generate liquidities. The size of the liquidity buffer is related to the risk to which Rabobank is exposed through its balance sheet. Rabobank Group has internally securitised a portion of its loan portfolio which means it can be pledged from the central bank and therefore serves as an additional liquidity buffer. Since this concerns internal securitisations, solely for liquidity purposes, they are not visible in the economic balance sheet but are included in the available liquidity buffer.

The third pillar entails the restriction of liquidity risk through a prudent funding policy aimed at meeting the financing requirements of the group's units at acceptable cost.

Diversification of sources of funding and currencies, flexibility of the funding instruments applied and a hands-on investor relations approach are key factors. This prevents Rabobank Group from being overly dependent on a single source of funding.

Furthermore, scenario analyses are performed each month to calculate the possible consequences of a wide range of stress scenarios. Not only market-specific scenarios, but also Rabobank-specific, as well as a combination of these scenarios, are analysed. Monthly reports on the liquidity position of the Group as a whole are submitted to the Dutch Central Bank. These reports are prepared in accordance with the guidelines drawn up by this supervisory authority.

#### 4.7 Market risk in the trading environment

'Market risk in the trading environment' refers to changes in the value of the trading book as a result of, among other things, changes in interest rates, credit spreads, foreign currencies and share prices. Analyses of the market risk in the bank book are included in Paragraph 4.3 'Interest-rate risk in the banking environment' and Paragraph 4.5 'Currency risk in the banking environment'.

At the consolidated level, the risk is represented by the Value at Risk (VaR), basis point sensitivity and event risk. The Executive Board annually ratifies the risk appetite and the corresponding limits. These limits are converted into limits at book level and are monitored daily by the market risk management departments. In addition to the VaR, basis point sensitivity and event risk limits, an extremely detailed system of trading controls per book is in place, including rotation risk (i.e. risk that the yield curve will shift), delta limits per bucket, nominal limits and the maximum number of contracts. The risk position is reported to the senior management on a daily basis and discussed in the various risk management committees on a monthly basis.

The VaR indicates, based on one year of historical market trends, the maximum loss for a given reliability level and horizon under 'normal' market conditions. The internal VaR model forms an integral part of the risk management framework at Rabobank. This internal model has also been approved by DNB to determine the solvency requirement for market risk in the trading book. Rabobank has opted to apply a VaR based on historical simulation for which one year's worth of historic data is used. The VaR is calculated over time horizons of both one day and ten days. For internal risk management purposes, Rabobank has opted for a confidence level of 97.5%. Furthermore, the VaR with a confidence level of 99% is also calculated on a daily basis. A significant advantage of a VaR model based on historical simulation is that no assumptions need to be made about the distribution of potential value adjustments for the various financial instruments. A drawback is that a choice needs to be made concerning the period of historical market trends which could potentially affect the amount of the VaR as calculated. Based on the requirements imposed by the regulator and following our own research, it was decided to use an historical period of one year. Back testing is used in order to test the actual outcomes on a regular basis in order to determine the validity of the assumptions and parameters/factors used in calculating the VaR.

#### 4.8 Operational risk

Rabobank defines operational risk as the risk of losses incurred as a result of inadequate or dysfunctional internal processes, people and systems, or as a result of external trends and developments. Potential legal risks and reputational risks are considered in the assessment and management of operational risk.

In measuring and managing operational risks, Rabobank Group operates within the parameters of the most advanced Basel II approach, the Advanced Measurement Approach. For the management of operational risks, Rabobank 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, measure, mitigate and monitor various types of operational risks. The risk quantification process supports the management responsible for prioritising the actions to be undertaken and the allocation 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 according to the established risk appetite. The risk management functions

within the group entities and within Risk Management together constitute the 'second line of defence'. The risk management functions have a monitoring role when it comes to risks and challenge 'the first line of defence' with respect to the way they manage risks. In addition, they report on the risk profile to the management and to the Executive Board, independently from the first line. Internal audits form the 'third line of defence'.

At group level, the Non-Financial Risk Committee (NFRC) is responsible for formulating policy and setting the parameters. In addition, Risk Management also reports each quarter to the NFRC on changes in operational risks at group level. A number of risk management committees have been established within the group's entities. Their responsibilities include monitoring operational risks (including system continuity risks, IT security risks and fraud risks) of the relevant entity.

The yearly risk management cycle consists of, among other things, a group-wide Risk Self Assessment, in which the most important operational risks are inventoried and, if the risks fall outside the risk appetite, for which mitigating measures are identified based on scenario analyses with senior managers of the entire Rabobank Group, in order to gain insight into the risk profile of the group.

#### 4.9 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 of this, Rabobank Group is involved in legal cases, arbitrations and regulatory procedures 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 useful 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 the likelihood of them leading to an outflow of funds is higher than fifty percent, and therefore an estimate is made of these losses, Rabobank Group takes into account a number of factors, including (but 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 Groep's experience and that of third parties of similar cases (if known), earlier settlement discussions, third-party settlements in similar cases (where known), available indemnities and the advice and opinions for legal advisors and other experts.

The estimate potential losses, and the existing provisions, are based on the currently available information and are for the main part subject to judgements and a number of different assumptions, variable 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 or 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 frequently impossible to process using statistical or other quantitative analysis instruments, that are frequently 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 set of cases for which Rabobank Group determines that the risk of the future outflow of funds is higher than fifty percent will change from time to time, as will the cases for which an estimate can be made and the estimated potential losses for these cases. In practice the results achieved can turn out to be considerably higher or lower than the estimates of potential losses in those cases where an estimate of this kind was made. In addition, losses may be incurred in cases where Rabobank Group estimated that the risk of this occurring was low. Rabobank Group may settle legal cases or regulatory procedures or investigations before reaching an (irrevocable) fine or determination of liability. They may do so in order to avoid costs, management effort at this level, or other negative business consequences and/or regulatory or reputational consequences of continuing with the disputes relating to liability, even if Rabobank Group is of the opinion that it has arguments to defend itself against such liability. It may also do this when the potential consequences of losing a case are disproportionate to the costs of a settlement. 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.

### 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 the provision of statements for laying down interest rate benchmarks. Rabobank is cooperating, and will continue to cooperate, with the regulators and authorities involved in these global investigations.

On 29 October 2013, Rabobank entered into a settlement agreement with various authorities in relation to their investigations into the historical Libor and Euribor submission processes of Rabobank. Additional information is available on the bank's corporate website. All amounts payable under this settlement agreement 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 and representatives (including managers and directors) in respect of the manipulation, attempts of manipulation or mutual coordination between banks for establishing interest rate benchmarks. 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 mentioned in connection with a number of 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 several Dutch courts in civil proceedings relating to EURIBOR. Furthermore, various individuals and entities have made a number of allegations relating to Euribor in letters to and legal proceedings against Rabobank and/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.

### Fortis

'The Dutch Investors' Association' (VEB) has 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 sub prime 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. We maintain 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. Depending on the outcome of these proceedings, it will become clear whether separate loss proceedings are to be expected. Rabobank is defending itself against the claim; at present, however Rabobank is unable to assess the outcome of these or any subsequent proceedings.

### Interest rate derivatives in the SME segment

Rabobank provides interest rate derivatives for business customers who wish to reduce the interest rate risk associated with variable (e.g. indexed Euribor) loans. Such an interest rate swap protects customers from rising interest rates and helps businesses to keep their interest payments at an acceptable level.

For business customers who have both a loan and an interest rate derivative, the bank (re)assessed the individual position in 2014 and 2015. If a closed interest rate derivative no longer suits the customer's requirements, the bank and the customer set out to find a solution which is acceptable to the customer. Solutions vary from adjustments to the transactions to termination or (partial) compensation. Each of these solutions is tailor-made, which means that all the circumstances of a case known to Rabobank, as well as knowledge of the company concerned, are considered in the assessment.

In December 2015, Rabobank took note of the conclusion by the AFM that the banks' revaluations of the interest rate derivatives are unsatisfactory. It has found shortcomings during its own testing of the revaluations. Rabobank is currently working with the AFM on a suitable solution to the situation that has arisen.

Furthermore, there are pending complaints proceedings against Rabobank regarding interest rate derivatives brought by Kifid (Dutch Financial Services Complaints Authority, which, in January 2015, opened an enquiry window for businesses with interest rate derivatives).

### BSA/AML

In 2015, Rabobank concluded a written agreement with the Federal Reserve Bank of New York and the New York Department of Financial Services. Under this agreement, Rabobank is required to, amongst other things, improve the BSA/AML (Bank Secrecy Act/Anti-Money Laundering) framework for its American company. In 2013, Rabobank, N.A. (RNA), a group company, almost entirely owned by Rabobank, agreed to a Consent Order with the US Office of the Comptroller of the Currency concerning its BSA/AML programme. American authorities are investigating the BSA/AML compliance programme of RNA as well as the historical conduct and practices involved and have, in this context, requested documentation and other information to be submitted to them. Both Rabobank and RNA are providing their full cooperation to this investigation.



# Notes to the statement of financial position of Rabobank

Unless otherwise stated, all amounts are in millions of euros.

## 1 Cash and balances at central banks

This item consists of legal tender, balances available on demand with foreign central banks in countries where Rabobank operates, as well as a balance with De Nederlandsche Bank (the Dutch Central Bank) as required under its minimum reserve policy.

## 2 Short-term government papers

This item relates to government securities with an original term to maturity of up to two years that the central bank in the country of origin will redeem at a discount or accept as collateral. The cost and market value of short-term government papers are virtually the same.

	2015	2014
Recognised in the trading portfolio	19	123
Recognised in the investment portfolio	841	817
<b>Total short-term government papers</b>	<b>860</b>	<b>940</b>

## 3 Loans and advances to banks

This item represents loans and advances to other banks, other than in the form of interest-bearing securities.

	2015	2014
<b>Totals include:</b>		
Loans and advances to group companies	74,211	92,848
Of which subordinated	-	-
<b>The terms of receivables from other banks other than group companies are as follows:</b>		
On demand or undated	50,848	69,995
≤ 3 months	20,138	27,001
> 3 months ≤ 1 year	8,354	7,792
> 1 year ≤ 5 years	15,554	19,847
> 5 years	12,319	11,537
	<b>107,213</b>	<b>136,172</b>

The fair value of collateral that Rabobank can sell or pledge is 16,720 (2014: 26,784).

## 4 Loans and advances to customers

This item consists of loans and advances arising in the course of business operations, other than receivables from banks and interest-bearing securities.

	2015	2014
<b>Breakdown of loans and advances to customers:</b>		
Public sector lending	2,915	1,543
Private sector lending	115,311	116,493
Professional securities transactions	21,007	19,176
<b>Total lending</b>	<b>139,233</b>	<b>137,212</b>
<b>Totals include:</b>		
Of which to group companies	66,115	66,360
Other mortgages	-	-
Total home residential mortgages	-	-
<b>Total lending</b>	<b>139,233</b>	<b>137,212</b>
Of which recognised in the trading portfolio	1,487	1,767
Of which recognised in the investment portfolio	6	7
Lending including loans which form part of the trading and investment portfolios	<b>137,740</b>	<b>135,438</b>
<b>The terms of loans and advances can be broken down as follows:</b>		
On demand or undated	20,584	26,395
≤ 3 months	32,398	32,378
> 3 months ≤ 1 year	15,089	18,798
> 1 year ≤ 5 years	42,145	41,194
> 5 years	27,524	16,673
Lending including loans which form part of the trading and investment portfolios	<b>137,740</b>	<b>135,438</b>
<b>The loans (excluding those to the government, reverse repos and share lending) can be classified as follows by their concentration in specific business sectors:</b>		
Food and agri	43%	39%
Trade, industry and services	57%	61%
Private individuals	0%	0%
	<b>100%</b>	<b>100%</b>

The fair value of collateral accepted in the form of debt securities is 5,656 (2014: 5,361).

### 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.

in millions of euros	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets held for trading reclassified to loans	183	174	347	334
Available-for-sale financial assets reclassified to loans	714	678	1,188	1,213
<b>Total financial assets reclassified to loans</b>	<b>897</b>	<b>852</b>	<b>1,535</b>	<b>1,547</b>

If the reclassification had not been made, net profit for the assets held for trading would have been 2 higher (2014: 26 higher). The change in the equity position in 2015 would have been 43 more negative (2014: 62 more negative) if the reclassification of financial assets held for sale 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		
	2015	2014
Net interest income	3	-
Loan impairment charges	-	1
<b>Operating profit before taxation on reclassified financial assets held for trading</b>	<b>3</b>	<b>1</b>
Net interest income	16	37
Loan impairment charges	2	121
<b>Operating profit before taxation on reclassified financial assets held for trading</b>	<b>18</b>	<b>158</b>

Credit loss costs include reversed impairments and recoveries subsequent to write-downs to the amount of 3 (2014: 148) and impairments to the amount of 1 (2014: 26).

## 5 Interest-bearing securities

This item represents interest-bearing negotiable bonds and other interest-bearing securities, other than short-term government papers.

	2015	2014
<b>Interest-bearing securities of:</b>		
Public authorities	25,942	27,638
Other issuers	60,534	61,768
<b>Total interest-bearing securities</b>	<b>86,476</b>	<b>89,406</b>
<b>Breakdown of interest-bearing securities:</b>		
Investment portfolio	82,878	83,774
Investment portfolio containing value adjustments through the profit and loss account	815	2,476
Trading portfolio	2,783	3,156
	<b>86,476</b>	<b>89,406</b>
<b>The portfolio also includes:</b>		
Securities issued by group companies	52,266	52,157
Listed portion of the portfolio	28,492	30,653
Unlisted securities/group companies	57,984	58,753
<b>Total interest-bearing securities</b>	<b>86,476</b>	<b>89,406</b>

## 6 Shares

This item consists of shares and other non-interest-bearing securities, including temporary other investments.

	2015	2014
<i>This breaks down as follows:</i>		
Investment portfolio	612	650
Investment portfolio at fair value through profit or loss	8	35
Trading portfolio	158	270
	<b>778</b>	<b>955</b>
Listed portion of the portfolio	487	531
Non-listed portion of the portfolio	291	424
	<b>778</b>	<b>955</b>

## 7 Participating interests in group companies

This item includes the interests held directly in group companies.

	2015	2014
<i>Equity investments in:</i>		
Credit institutions	7,126	5,991
Other	11,463	7,284
<b>Total equity investments in group companies</b>	<b>18,589</b>	<b>13,275</b>
<i>Changes in equity investments:</i>		
Carrying amount on 1 January	13,275	13,141
Capital contributions during the financial year	5,364	666
Sales, disposals and liquidations during the financial year	(170)	(1,420)
Profit	646	760
Dividend	(391)	(2)
Revaluation	(135)	130
<b>Carrying amount on 31 December</b>	<b>18,589</b>	<b>13,275</b>

## 8 Other equity investments

This item includes participating interests in associates, in particular Achmea B.V.

	2015	2014
<i>Equity investments in:</i>		
Credit institutions	97	85
Other	2,575	2,555
<b>Total other equity investments</b>	<b>2,672</b>	<b>2,640</b>
<i>Changes in equity investments:</i>		
Carrying amount on 1 January	2,640	2,653
Acquisitions during the financial year	2	6
Disposals during the financial year	-	-
Profit	118	4
Revaluation	(81)	20
Dividend	(7)	(43)
<b>Carrying amount on 31 December</b>	<b>2,672</b>	<b>2,640</b>

## 9 Goodwill and other intangible assets

This item includes software.

	2015	2014
Goodwill	2	-
Software	467	443
<b>Total goodwill and other intangible assets</b>	<b>469</b>	<b>443</b>

### Changes in goodwill and other intangible assets 2015

	Goodwill	Software	Total
Carrying amount on 1 January	-	443	443
Acquisitions during the financial year	2	414	416
Disposals during the financial year (to group companies)	-	-	-
Disposals during the financial year	-	(239)	(239)
Depreciation	-	(134)	(134)
Impairment losses	-	-	-
Exchange differences and other	-	(17)	(17)
<b>Carrying amount on 31 December</b>	<b>2</b>	<b>467</b>	<b>469</b>
Accumulated depreciation and impairment losses	-	1,015	1,015

### Changes in goodwill and other intangible assets 2014

	Software	Total
Carrying amount on 1 January	410	410
Acquisitions during the financial year	191	191
Disposals during the financial year (to group companies)	(54)	(54)
Depreciation	(129)	(129)
Impairment losses	-	-
Exchange differences and other	25	25
<b>Carrying amount on 31 December</b>	<b>443</b>	<b>443</b>
Accumulated depreciation and impairment losses	942	942

## 10 Tangible fixed assets

This item consists of land and buildings, equipment and other tangible non-current assets, as well as tangible fixed assets not in own use, such as non-current assets acquired under foreclosure.

	2015	2014
Land and buildings in own use	720	716
Equipment	215	122
<b>Total tangible fixed assets</b>	<b>935</b>	<b>838</b>

### Changes in tangible fixed assets 2015

	Land and buildings in own use	Equipment	Total
Carrying amount on 1 January	716	122	838
Acquisitions during the financial year	46	209	255
Disposals during the financial year	-	(57)	(57)
Depreciation	(43)	(56)	(99)
Impairment losses	-	-	-
Exchange differences and other	1	(3)	(2)
<b>Carrying amount on 31 December</b>	<b>720</b>	<b>215</b>	<b>935</b>
Accumulated depreciation and impairment losses	542	298	840

### Changes in tangible fixed assets 2014

	Land and buildings in own use	Equipment	Total
Carrying amount on 1 January	733	128	861
Acquisitions during the financial year	38	31	69
Disposals during the financial year	(3)	-	(3)
Depreciation	(42)	(42)	(84)
Impairment losses	-	-	-
Exchange differences and other	(10)	5	(5)
<b>Carrying amount on 31 December</b>	<b>716</b>	<b>122</b>	<b>838</b>
Accumulated depreciation and impairment losses	499	317	816

## 11 Other assets

This item relates to precious metals, certificates representing precious metals, coins and medals made of precious metals (not being legal tender), goods and warehouse receipts, current and deferred tax assets and assets that cannot be classified under any other heading.

	2015	2014
<i>This item can be broken down as follows:</i>		
Deferred tax assets	1,845	2,020
Employee benefits	5	5
Other	2,871	3,556
<b>Other assets</b>	<b>4,721</b>	<b>5,581</b>

### Fiscal unit for corporate tax purposes

For corporate tax purposes Rabobank forms a fiscal unit with a number of domestic subsidiaries and member banks. Under the fiscal unit, each participating legal entity is jointly and severally liable for the fiscal unit's corporate tax liabilities.

## 12 Derivatives

The notes to the derivatives are included below.

	2015	2014
<b>Assets</b>		
<i>This item can be broken down as follows:</i>		
Derivative contracts with third parties	45,177	52,833
Derivative contracts with group companies	12,062	14,480
<b>Total derivatives</b>	<b>57,239</b>	<b>67,313</b>
<b>Liabilities</b>		
<i>This item can be broken down as follows:</i>		
Derivative contracts with third parties	54,491	66,060
Derivative contracts with group companies	8,933	10,126
<b>Total derivatives</b>	<b>63,424</b>	<b>76,186</b>

The table below shows the notional amounts and the positive and negative fair values of Rabobank's derivative contracts with third parties.

	Notional amounts	Fair values	
		Assets	Liabilities
<i>Balance on 31 December 2015</i>			
<i>Derivatives held for trading</i>			
<b>Interest rate contracts</b>	<b>2,378,968</b>	<b>34,579</b>	<b>33,557</b>
OTC	2,312,801	34,578	33,557
Listed	66,167	1	-
<b>Currency contracts</b>	<b>398,381</b>	<b>5,030</b>	<b>7,608</b>
OTC	396,816	5,017	7,596
Listed	1,565	13	12
<b>Credit derivatives</b>	<b>3,340</b>	<b>2</b>	<b>15</b>
<b>Other contracts</b>	<b>5,633</b>	<b>610</b>	<b>463</b>
OTC	4,394	515	417
Listed	1,239	95	47
<i>Derivatives held as hedges</i>			
<i>Derivatives designated as fair value hedges</i>	<b>132,266</b>	<b>4,017</b>	<b>11,202</b>
Interest rate contracts	47,687	1,787	11,161
Currency contracts	84,579	2,230	41
<i>Derivatives designated as cash flow hedges</i>	<b>15,957</b>	<b>939</b>	<b>1,646</b>
Currency contracts	15,957	939	1,646
<b>Total derivative financial contracts with third parties</b>	<b>2,934,545</b>	<b>45,177</b>	<b>54,491</b>

	Notional amounts	Fair values	
		Assets	Liabilities
<i>Balance on 31 December 2014</i>			
<i>Derivatives held for trading</i>			
<b>Interest rate contracts</b>	<b>2,125,332</b>	<b>40,385</b>	<b>40,382</b>
OTC	2,078,507	40,384	40,379
Listed	46,825	1	3
<b>Currency contracts</b>	<b>364,984</b>	<b>5,213</b>	<b>6,839</b>
OTC	363,412	5,174	6,835
Listed	1,572	39	4
<b>Credit derivatives</b>	<b>5,984</b>	<b>21</b>	<b>59</b>
<b>Other contracts</b>	<b>11,278</b>	<b>899</b>	<b>843</b>
OTC	8,156	712	705
Listed	3,122	187	138
<i>Derivatives held as hedges</i>			
<i>Derivatives designated as fair value hedges</i>	<b>138,543</b>	<b>5,527</b>	<b>14,489</b>
Interest rate contracts	44,365	1,571	14,439
Currency contracts	94,178	3,956	50
<i>Derivatives designated as cash flow hedges</i>			
Currency contracts	19,698	788	3,448
<b>Total derivative financial contracts with third parties</b>	<b>2,665,819</b>	<b>52,833</b>	<b>66,060</b>

<b>Breakdown of trading and investment portfolios</b>		
	2015	2014
<i>Trading portfolio including group companies</i>		
Short-term government papers	19	123
Loans and advances to customers	1,487	1,767
Interest-bearing securities	2,783	3,156
Shares	158	270
	<b>4,447</b>	<b>5,316</b>
<i>Investment portfolio</i>		
Short-term government papers	841	816
Interest-bearing securities	82,878	83,774
Shares	612	650
Loans and advances to customers	6	7
	<b>84,337</b>	<b>85,247</b>
Included in the investment portfolios of group companies	52,213	52,109
<i>Changes in the investment portfolio</i>		
Balance on 1 January	85,247	90,602
Foreign exchange differences	362	408
Acquisitions during the financial year	2,711	5,252
Disposals during the financial year	(3,942)	(10,784)
Fair value changes	(286)	424
Depreciation, impairments and reversals over the book year	-	-
Other	245	(655)
<b>Balance on 31 December</b>	<b>84,337</b>	<b>85,247</b>
<i>The terms of securities included in the investment portfolio other than group companies are as follows:</i>		
On demand or undated	603	642
≤ 3 months	961	1,679
> 3 months ≤ 1 year	3,209	1,958
> 1 year ≤ 5 years	18,138	15,228
> 5 years	61,426	65,740
	<b>84,337</b>	<b>85,247</b>
<i>Investment portfolio containing value adjustments through the profit and loss account including group companies</i>		
Interest-bearing securities	815	2,476
Shares	8	35
	<b>823</b>	<b>2,511</b>

## 13 Prepayments and accrued income

This item mainly relates to accrued interest.

## 14 Due to banks

This item represents amounts owed to credit institutions, other than debt securities and subordinated debt, of which:

Totals include:	2015	2014
Group companies	26,080	24,472
Other equity investments	128	92
The terms of amounts owed to other banks other than group companies are as follows:		
On demand or undated	20,998	19,246
≤ 3 months	6,679	7,499
> 3 months ≤ 1 year	1,805	1,313
> 1 year ≤ 5 years	8,235	5,935
> 5 years	3,625	4,513
	<b>41,342</b>	<b>38,506</b>

## 15 Due to customers

This item consists of amounts due to customers other than debt securities. Due to customers also includes the investments of central banks amounting to EUR 23 billion (2014: EUR 20 billion).

Totals include:	2015	2014
Group companies	8,186	8,690
Other equity investments	1,176	835

Savings comprise all deposits and savings accounts of natural persons, non-profit making associations and foundations, as well as non-transferable savings bonds.

The terms of amounts due to customers other than to group companies are as follows:

	2015	2014
On demand or undated	51,965	41,462
≤ 3 months	42,679	42,600
> 3 months ≤ 1 year	7,160	5,647
> 1 year ≤ 5 years	1,735	2,333
> 5 years	12,358	16,913
	<b>115,897</b>	<b>108,955</b>

## 16 Debt securities

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit.

	2015	2014
Tradeable debt securities	103,942	124,923
Other debt securities	62,559	57,205
	<b>166,501</b>	<b>182,128</b>
The terms of debt securities other than of group companies can be broken down as follows:		
On demand or undated	153	267
≤ 3 months	27,566	27,442
> 3 months ≤ 1 year	48,379	56,998
> 1 year ≤ 5 years	55,393	57,284
> 5 years	35,010	40,137
	<b>166,501</b>	<b>182,128</b>

## 17 Other liabilities

This item includes liabilities that cannot be classified under any other heading, such as short positions for securities and liabilities associated with securitised receivables. Other liabilities also includes liabilities for staff costs, taxes and national insurance contributions. At year-end 2015, approximately EUR 55 billion in local Rabobank mortgages were securitised.

	2015	2014
This item can be broken down as follows:		
Liabilities associated with securitised receivables	54,817	54,232
Current tax liabilities	187	212
Other liabilities	2,916	3,483
<b>Total other debt</b>	<b>57,920</b>	<b>57,927</b>

## 18 Provisions

	2015	2014
Provision for pensions and other post-retirement allowances	223	240
Provision for deferred tax liabilities	-	-
Other provisions	276	305
<b>Total provisions</b>	<b>499</b>	<b>545</b>

### Pension provision

The provision for pensions and other allowances following termination of employment consists of a provision for pensions 26 (2014: 23) and other employee benefits 197 (2014: 217). For Rabobank Group, the net liability for pensions is 110 (2014: 116). For Rabobank, this amounts to 21 (2014: 18) (i.e. the balance of the pension provision and the pension claim of 5 (2014: 5)).

## Other provisions

Other provisions concern a restructuring provision, a provision for credit guarantees related to loans, provisions for other risks and guarantees and a provision for ongoing legal claims.

	2015	2014
<b>Changes in other provisions</b>		
Balance on 1 January	305	528
Additions charged to profit	131	65
Withdrawals and releases	(160)	(260)
Other changes	-	(28)
<b>Balance on 31 December</b>	<b>276</b>	<b>305</b>

## 19 Subordinated liabilities

This represents the loans relating to the issue of Trust Preferred Securities and subordinated loans.

	2015	2014
Loans related to the issue of Trust Preferred Securities III, IV, V and VI	1,853	1,684
Subordinated loans	15,479	11,902
<b>Balance on 31 December</b>	<b>17,332</b>	<b>13,586</b>

In 2015, Rabobank issued four subordinated bonds in AUD and USD. The AUD 225 million bond matures in July 2025 and has a coupon rate of 5.00%. The AUD 475 million bond matures in July 2025 and has a variable coupon rate. Rabobank is entitled, but not obliged, to early repayment of these AUD bond loans on 2 July 2020. The USD 1,500 million bond matures in August 2025 and has a coupon rate of 4.375%. The USD 1,250 million bond matures in August 2045 and has a coupon rate of 5.25%. In 2014, Rabobank issued three subordinated bonds in GBP, Euros and JPY. The EUR 2 billion bond matures in May 2026 and has a coupon rate of 2.50%. Rabobank is entitled, but not obliged, to early repayment of this bond loan in 2019. The GBP 1 billion bond matures in May 2029 and has a coupon rate of 4.625%. The JPY 50.8 billion bond matures in December 2024 and has a coupon rate of 1.429%.

Rabobank issued three subordinated loans in 2013:

a EUR 1,000 million loan with a fixed interest rate of 3.875% and a maturity date in 2023; a USD 1,750 million loan with a fixed interest rate of 4.625% and a maturity date in 2023; and a USD 1,250 million loan with a fixed interest rate of 5.75% and a maturity date in 2043.

In 2012, Rabobank issued three subordinated loans:

a EUR 1,000 million loan with a fixed interest rate of 4.125% and a maturity date in 2022; a GBP 500 million loan with a fixed interest rate of 5.25% and a maturity date in 2027; and a USD 1,500 million loan with a fixed interest rate of 3.95% and a maturity date in 2022. In 2010, Rabobank issued

a EUR 1,000 million loan with a fixed interest rate of 3.75% and a maturity date in 2020. In 2009, Rabobank issued a EUR 1,000 million loan with a fixed interest rate of 5.875% and a maturity date in 2019.

## 20 Equity

	2015	2014
<b>This item can be broken down as follows:</b>		
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 reserve	641	463
Other reserves	(3,479)	(3,235)
Results for previous financial year	908	1,352
<b>Total equity</b>	<b>18,815</b>	<b>18,007</b>

### Capital

This section includes the fully issued and paid-up share capital. All shares have been issued to local Rabobanks. As of 1 January 2016, as a consequence of the legal merger between Rabobank and the local Rabobanks, the shares became void - see 'Events after the reporting period'.

<b>Capital</b>		
<i>in millions of euros</i>	2015	2014
<b>Changes during the year:</b>		
Opening balance	600	6,002
From Capital to Premium	-	(5,402)
<b>Closing balance</b>	<b>600</b>	<b>600</b>

### Premium

<b>Premium</b>		
<i>in millions of euros</i>	2015	2014
<b>Changes during the year:</b>		
Opening balance	5,402	-
From Capital to Premium	-	5,402
<b>Closing balance</b>	<b>5,402</b>	<b>5,402</b>

### Rabobank Certificates

In the period 2000-2005, Rabobank issued member certificates as part of its member loyalty programme. There were four issues (in 2000, 2001, 2002 and 2005) under which member certificates were only made available to members of local Rabobanks and were traded once a month on an internal market. On 14 January 2014, the certificate holder meeting approved the proposed change in order to facilitate a Euronext Amsterdam listing. The Rabobank Certificates have been listed



on Euronext Amsterdam since 27 January 2014. Since the stock exchange listing, Rabobank Certificates are also available to non-Rabobank members. This has increased the marketability of this instrument.

Rabobank Certificates represent private participation rights issued by Rabobank via the foundation Stichting Administratie Kantoor Rabobank Certificaten and belong to the Common Equity Tier 1 equity of Rabobank.

The initial share price on 27 January 2014 amounted to 105.00% (EUR 26.25). On 31 December 2015, the share price amounted to 111.46% (EUR 27.87). Of the total 237,961,365 certificates, an average of 4.3 million were traded every day on Euronext Amsterdam during this period.

The distribution paid per certificate in 2015 was EUR 1,625 (2014: 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.

<b>Rabobank Certificates</b>		
<i>in millions of euros</i>	2015	2014
<b>Changes during the year:</b>		
Opening balance	5,931	5,823
Rabobank Certificates issued during the year	18	108
<b>Closing balance</b>	<b>5,949</b>	<b>5,931</b>

### Capital Securities

All Capital Securities are perpetual and have no expiry date.

The distribution on Capital Securities per issue is as follows:

#### *Issue of EUR 1,500 million*

The distribution 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.

Capital Securities are recognised as equity, as there is no formal obligation to repay the principal or to pay the periodic dividend. These Capital Securities comply with the current rules, the so-called CRD IV and CRR requirements, concerning additional tier 1 capital. The conditions include the requirement that the securities must not pay starter interest and must absorb losses if a certain trigger is reached. In that case, the relevant amount will be debited from the principal. The debiting will occur on a pro rata basis with other additional tier 1 instruments. This instrument has two triggers: One at Rabobank Group level and the other at the level of Rabobank with the local Rabobanks (Local Rabobank Group). For Rabobank Group, the trigger is at a common equity tier 1 ratio of 7%, and for the Local Rabobank Group at 5.125% respectively; this series of Capital Securities absorbs losses from that point onwards. 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%.

#### *Issue of USD 2,000 million*

The distribution is 8.40% per year and is made payable every six months in arrears as of the issue date (9 November 2011), for the first time on 29 December 2011. The Capital Securities are perpetual and first redeemable on 29 June 2017. If the Capital Securities are not redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the US Treasury Benchmark Rate plus a 7.49% mark-up.

#### *Issue of USD 2,000 million*

The distribution is 8.375% per year and is made payable every six months in arrears as of the issue date (26 January 2011), for the first time on 26 July 2011. 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.

#### *Issue of EUR 500 million*

The distribution is 9.94% per year and is made payable annually in arrears as of the issue date (27 February 2009), for the first time on 27 February 2010. As of 27 February 2019, the distribution will be made payable every quarter based on the three-month Euribor plus an annual 7.50% mark-up.

#### *Issue of USD 2,868 million*

The distribution is 11.0% per year and is made payable every six months in arrears as of the issue date (4 June 2009), for the first time on 31 December 2009 (long first interest period). As of 30 June 2019, the distribution will be made payable every quarter based on the three-month USD Libor plus an annual 10.868% mark-up.

#### *Issue of CHF 750 million*

The distribution is 6.875% per year and is made payable annually in arrears as of the issue date (14 July 2009), for the first time on 12 November 2009 (short first interest period). As of 12 November 2014, the distribution will be made payable every six months based on the six-month CHF Libor plus an annual 4.965% mark-up. The issue was redeemed on the earliest redemption date of 12 November 2014.

#### *Issue of GBP 250 million*

The distribution is 6.567% per year and is made payable every six months in arrears as of the issue date (10 June 2008), for the first time on 10 December 2008. As of 10 June 2038, the distribution will be made payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up.

### Issue of CHF 350 million

The distribution is 5.50% per year and is made payable annually in arrears as of the issue date (27 June 2008), for the first time on 27 June 2009. As of 27 June 2018, the distribution will be made payable every six months on 27 June and 27 December based on the six-month CHF Libor plus an annual 2.80% mark-up.

### Issue of ILS 323 million

The distribution is 4.15% per year and is made payable annually in arrears as of the issue date (14 July 2008), for the first time on 14 July 2009. As of 14 July 2018, the distribution will be made payable annually based on an index related to the interest rate paid on Israeli government bonds with terms between 4.5 and 5.5 years plus an annual 2.0% mark-up.

### Issue of USD 225 million

The distribution is 7.375% per year and is made payable every six months in arrears from the issue date (24 September 2008), for the first time on 24 March 2009. The issue was redeemed on the earliest redemption date of 24 March 2014.

### Issue of NZD 900 million

The distribution on the NZD Capital Securities equals the one-year swap interest rate plus an annual 0.76% mark-up and is made payable annually on 8 October, until 8 October 2017. As of 8 October 2017, the distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an equivalent mark-up.

### Issue of NZD 280 million

Rabobank Capital Securities Limited has issued capital securities, the distribution of which equals the five-year swap interest rate plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As of the issue date (27 May 2009), the distribution 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 distribution 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 distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% mark-up.

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.

	2015	2014
<b>Movements were as follows:</b>		
Balance on 1 January	6,530	7,204
Early repayment of Capital Securities	-	(648)
Issuance of Capital Securities	1,500	-
Costs of issuance of Capital Securities	(12)	-
Other	(16)	(26)
<b>Balance on 31 December</b>	<b>8,002</b>	<b>6,530</b>

### Revaluation reserves

This item represents the differences between the cost and carrying amount of revalued assets, net of the related provision for deferred tax liabilities.

	2015	2014
<b>The revaluation reserves and translation differences can be specified as follows:</b>		
Cash flow hedges	(39)	11
Interest-bearing securities	214	262
Equity investments	2	2
Shares and non-interest-bearing securities	615	689
<b>Total revaluation reserves</b>	<b>792</b>	<b>964</b>
<b>Movements were as follows:</b>		
Balance on 1 January	964	708
Exchange rate differences	(1)	(5)
Revaluations	607	1,143
Other	(1)	(58)
Transferred to profit or loss	(777)	(824)
<b>Balance on 31 December</b>	<b>792</b>	<b>964</b>

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 regressive analysis models, both prospectively and retrospectively. At year-end 2015, the hedge relations were very effective within the range set by IAS 39. On 31 December 2015, the net fair value of the cross-currency interest rate swaps, classified as cash flow hedges was -707 (2014: -2,660). In 2015, Rabobank accounted for an amount of 659 (2014: 548) after taxation in equity as effective changes in the fair value of derivatives in cash flow hedges. In 2015, an amount of -709 (2014: -586) after taxation of cash flow hedge reserves was reclassified to the profit and loss account. On 31 December 2015, the cash flow hedge reserves as part of equity totalled -39 (2014: 11) 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 profit. The cash flow hedge reserve relates to a large number of derivatives and hedged positions with different terms. The maximum term is 26 years, with the largest concentrations exceeding five years. The IFRS ineffectiveness for the year ended 31 December 2015 was 181 (2014: 185).

## Statutory reserves

This concerns the reserve for retained earnings of associates and translation differences. A statutory reserve has been included for software developed in-house. The comparative data have been adjusted.

	2015	2014
<i>The statutory reserves can be specified as follows:</i>		
Retained profits of associates	344	206
Software developed in-house	373	351
Translation differences	(76)	(94)
<b>Total other reserves</b>	<b>641</b>	<b>463</b>

	2015	2014
<i>Movements were as follows:</i>		
Balance on 1 January	463	(92)
From other reserves to statutory reserves	160	74
Exchange rate differences	18	481
<b>Balance on 31 December</b>	<b>641</b>	<b>463</b>

## Other reserves

	2015	2014
<i>The remaining reserves can be specified as follows:</i>		
Recalibration of pensions <sup>1</sup>	(175)	(196)
Retained earnings	(3,304)	(3,039)
<b>Total other reserves</b>	<b>(3,479)</b>	<b>(3,235)</b>

	2015	2014
<i>Movements in the Recalibration of pensions:</i>		
Balance on 1 January	(196)	(3,251)
Recalibration of pensions	21	(25)
From Recalibration of pensions to Retained earnings	-	3,080
<b>Balance on 31 December</b>	<b>(175)</b>	<b>(196)</b>

	2015	2014
<i>Movements in Retained earnings:</i>		
Balance on 1 January	(3,039)	488
Profit for previous financial year	1,352	1,179
Third-party fees	(1,189)	(1,088)
Dividends to affiliated banks	(265)	(218)
From other reserves to statutory reserves	(160)	(74)
From other reserves to revaluation reserves	(8)	39
Repayments of Capital Securities	-	(167)
From Recalibration of pensions to Retained earnings	-	(3,080)
Other changes	5	(118)
<b>Balance on 31 December</b>	<b>(3,304)</b>	<b>(3,039)</b>

The reserves can not be distributed among members.

The consolidated financial statements of Rabobank include the financial information of Rabobank and that of the Members and other group companies.

The net profit for Rabobank Group was 2,214 (2014: 1,842); the net profit of Rabobank was 908 (2014: 1,306). The difference of 1,286 represents the profits of local Rabobanks, which were not recognised in the single financial statements and under non-controlling interests.

The table below shows reconciliation between the equity of Rabobank and that of Rabobank Group:

	2015	2014
Equity of Rabobank according to Part 9 of Book 2 of the Dutch Civil Code	18,815	18,007
Capital paid-up by local Rabobanks	(600)	(600)
Premium	(5,402)	(5,402)
A component of the equity of Rabobank Group: Trust Preferred Securities III to VI	1,131	1,043
A component of the equity of Rabobank Group: Other non-controlling interests	492	473
Equity of local Rabobanks according to Part 9 of Book 2 of the Dutch Civil Code	26,844	25,349
Consolidation and rounding effects	-	1
<b>Total group equity under IFRS, as presented in Rabobank Group financial statements</b>	<b>41,280</b>	<b>38,871</b>

## Management and agency services

Management and agency services provided to third parties are an attribute to all Rabobank's activities. Rabobank also administers assets in its own name, but for the account and risk of third parties, which are separate from its own assets.

<sup>1</sup> Created in accordance with IAS 19.122

# Other notes to the financial statements of Rabobank

## 21 Regulatory levies

The regulatory levies consist of bank tax and levy, contributions to the national resolution fund and the resolution levy. Banks operating in the Netherlands on 1 October of the year under review are required to pay bank tax. There are two rates of bank tax: A rate of 0.044% for current liabilities and a rate of 0.022% for long-term liabilities, based on the balance on December 2014. In 2015, Rabobank was charged a total of 168 in bank tax (2014: 167). In 2015, the bank levy in Ireland amounted to 4. In 2015, the contribution to the National Resolution Fund amounted to 172 (2014: 0).

## 22 Professional securities transactions and assets not freely available

Professional securities transactions in which Rabobank lent securities.

	2015	2014
<b>Securities lent for use:</b>		
Loans and advances to banks	16,720	26,784
Loans and advances to customers	21,007	19,176
<b>Total</b>	<b>37,727</b>	<b>45,960</b>

Professional securities transactions in which Rabobank lent securities.

	2015	2014
<b>Securities lent:</b>		
Due to banks	81	115
Due to customers	486	362
<b>Total</b>	<b>567</b>	<b>477</b>

The assets referred to in the table below (with exception to professional securities transactions) were provided to counterparties as security for (contingent) liabilities. If Rabobank remains in default the counterparties may use the security to settle the debt.

		2015	2014
<b>Assets not freely available:</b>	<b>Related to type of liabilities:</b>		
Loans and advances to banks	Derivatives	5,178	7,289
Loans and advances to customers	Due to customers	6,758	4,333
Interest-bearing securities	Due to customers	450	458
<b>Total</b>		<b>12,386</b>	<b>12,080</b>

## 23 Contingent liabilities

This item relates to transactions in which Rabobank stands surety for obligations of third parties.

	2015	2014
<b>Contingent liabilities consist of:</b>		
Guarantees	14,126	12,304
Letters of credit	4,744	5,183
Other	100	-
<b>Total contingent liabilities</b>	<b>18,970</b>	<b>17,487</b>
<b>Of which:</b>		
Contingent liabilities of group companies	6,710	4,802

### Liability undertakings

Pursuant to Section 403 of Book 2 of the Dutch Civil Code, Rabobank has assumed liability for the debts arising from the legal transactions of the following Group companies:

- B.V. Bewaarbedrijf Schretlen & Co. N.V.
- Bodemgoed B.V.
- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen Facilities B.V.
- De Lage Landen Financial Services B.V.
- De Lage Landen Financiering B.V.
- De Lage Landen International B.V.
- De Lage Landen Trade Finance B.V.
- De Lage Landen US Participations B.V.
- De Lage Landen Vendorlease B.V.
- FGH Bank N.V.
- Friesland Zekerheden Maatschappij Holding N.V.
- Friesland Zekerheden Maatschappij N.V.
- N.V. Handelsmaatschappij 'Het Zuiden'
- Rabo Groen Bank B.V.
- Rabo Herverzekeringsmaatschappij N.V.

- Rabo Merchant Bank N.V.
- Rabo Mobiel B.V.
- Rabobank International Holding B.V.
- Rabobank Nederland Participatie Maatschappij B.V.
- Rabohypotheekbank N.V.
- RI Acquisition Finance Grootbedrijf B.V.
- RI Corporate Finance B.V.
- Schretlen & Co. N.V.

At the request of the regulator, Rabobank has guaranteed the obligations of Rabobank Curaçao N.V. Liquidity guarantees were issued by Rabobank for Rabo Green Bank B.V. and Rabobank Ireland plc.

In the past, Rabobank has guaranteed the liabilities of a number of group companies. Even though these guarantees have come to an end, Rabobank remains liable for the fulfilment of obligations entered into by the group companies during the term of the guarantees.

In connection with the Trust Preferred Securities, Rabobank guarantees each of the Trusts concerned, on a subordinated basis, that the payments from the LLC to the Trusts will be made and - in the event that the LLC goes into liquidation - that the LLC Class B Preferred Securities will be repaid and the associated payments on the Trust Preferred Securities will be made (the 'Guarantees'). Under the so-called Contingent Guarantee, Rabobank guarantees the LLC that it will pay the amounts owed under the Guarantees, if these amounts have been due and unpaid for more than 180 days.

### Internal liability (cross-guarantee system)

In accordance with the Dutch Financial Supervision Act (Wet op het financieel toezicht), various legal entities belonging to Rabobank Group are internally liable under an intra-group mutual keep well system. Under this system the participating entities are bound, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow the deficient participant to satisfy its creditors.

As on 31 December 2015, the participants are:

- The local Rabobanks, members of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
- Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Amsterdam
- Rabohypotheekbank N.V., Amsterdam
- Raiffeisenhypotheekbank N.V., Amsterdam
- Schretlen & Co N.V., Amsterdam

- De Lage Landen International B.V., Eindhoven
- De Lage Landen Financiering B.V., Eindhoven
- De Lage Landen Trade Finance B.V., Eindhoven
- De Lage Landen Financial Services B.V., Eindhoven

On 1 January 2016, the local Rabobanks and the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. entered into a legal merger. Furthermore, on 1 January 2016, the name of the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed into Coöperatieve Rabobank U.A. More information on this matter is included in the Section 'Events after the reporting period'.

### Fiscal unit for corporate tax purposes

For corporate tax purposes Rabobank forms a fiscal unit with a number of domestic subsidiaries and member banks. Under the fiscal unit, each participating legal entity is jointly and severally liable for the fiscal unit's corporate tax liabilities.

## 24 Irrevocable facilities

This item relates to all irrevocable facilities that could lead to lending.

	2015	2014
Unused credit facilities	42,701	31,114
Other	2,748	3,041
<b>Total irrevocable commitments</b>	<b>45,449</b>	<b>34,155</b>
Of which group companies	12,853	9,384

## 25 Employees

The average number of internal and external employees was 15,758 (2014: 15,559), of which 3,155 outside the Netherlands (2014: 3,068). Expressed in FTEs, the average number of internal and external employees was 15,224 (2014: 15,207).

	2015	2014
Wages and salaries	1,131	1,136
Social security	99	99

## 26 Main subsidiaries

All subsidiaries listed in the table are consolidated. In 2015, 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.

On 31 December 2015	Share	Voting rights
<b>Main subsidiaries</b>		
<b>The Netherlands</b>		
DLL International B.V.	100%	100%
Rabo Vastgoedgroep N.V.	100%	100%
FGH Bank N.V.	100%	100%
OWM Rabobanken B.A.	100%	100%
Obvion N.V.	100%	100%
Rabohypotheekbank N.V.	100%	100%
Rabo Merchant Bank N.V.	100%	100%
Raiffeisenhypotheekbank N.V.	100%	100%
<b>Other Eurozone countries</b>		
ACC Loan Management Limited	100%	100%
<b>North America</b>		
Rabobank Capital Funding LCC III to VI	100%	100%
Rabobank Capital Funding Trust III to VI	100%	100%
Utrecht America Holdings Inc.	100%	100%
<b>Australia and New Zealand</b>		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%

## 27 Costs of external auditor

<i>in millions of euros</i>	2015	2014
Financial statements audit	7	6
Other audit engagements	1	1
Other non-audit services	-	-
<b>Total</b>	<b>8</b>	<b>7</b>

In the year under review, the audit firm Ernst & Young Accountants LLP in the Netherlands invoiced the above 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.

## 28 Remuneration of the Supervisory Board and the Executive Board

In 2015, the remuneration of members and former members of the Executive Board amounted to 6.4 (2014: 6.3).

<i>in thousands of euros</i>	Total salaries	Pension contributions	Individual pension contribution	Redemption of remuneration component	Other	Total
W. Draijer	980	25	212	-	1	1,218
A. Bruggink	884	26	189	-	1	1,100
B.J. Marttin	884	26	189	-	1	1,100
R.J. Dekker	807	26	171	-	2	1,006
H. Nagel	807	26	171	-	1	1,005
J.L. van Nieuwenhuizen	779	25	165	-	-	969
<b>Total 2015</b>	<b>5,141</b>	<b>154</b>	<b>1,097</b>	<b>-</b>	<b>6</b>	<b>6,398</b>
<b>Total 2014</b>	<b>4,993</b>	<b>1,302</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>6,299</b>

At year-end 2015, there were a total of 11,647 DRNs outstanding with members and former members of the Executive Board (year-end 2014: 12,133 pieces). 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 EUR 94,600. 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 (2014: 1.6). 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 for 2015 (exclusive of VAT and other charges) is:

<i>in euros</i>	<i>Chairman</i>	<i>Vice Chairman</i>	<i>Member</i>
Supervisory Board	288,750	71,500	55,000
Audit Committee	32,500	15,000	15,000
Risk Committee	32,500	15,000	15,000
Appeals Committee	7,500	-	7,500
Cooperative Issues Committee	15,000	-	15,000
Appointments Committee	3,750	-	3,750
Remuneration Committee	3,750	-	3,750

The table below shows the remuneration (excluding VAT and other charges) for individual members of the Supervisory Board.

<i>in thousands of euros</i>	<i>Remuneration</i>
W. W. Dekker	341
I.P. Asscher-Vonk	100
C.H. van Dalen (temporarily stepped down on 6-11-2015)	66
L.N. Degle	85
S.L.J. Graafsma	110
E.A.J. van de Merwe	103
R. Teerlink (Vice Chairman as of 1-4-2015)	99
C.P. Veerman (in office until 7 March 2015)	17
A.A.J.M. Kamp	85
M. Trompetter (in office as of 23 September 2015)	24
<b>Total 2015</b>	<b>1,030</b>
<b>Total 2014</b>	<b>1,084</b>

At Rabobank, the Chairman of the Supervisory Board holds a number of roles which are related to the cooperative. These roles are specified in the Annual Report.

<i>in millions of euros</i>	<i>Executive Board</i>		<i>Supervisory Board</i>	
<i>Loans, advances and guarantees</i>	2015	2014	2015	2014
<b>Outstanding on 1 January</b>	<b>4.9</b>	<b>3.4</b>	<b>2.6</b>	<b>1.5</b>
Provided during the year	1.2	-	-	0.1
Redeemed during the year	(1.8)	(1.1)	(0.7)	(0.1)
Reduction on account of leaving office	-	(0.2)	(0.9)	-
Increase on account of taking office	-	2.8	0.4	1.1
<b>Outstanding on 31 December</b>	<b>4.3</b>	<b>4.9</b>	<b>1.4</b>	<b>2.6</b>

The loans, advances and guarantees of the members of the Executive Board in office on 31 December 2015 and the average interest rates were as follows:

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
<b>On 31 December 2015</b>		
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 2015 and the average interest rates were as follows:

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
<b>On 31 December 2015</b>		
A.A.J.M. Kamp	1.0	2.7
M. Trompetter	0.4	4.9

At year-end 2015, 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 Executive Board and Supervisory Board have invested in Rabobank Certificates in person and/or through their own pension B.V. At year-end 2015, this involved in total 40,950 certificates.

	Number of Rabobank Certificates	
On 31 December 2015		
A. Bruggink	12,166	
I.P. Asscher-Vonk	6,894	
L.N. Degle	4,640	in pension B.V.
S.L.J. Graafsma	4,050	in pension B.V.
C.H. van Dalen	13,200	

## 29 Approval of the Supervisory Board

The publication of these financial statements was approved by the Supervisory Board on 17 February 2016. The financial statements will be presented to the General Members' Council, to be held on 20 April 2016, for adoption. Concerning 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 and CRO a.i.*

B.C. Brouwers, *CFO*

R.J. Dekker, *Member*

B.J. Marttin, *Member*

H. Nagel, *Member*

J.L. van Nieuwenhuizen, *Member*

### On behalf of the Supervisory Board

W. Dekker, *Chairman*

R. Teerlink, *Vice Chairman*

I.P. Asscher-Vonk, *Secretary*

L.N. Degle

S.L.J. Graafsma

A.A.J.M. Kamp

E.A.J. van de Merwe

M. Trompetter

# Other information

## Statutory provisions

Profit can be used under an Executive Board resolution to pay distributions on equity investments and distributions on additional tier 1 instruments.

The remainder of the profit is added to the general reserves held by Rabobank. The Executive Board can also resolve to make payouts in the interim to holders of equity investments and the holders of additional tier 1 instruments from the profit and/or the result. While Rabobank still exists, the reserves cannot be distributed to the members, neither in full, nor in part. The Executive Board has the right to make a payout from the reserves on equity investments and/or additional tier 1 instruments. If the decision is taken at any time to dissolve Rabobank in order to have its business continued by another legal entity or organisation, the reserves will be transferred to said other legal entity or organisation.

## Proposals regarding the appropriation of available profit for Rabobank

Of the profit of 908, 1,196 is payable to the holders of Capital Securities and Rabobank Certificates in accordance with Executive Board resolutions. It is proposed that the remainder of the profit be added to the general reserve held by Rabobank.

# Independent auditor's report

To: the general members' council of Coöperatieve Rabobank U.A.

## Report on the audit of the company financial statements 2015

### Our opinion

We have audited the company financial statements 2015 of Coöperatieve Rabobank U.A. (hereafter: Rabobank), based in Amsterdam.

In our opinion, the company financial statements give a true and fair view of the financial position of Rabobank as at 31 December 2015 and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements comprise:

- The company statement of financial position as at 31 December 2015;
- The company statement of income for 2015; and
- The notes comprising a summary of the significant accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the company financial statements' section of our report.

We are independent of Rabobank in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Materiality	EUR 150 million
Benchmark used	5% of operating profit before tax (rounded) as presented in the consolidated financial statements
Additional explanation	We have applied operating profit before tax as this benchmark is an importance metric for the financial performance of Rabobank

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in earnings in excess of EUR 7,5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Risk</i>	<i>Our audit response</i>
<b>Provision for loan losses (see chapter 4.4 and note 4)</b>	
<p>The appropriateness of loan loss provisions is a key area of judgment for management.</p> <p>The identification of loans that are deteriorating, the assessment of objective evidence for impairment, the value of collateral and the determination of the recoverable amount are inherently uncertain involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. The associated risk management disclosure is complex and dependent on high quality data. Specific portfolios of focus included the retail portfolio in the Netherlands, the shipping portfolio and the commercial real estate portfolio.</p> <p>Given the impact of inherent uncertainty of the loan loss provision and the subjectivity involved in the judgments made, we considered this to be an important item for our audit.</p>	<p>We assessed and tested the design and operating effectiveness of the controls related to the timely recognition and measurement of impairments for loan losses, including the quality of underlying data and systems. For loan loss provisions calculated on an individual basis we examined a selection of individual loan exposure in detail, and challenged management assessment of the recoverable amount. We tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. This included taking into consideration the impact of forbearance. We applied professional judgment in selecting the loan exposures for our detailed inspection with an emphasis on exposures in sectors that pose an increased uncertainty for recovery in the current market circumstances, for example commercial real estate exposures, retail exposures and exposures in the shipping industry.</p> <p>We tested, supported by our specialists, the sufficiency of the underlying models, assumptions and data used by Rabobank to measure loan loss impairments for portfolios of loans with similar credit characteristics.</p> <p>Likewise we have tested the models, assumptions and data used for the collective impairment for incurred but not identified loan losses, including the appropriateness of the respective loss identification period that is used in these models.</p> <p>Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provisions to assess compliance with disclosure requirements included in EU-IFRS.</p>
<b>Fair values of financial assets and liabilities (see chapter 2.4 and 2.5)</b>	
<p>For financial instruments that are actively traded and for which quoted market prices are available, there is high objectivity in the determination of fair values ('level 1 valuation'). Regarding 'level 3' assets, observable market prices or market parameters are not available. As a result the fair value is subject to estimation uncertainty as significant judgment is applied to estimate fair value. Regarding 'level 2' assets, observable market prices or market parameters are available as inputs for valuation models that are used to determine the fair values.</p> <p>Given the judgment applied in the estimation of the fair values, we determined this to be a significant item for our audit.</p>	<p>We have tested the level 1 fair valuations by comparing the fair values applied by Rabobank with publicly available market data. For level 2 and level 3 valuations we tested the appropriateness of the models used by Rabobank and the reliability of the data that was used as input to these models.</p> <p>We assessed the design and operating effectiveness of the internal controls over valuation and performed independently price verification and model approval. We performed additional procedures for areas of higher risk and estimation with the assistance of our valuation specialists.</p> <p>This included, where relevant, comparison of judgments made to current and emerging market practice and reperformance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal. Besides we assessed the design and operating effectiveness of the controls over related disclosures including the disclosure of valuation sensitivity and fair value hierarchy.</p> <p>Finally, we assessed the completeness and accuracy of the disclosures relating to fair values of financial assets and liabilities to assess compliance with disclosure requirements included in EU-IFRS.</p>
<b>Other provisions (see chapter 4.9 and note 18)</b>	
<p>Other provisions are accrued for regarding restructurings, uncertainties associated with legal, tax and compliance risks. IFRS provide specific criteria determining the point in time other provisions must be accrued for. Assessments are made both on likelihood of certain risks and the possibility to estimate the amounts involved. Especially the outcome of legal procedures might be very difficult to predict. Procedures have been developed to cope with the uncertainties, including involvement of internal and external experts. Nevertheless, judgments regarding other provisions inherently are (highly) uncertain and best estimates regarding other provisions might change over time.</p> <p>Given the uncertainty of provisions and the unpredictability of final outcomes, we determined this to be a significant item for our audit.</p>	<p>We assessed and tested the design and operating effectiveness of the controls related to the timely recognition and measurement of other provisions. We included (tax) specialists in our team to assess risks and audit the proper application of IFRS. Judgments were discussed with management and challenged based on internal and/or external information available. We assessed the design and operating effectiveness of the controls over related disclosures. Finally, we assessed the completeness and accuracy of the disclosures relating to other provisions to assess compliance with disclosure requirements included in EU-IFRS.</p>
<b>Reliability and continuity of electronic data processing</b>	
<p>Rabobank Group is dependent on the IT-infrastructure for the continuity of their business processes. Rabobank Group invested in the improvement of IT-hardware, systems and processes, focused on the increased effectiveness of the IT-infrastructure and the reliability and continuity of electronic data processing.</p>	<p>We tested IT- security, change management and application controls embedded in Rabobank's key processes. We assessed the reliability and continuity of electronic data processing only to the extent necessary within the scope of the audit of the annual accounts. We included IT-auditors in our audit-team. Our work consisted of assessing the developments in the IT-infrastructure and analysing the impact on the IT-organisation. Additionally, we tested the design and operating effectiveness of relevant internal controls related to IT- systems and processes.</p>

### ***Company financial statements as part of the (complete) financial statements***

The (complete) financial statements of Rabobank 2015 include the 'Consolidated financial statements 2015 Rabobank Group' and the 'Financial statements 2015 Rabobank'. For a proper understanding of the financial position and result the company financial statements must be considered in connection with the consolidated financial statements. On 17 February 2016 we issued a separate auditor's report on the consolidated financial statements.

### ***Responsibilities of management and the Supervisory Board for the company financial statements***

Management is responsible for the preparation and fair presentation of the company financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the company financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the company financial statements, management is responsible for assessing Rabobank's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the company financial statements using the going concern basis of accounting unless management either intends to liquidate Rabobank or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on Rabobank's ability to continue as a going concern in the company financial statements.

The Supervisory Board is responsible for overseeing Rabobank's financial reporting process.

### ***Our responsibilities for the audit of the company financial statements***

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these company financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the company financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rabobank's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Rabobank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Rabobank ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the company financial statements, including the disclosures.
- Evaluating whether the company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, when not communicating the matter is in the public interest.

### ***Report on other legal and regulatory requirements***

#### **Report on the management board report and the other information**

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

#### **Engagement**

We were engaged as auditor of Coöperatieve Rabobank U.A. as of the audit for the year 1972 and have operated as statutory auditor ever since that date.

Amsterdam, 17 February 2016

Ernst & Young Accountants LLP

signed by C.B. Boogaart

# Events after the reporting date

After discussions between:

1. Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Amsterdam;
2. The cooperative member banks of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

decided at the respective meetings of the members' councils of the banks concerned (2) on 2 December 2015 and at the General Meeting of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. on 9 December 2015 to enter into a legal merger as of 1 January 2016.

One of the consequences of the decisions taken was that the former bank (1) received the assets of the banks referred to (2) under universal title and the banks referred to (2) ceased to exist.

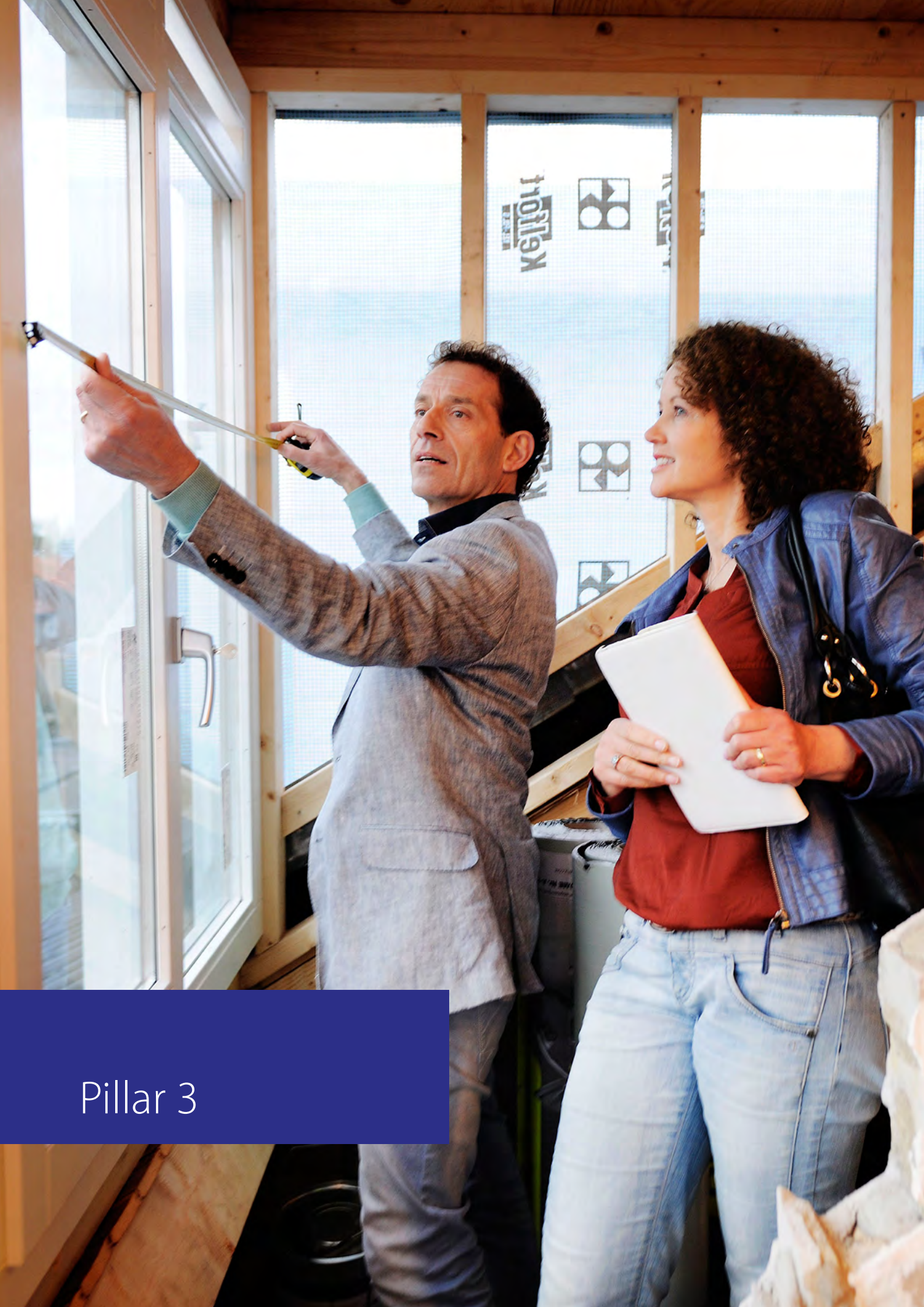
During the aforementioned General Meeting, the bank (1), in connection with the merger, decided to change its name to Coöperatieve Rabobank U.A. as of 1 January 2016.

Until 1 January 2016, each of the banks (2) was a 'U.A.' (cooperative with limited liability whereby the members are not liable for any deficit). Until that date, the bank (1) was a 'B.A.' (cooperative with limited liability where the members are liable for the deficit up to the level specified in the Articles of Association) with the banks as the only members (2). As a result of the merger the banks' members (2) became the only members of the merged bank (1). By changing the members' liability regime from B.A. to U.A. in the bank's (1) Articles of Association the liability regime remained de facto unchanged for the members who were members of the banks (2) before the merger and members of the merged bank (1) after the merger.

The legal merger increased the assets by EUR 215 billion, the liabilities by EUR 194 billion, and the equity by EUR 21 billion. The most important items in the assets and liabilities are 'Loans and advances to customers' and 'Due to customers'.

The local Rabobanks' assets and liabilities are included in the single financial statements as of 1 January 2016 at the book value at which they were included in the consolidated financial statements of Rabobank Group. The legal merger increased the single equity, with exception to non-controlling interests, to the same level as that of the consolidated equity.





Pillar 3

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# Forward-looking statements

This document contains certain forward-looking statements with respect to the business, strategy and plans of Rabobank Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Rabobank Group or its directors' and/or management's beliefs and expectations, are forward-looking statements. Words such as 'believes', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'estimate' and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future.

Examples of such forward-looking statements include, but are not limited to: projections or expectations of the Group's future financial position including profit attributable to provisions, economic profit, dividends, capital structure, expenditures or any other financial items or ratios; statements of plans, objectives or goals of the Group or its management including in respect of certain synergy targets; statements about the future business and economic environments in the Netherlands and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements.

Factors that could cause actual business, strategy, plans and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the Netherlands and internationally; inflation, deflation, interest rates and policies of the Dutch Central Bank, the European Central Bank and other G8 central banks; fluctuations in exchange rates, stock markets and currencies; the ability to access sufficient funding to meet the Group's liquidity needs; changes to the Group's credit ratings; the ability to derive cost savings and other benefits; changes in customer preferences; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone

instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; natural and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes, people and systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, taxation, accounting standards or practices; regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies and actions of governmental or regulatory authorities in the Netherlands, the European Union (EU), the US or elsewhere including the implementation of key legislation and regulation; the implementation of the draft EU crisis management framework directive and banking reform, following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; actions or omissions by the Group's directors, management or employees including industrial action; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; market related trends and developments; exposure to regulatory or competition scrutiny, legal proceedings, regulatory or competition investigations or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non bank financial services and lending companies; and the success of the Group in managing the risks of the foregoing.

Rabobank Group may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the US Securities and Exchange Commission, Rabobank Group annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Rabobank Group to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of the date hereof, and Rabobank Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in Rabobank Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.



# 1. Summary analysis

Transitional Common Equity  
Tier 1 ratio (CET1)  
(2014: 13.6%)

13.5%

Transitional Tier 1 Capital Ratio  
(2014: 16.0%)

16.4%

Transitional Total Capital Ratio  
(2014: 21.3%)

23.2%

Leverage ratio  
(2014: 4.9%)

5.1%

Total Risk Weighted Exposure  
Amounts  
(2014: EUR 211.9 bn)

213.1bn

Loans impairment charges  
(2014: 60 bps)

24bps

13.5%

2015

13.6%

2014

## COMMON EQUITY TIER 1

### COMMENTARY

Per 1 January 2015 the CET1-ratio decreased from 13.6% to 13.2% due the phase-in of CRD IV. In the remainder of 2015 the CET1% increased with 0.3% mainly due to the inclusion of net profit (after payments on capital instruments). The fully loaded CET 1-ratio was 12.0% on 31 December 2015.

23.2%

2015

21.3%

2014

## TOTAL CAPITAL RATIO

### COMMENTARY

The Total Capital-ratio increased in 2015 with 1.9% from 21.3% to 23.2%, mainly as a consequence of issuing Tier 1 and Tier 2 capital instruments. This increase is in line with Rabobank's ambition to further increase its loss absorbing capital.

## Risk Weighted Exposure Amounts

Risk Weighted Exposure Amounts as at 31 December 2015 amounted to EUR 213,092 million. A summary breakdown of total Risk Weighted Exposure Amounts by risk type and by division is provided in the table below.

<b>Risk weighted Exposure Amounts</b>		
<i>in millions of euros</i>	<i>At 31 December 2015</i>	<i>At 31 December 2014</i>
<b>IRB approach</b>		
Central governments and central banks	1,109	1,137
Financial Institutions	6,637	9,542
Corporates	85,282	82,257
Retail	41,102	37,275
Equities	13,465	14,554
Other non-credit obligations and transfer risk	15,088	16,124
Securitisation positions	2,219	2,982
<b>Total IRB approach</b>	<b>164,902</b>	<b>163,871</b>
<b>Standardised approach</b>		
Central governments and central banks	-	1
Financial Institutions	137	570
Corporates	9,315	9,799
Retail secured by real estate	852	648
Retail other	4,691	4,692
Securitisation positions	-	-
Deferred tax assets	3,735	4,069
<b>Total standardised approach</b>	<b>18,730</b>	<b>19,779</b>
Total credit risk and transfer risk	183,632	183,650
Market risk	4,948	5,091
Operational risk	24,512	23,129
<b>Total</b>	<b>213,092</b>	<b>211,870</b>

## Credit Risk Exposures

Total Credit Risk exposures as at 31 December 2015 amounted to EUR 593,660 million under the IRB approach (2014: EUR 582,487 million) and EUR 19,629 million of exposures under the Standardised Approach (2014: EUR 24,534 million). A summary of credit risk exposures is provided in the table below.

<b>Summary Credit Risk Exposures</b>		
<i>in millions of euros</i>	<i>At 31 December 2015</i>	<i>At 31 December 2014</i>
<b>IRB approach</b>		
Central governments and central banks	94,381	74,361
Financial Institutions	19,643	26,961
Corporates	220,365	219,271
Retail	259,271	261,894
Equity	-	-
Other non-credit obligations and transfer risk	-	-
Securitisation positions	-	-
<b>Total IRB approach</b>	<b>593,660</b>	<b>582,487</b>
<b>Standardised approach</b>		
Central governments and central banks	102	2,413
Financial Institutions	354	857
Corporates	9,267	11,093
Retail secured by real estate	2,197	2,037
Retail other	6,211	6,506
Securitisation positions	-	-
Deferred tax assets	1,498	1,628
<b>Total standardised approach</b>	<b>19,629</b>	<b>24,534</b>

## 2. Introduction

This document presents the consolidated Capital Adequacy and Risk Management report (hereafter referred to as Pillar 3) of Rabobank Group ('Rabobank') as at 31 December 2015.

Rabobank operates under the CRD IV capital framework which came into force at the start of 2014. CRD IV constitutes the Basel framework which seeks to align regulatory requirements with the economic principles of risk management. The CRD IV was implemented into Dutch law as amendments to the 'Wet op het financieel toezicht' and further accompanying regulations. Pillar 3 requirements under CRD IV are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes. Rabobank's 2015 year end disclosures are prepared in accordance with the CRD IV requirements and associated guidelines of the European Banking Authority (EBA) technical standards that are in force at 31 December 2015.

The implementation of CRD IV is subject to transitional arrangements. By 1 January 2018 all CET1 capital deductions should be phased in and the non-eligible Tier 1 capital instruments will be phased out by 1 January 2022. Consequently, Rabobank's capital position is presented by applying the transitional arrangements. Rabobank also disclosed the end-point CRD IV rules (i.e. fully loaded basis) for information purposes.

In addition to the changes required under CRD IV, there remain ongoing regulatory developments that Rabobank monitors closely and of which it assesses the impact.

The remainder of this report contains:

- Section 3: Introduction to Rabobank Group;
- Section 4: The approach to risk management, the organisation and the risk management framework;
- Section 5: Capital management, Regulatory and Economic Capital and key capital ratios;
- Section 6: Credit Risk (including counterparty credit risk) and equities in the banking book;
- Section 7: Securitisation in the Rabobank portfolio;
- Section 8: Operational Risk management;
- Section 9: Market risk and interest rate risk framework;
- Section 10: Liquidity Risk management framework and measurement;
- Section 11: Remuneration principles and policy.



# 3. Rabobank Group

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. 'As a cooperative bank, Rabobank puts customers' interests first in its services.' Rabobank is committed to being a leading customer-focused cooperative bank in the Netherlands and a leading food and agri bank worldwide. Throughout 2015, Rabobank Group consisted of more than 100 autonomous local Rabobanks in the Netherlands and the centralised organisation, the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) and its subsidiaries and associates in and outside the Netherlands.

From January 1 2016, Rabobank operates with a revised cooperative structure; with one cooperative, one banking licence and one set of financial statements. Read more about this in the Section 'Strategy' and in the Section 'Corporate Governance'.

At year-end 2015, Rabobank encompassed 106 local Rabobanks. The local Rabobanks have a total of more than 7.2 million customers. The total number of members came to 1,945,000. Rabobank in the Netherlands employs approximately internal and external 40,000 employees. Outside the Netherlands it employs approximately 12,000 internal and external employees. Rabobank Group is active in 40 countries.

## 3.1 Business lines

### Domestic retail banking

In the Netherlands, Rabobank is a leading player in the mortgages, savings, payments, investment and insurance markets. It is also an important financial services provider for the SME segment, the food and agricultural sector, and the corporate segment. At year-end 2015, the local Rabobanks had 506 branches and 2,206 ATMs. They offer approximately 6.4 million private customers and approximately 800,000 business clients in the Netherlands a comprehensive range of financial services. In addition to the local Rabobanks, domestic retail banking also includes the mortgage lender Obvion and the savings bank Roparco. The domestic retail banking business employs - both internally and externally - approximately 24,000 FTEs.

### Dutch and international wholesale banking and international rural and retail banking

The wholesale banking division serves the largest domestic and international companies. All sectors are served in the Netherlands. Internationally, Rabobank focuses on holding a leading position in the food and agricultural sector, with respect to both the industrial sector and farm financing, through its global network of branches. Rural banking focuses on the funding of agricultural businesses outside the Netherlands. The international retail banking activities cover three countries: United States (RNA); Indonesia and Ireland (ACC Loan Management). Wholesale, Rural & Retail has an international network of branches with offices in 25 countries. Rabobank also operates RaboDirect internet savings banks in Belgium, Germany, Ireland, Australia and New Zealand. The total number of internal and external employees in wholesale banking and international retail banking stands at approximately 9,600 FTEs.

### DLL

Within Rabobank Group, DLL is the specialist in the field of leasing. With vendor finance it supports manufacturers and distributors worldwide when selling products and services. DLL provides asset based financing solutions in more than 35 countries. In addition to the Netherlands, DLL is active in ten other European countries through its subsidiary Athlon. In the Netherlands, DLL offers a wide range of leasing products to small and medium-sized enterprises, as well as vendor finance, factoring and commercial and consumer finance products. The latter including through the online provider of consumer credit, Freo. DLL employs, both internally and externally, approximately 5,800 FTEs.

### Rabo Real Estate Group

Rabo Real Estate Group and FGH Bank form part of the real estate segment. Rabo Real Estate Group is active in real estate and area development and investment management. This division consists of BPD (construction of housing and living environments) and Real Estate Investment Management Fund (manager of real estate funds). Rabo Real Estate Group is primarily active in the Netherlands, but also on a smaller scale in France and Germany.

FGH Bank specialises in financing commercial real estate. In early 2015, it was announced that FGH Bank would be integrated into Rabobank. All the knowledge, expertise and

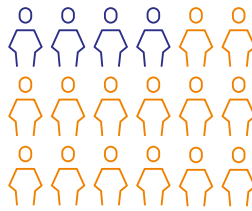
Situation on 31 December 2015

## 8.6 million customers

of which 7.4 million are customers in the Netherlands

### Members

1.9 million members are involved with Rabobank.



### Mission

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

## 106 local Rabobanks

with 506 branch offices



Density of network per region

### North Netherlands

26 local Rabobanks

### Central Netherlands

29 local Rabobanks

### South Netherlands

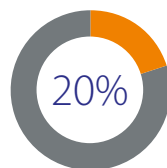
25 local Rabobanks

### West Netherlands

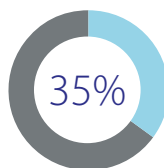
26 local Rabobanks

## Rabobank

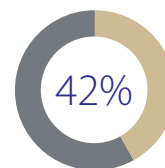
### Markets



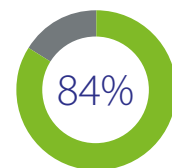
Mortgages



Savings



Trade, industry and services (TIS)



Food and agri

## Subsidiaries and associates

### Payment transactions

- MyOrder (95%)

### Mortgages

- Obvion

### Insurance

- Achmea (29%)

### Asset management

- Robeco (11%)

### Partner banks

- Banco Terra (45%)
- Banco Regional (39%)
- BPR (38%)
- NMB (35%)
- Zanaco (46%)
- Banco Sicredi (22%)
- DFCU (28%)
- Finterra (20%)
- LAAD (8%)

### Wholesale

- Rembrandt (51%)

### Leasing

- DLL (Athlon, Freo)

### Real estate

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

### International retail

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

networks in the field of commercial real estate within both the FGH Bank and Rabobank will be brought together under a single real estate company. In anticipation, the FGH Bank shares were legally transferred to Rabobank on 31 March 2015 and FGH Bank is no longer part of the Rabo Real Estate Group. The number of internal and external staff employed in the real estate segment is approximately 1,600 FTEs.

## 3.2 Strategy

### One Rabobank: stronger and closer

Rabobank is a customer-focused cooperative bank. Our mission is to contribute to welfare and prosperity in the Netherlands and to feeding the world sustainably. These aims will allow us to remain a meaningful cooperative and be successful over the long term for our customers, members, employees and society. Rabobank has been a cooperative bank for over 115 years. We are present in society and are strongly involved with our customers and members. We want to continue our responsive role, particularly in a world where customer needs, economic development, technological advances and increasingly stringent bank regulations are changing faster than ever. The Strategic Framework 2016-2020 describes what we want to achieve over the next five years. It also outlines how we will implement the new strategy and what specific financial goals we will pursue. The Strategic Framework 2016-2020 provides a sharpened focus on improving customer service and increasing our performance.

### Ambitions: what do we want to achieve?

Our ambition is to be the most customer-focused bank in the Netherlands and a leading food and agri bank worldwide. The visions outlined in Banking for the Netherlands and Banking for Food give substance to our customer-focused cooperative. The sustainability strategy Sustainably Successful Together is an important building block within these visions.

### Banking for the Netherlands

Rabobank is linked to the future of the Netherlands through its members and customers. If our customers do well, the bank does well. As a cooperative bank, we can differentiate ourselves by providing a targeted contribution to the challenges the Netherlands faces in the years ahead. In this way, we contribute to sustainable welfare and prosperity in the Netherlands. With Banking for the Netherlands we want to strengthen the Netherlands of the future from three perspectives:

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

### Banking for Food

The Netherlands is a global leader in the food and agri sector. Rabobank's agricultural roots have helped it achieve this position and we will continue to make a significant and lasting contribution to the global food and agri sector. We are increasing our commercial effectiveness by fine-tuning our customer focus, integrating the chain approach, unlocking our knowledge, improving internal cooperation and creating even more innovative opportunities. With Banking for Food we want to play a prominent role in the public debate on the broad issue of food. We also hope to connect producers with consumers, and farmers with citizens.

### Core objectives: how do we achieve these ambitions?

To fulfil our ambitions in the next five years, we have identified three core objectives in the Strategic Framework 2016-2020.

#### 1. Excellent customer focus

In the Netherlands, we strive to be the most customer-focused bank in the country. Our aspirations to generating strong growth in customer satisfaction also extend beyond the Netherlands. We believe that this is where our strength and distinctiveness lie. Rabobank will undergo a fundamental transformation in the coming years in terms of working methods, culture, attitudes and conduct. By doing so, we are responding to changes in customer needs, the uncertain economic climate and the stricter requirements of regulators. We want to become the most customer-focused bank in the country by providing excellent basic service and, if required, by always being the closest to our customers and fulfilling our role as a financial linking pin.

#### 2. Increased flexibility and reduction of the balance sheet

In the years to come, we anticipate a further tightening of the regulatory environment. To maintain our position as a rock-solid bank, it will therefore be necessary to make our balance sheet more flexible and reduce it by up to EUR 150 billion between 2014 and 2020. We want to achieve balance sheet optimisation by, among other things, placing parts of our loan portfolio with

external parties and maintaining a relatively lower liquidity buffer that is in line with the reduced balance sheet total. The Annual Review includes a dilemma which addresses the way in which we want to combine excellent customer service with growth in our capital and the reduction of our balance sheet.

### 3. Performance improvement

In addition to excellent customer focus and a balance sheet reduction, there should also be an improvement in performance. Our aim for 2020 is a profit improvement of more than EUR 2 billion (excluding the effects of the reductions on our balance sheet results) compared to 2014. Reaching this level of profit improvement would increase the cost/income ratio to approximately 50% in 2020, and we would achieve a return on invested capital (ROIC) of at least 8%. The cost/income ratio is calculated by dividing total operating expenses by total income. Including regulatory levies, the cost/income ratio will reach a new level of between 53% and 54% in 2020. The ROIC is calculated by dividing the net profit realised after non-controlling interests are related to the core capital (achieved tier 1 capital plus the goodwill in the balance sheet at year-end) minus deductions for non-controlling interests in the equity. The improvement should be effected by both higher revenues and lower costs. These estimates are in addition to the ongoing MARS and Vision 2016 cost programmes. The MARS programme envisions further cost reductions at the central level. The Vision 2016 programme focuses on improving customer services but at reduced costs. These programmes are running on schedule and are expected to be completed during 2016.

### Implementation accelerators

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

#### 1. Strengthening innovativeness

Innovative strength is an important prerequisite for improving current processes, enabling customers to increasingly arrange their financial affairs independently and facilitating Rabobank to respond (more quickly) to technical possibilities with new propositions.

#### 2. Empowering employees

Employees make the ambitions of our customers and Rabobank come true. In order to fulfil our strategy, it is necessary that our employees are aware of the social role we have to play as

a bank. It is essential that they embrace the strategy, know how to promote it and apply it to their daily work, where there is room for expertise and entrepreneurship. We are unambiguous and united in this desire. Employees know how to connect their personal values with those of the bank, and vice versa. There is continuous focus on personal development and training, as well as on building a diverse workforce. In this way, we strive to show our customers and society as a whole that we are the bank that is fully focused on its customers.

### 3. Creating a better cooperative organisation

The new structure of governance increases member participation and their input in Rabobank as a whole. The more effective structure will contribute to the transformation that our organisation must go through to fulfil the strategy.

The Strategic Framework 2016-2020 builds on the current improvement agenda of Rabobank, the implementation agenda. To give substance to the three core objectives and their associated priorities and accelerators, we have drawn up a new implementation agenda designed along four axes: complete customer focus, rock-solid bank, meaningful cooperative, and empowered employees. The implementation agenda will, in the coming years, enable Rabobank to regain its fundamental position as a cooperative, customer-focused bank in the Netherlands and as a leading food and agri bank worldwide.

### Financial Framework 2016-2020

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

To facilitate the growth of the common equity tier 1 capital through retained earnings and allow for the future growth of Rabobank, an ROIC of at least 8% will be required. We are

seeking this return in order to compensate our capital providers. To achieve this ROIC target, pre-tax profits by 2020 will need to be more than EUR 2 billion higher compared to 2014 (excluding the effects of the reductions on our balance sheet results). With this performance improvement, the cost/income ratio excluding regulatory levies will decrease to a level of approximately 50%.

Higher capital ratios will be achieved by raising additional capital, retained earnings and reductions on the balance sheet. Given the size of the expected capital requirements and expected future costs associated with our funding, issuing additional equity and/or subordinated debt will not provide the solution for our cooperative. Rabobank is, more than other banks, dependent on the financial markets and it aims to reduce this dependency. For this purpose, Rabobank seeks to reduce its wholesale funding for the group to below EUR 150 billion by 2020.

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

#### Summary of targets in Financial Framework 2016-2020

Ambition 2020	
<b>Capital</b>	
Common equity tier 1 ratio	>14%
Total capital ratio	>25%
<b>Return</b>	
ROIC	> 8%
Cost/income ratio	50% <sup>1</sup>
<b>Funding &amp; Liquidity</b>	
Wholesale funding	< EUR 150 billion
Total assets	≈ EUR 530 billion

1: Including regulatory levies, 53%-54%.

#### Previous financial targets

The new Strategic Framework will run from 2016 to 2020. For the year 2015, the fulfilment of the commitments are compared to the old objectives as set out in the Strategic Framework 2012-2016. The objectives and the actual figures for 2015 are presented in the table below.

#### Summary of targets in Financial Framework 2012-2016

	Target for 2016	Actual 2015
<b>Profitability</b>		
Return on tier1 capital	8%	6.5%
<b>Solvency</b>		
Common equity tier 1 ratio	14%	13.5%
Total capital ratio	> 20%	23.2%
<b>Liquidity</b>		
Loan-to-deposit ratio	< 1.30	1.25

#### Impact of performance improvement on staffing

The improvement in profits in 2020 will have to come from higher earnings as well as cost-savings. These cost-savings will have a drastic impact on staffing. In the years 2016-2018, 9,000 jobs will disappear within Rabobank. These cuts are in addition to the 3,000 that are already planned in the context of the Vision 2016 and MARS programmes. Both in the Netherlands and abroad, the elimination of jobs will mainly affect the supporting functions. This drastic measure will be guided in a socially responsible way, with care and consideration for the individual employees.

#### Governance dialogue

After an intensive internal dialogue, Rabobank has decided to change its cooperative structure. As of 1 January 2016, Rabobank operates with one single banking licence and will only issue one set of financial statements. For years, Rabobank's organisation was based on a so-called two-tiered cooperative structure. It consisted of independent local cooperative Rabobanks, each with its own banking licence and set of financial statements; they were the members of the central cooperative Rabobank Nederland. In this structure, Rabobank acted as a service centre for the local Rabobanks but was also responsible for the delegated supervision of the local Rabobanks.

The (financial) world underwent dramatic and rapid changes in the few last years, comprising developments in the economy, customer expectations, financial markets and supervision. Furthermore, the ambitions of Rabobank have also evolved. In order to ensure that Rabobank will be able to sustainably substantiate its mission in the (near) future, a remodelling of the operational management (governance) proved to be necessary.

The discussions on matters of governance started in March 2014. A committee of chairmen of local management teams, supervisory directors of local Rabobanks and Executive Board members were assigned the task of issuing advice on the new governance of Rabobank. Our objective was to

create a governance model that contributes to restoring the confidence of customers, members, employees, supervisors and other stakeholders.

After an extensive internal debate in spring 2015, the Central Delegates Assembly approved the elaborate proposal for new governance. In September, a positive opinion on the articles of association and rules of procedure of the new governance was issued. On 2 December, the 106 local Members Councils unanimously decided in favour of the merger, which was necessary for the new governance. A week later, the General Meeting of Rabobank Nederland adopted the proposal of merger and amendment of the articles of association, and thus the new structure.

In the new cooperative structure, all the local Rabobanks and Rabobank Nederland work together as one cooperative, with one single banking licence and one set of financial statements. In doing so, the bank seeks to invigorate both its cooperative identity and its banking business. The new structure enables Rabobank to anticipate future legislation and regulations and to respond to future developments more effectively and efficiently.

In the new cooperative structure, members have more influence and control. The Members Council of local Rabobanks will become, to a greater extent, a sounding board for the local management teams regarding the services and the socially responsible activities of the bank. Their influence and control will also extend to Rabobank Group as a whole, as each local Rabobank will have direct representation on behalf of their members in the highest body of the cooperative, the General Members Council. This council approves strategies, approves the main points of the annual budget, issues opinions on large acquisitions or alliances and appoints the members of the Supervisory Board.

The local Rabobanks are and will remain the heart of the cooperative. The new structure gives them more influence, which will allow local Rabobanks to further sharpen their focus on the customer and their personal situation in the future. Furthermore, the bank will be making an increasingly significant contribution to local communities by sharing knowledge and networks, and through sponsoring and the cooperative fund.

### 3.3 Cross-guarantee system

In accordance with the Dutch Financial Supervision Act (Wet op het financieel toezicht), various legal entities belonging to Rabobank Group are internally liable under an intragroup mutual keep well system. Under this system the participating entities are bound, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow the deficient participant to satisfy its creditors.

As at 31 December 2015, the participants are:

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

On 1 January 2016, the local Rabobanks and the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. entered into a legal merger. Furthermore, on 1 January 2016, the name of the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed into Coöperatieve Rabobank U.A.

### 3.4 Basis of consolidation

Up until 31 December 2015, Rabobank Group consisted of the local Rabobanks (Members), the central cooperative (Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.) and a number of specialised subsidiaries.

On 1 January 2016, the local Rabobanks and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. entered into a legal merger. Furthermore, on 1 January 2016, the name of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. was changed into Coöperatieve Rabobank U.A. (Rabobank). More information on this merger is included in the section 'Legal merger'.

The IFRS consolidation scope of Rabobank is determined in accordance with IFRS 10 'Consolidated Financial Statements', IAS 28 'Investments in Associates' and IFRS 11 'Joint Arrangements'.

Rabobank controls an entity if Rabobank has power over the investee, exposure or rights to variable returns from its involvement with the investee and has the ability to use its power to affect the amount of the investor's returns. All entities that are controlled by Rabobank are fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to Rabobank and are no longer consolidated from the date that control ceases.

Investments in associates (investments in which Rabobank has a significant influence, but which it does not control, generally holding between 20% and 50% of the voting rights) and joint ventures are accounted for using the equity method under IFRS.

### Regulatory reporting scope

The consolidation scope for the purpose of calculating Regulatory Capital is generally the same as the consolidation scope under IFRS. The entities in the regulatory reporting scope that are consolidated are listed in appendix 14.5 'Entities in the scope of CRR (CRD IV)'. The aggregate amount by which the actual own funds are less than the required minimum in subsidiaries not included in the consolidation scope is nil.

### Direct and indirect holdings of the capital of financial sector entities that are deducted or risk-weighted

Rabobank deducts or risk weights the following entities with a total amount of 3,050:

- Achmea B.V.
- Banco Terra
- Banco Cooperativo Sicredi
- Banque Populaire du Rwanda
- Development Finance Company of Uganda Bank
- Equens
- Grupo Finterra
- LSVP VI Cayman Trust
- National Microfinance Bank Tanzania
- Paraguay Banco Regional
- Van Lanschot N.V.
- Zambia National Commercial Bank

### Legal merger

After discussions between:

1. Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Amsterdam;
2. The co-operative member banks of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

decided at the respective meetings of the members' councils of the banks concerned (2) on 2 December 2015 and at the General Meeting of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. on 9 December 2015 to enter into a legal merger as of 1 January 2016.

One of the consequences of the decisions taken was that the former bank (1) received the assets of the banks referred to (2) under universal title and the banks referred to (2) ceased to exist.

During the aforementioned General Meeting, the bank (1), in connection with the merger, decided to change its name to Coöperatieve Rabobank U.A. as of 1 January 2016.

## 3.5 Accounting and risk principles

The accounting principles are in accordance with IFRS as adopted by the EU and are described in the Consolidated Financial Statements 2015 of Rabobank Group.

The risk principles are set out in the relevant risk sections.

Unless otherwise stated, all amounts are in millions of euros.

## 3.6 Enhanced Disclosure Task Force (EDTF) recommendations

The Enhanced Disclosure Task Force (EDTF), established by the Financial Stability Board (FSB), presented recommendations to improve the transparency of reporting by banks. Rabobank embraces the EDTF principles except where the disclosure is to be classified as proprietary or if the disclosure is not relevant for Rabobank. Annex IV contains an overview of the 32 recommendations of the EDTF. This overview also includes a reference to the documents and pages where the recommendations are discussed. As such, the EDTF recommendations are discussed in the Annual Report 2015, the Consolidated Financial Statements 2015 or this Capital Adequacy and Risk Management Report 2015.



# 4. Risk management

**EDTF 2** Rabobank Group operates a prudent approach to risk with rigorous management controls to keep the bank safe, support the sustainable risk strategy and minimize losses within the risk appetite. The Group has installed a strong risk function and maintains a robust risk management framework to identify and escalate emerging risks and to take decisions based on a conscious and careful risk-return trade-off in line with the risk strategy that should remain within the risk appetite.

## 4.1 Risk approach

### Risk strategy

**EDTF 6** Rabobank's risk strategy supports the management in the realisation of the business strategy by defining boundaries within which the bank must operate. An important starting point for the risk strategy is that running risks is an inherent part of banking. Without risks (profitable) banking activities are not possible. Therefore, it is natural to not only accept a certain degree of risk but also to pursue it. The risk strategy focuses on:

- a healthy risk-return ratio;
- protection of profit and growth in profits – Rabobank's business strategy is based on its cooperative background, and thus maximisation of profit is not an objective;
- retention of solid balance sheet ratios: solid balance sheet ratios are essential to ensure continuity in the provision of services to customers on sustainable and favourable conditions, and
- protection of Rabobank's identity and reputation: Rabobank wants stakeholders to continue to have confidence in the bank.

The mission of the Risk Management department is to ensure the financial stability and continuity of Rabobank by monitoring its risk profile. The Risk Management department ensures that risk management is implemented correctly, in line with legislation and best practices in the market.

### Risk culture

Risk is everybody's business. Rabobank expects all employees to contribute to a sound risk culture focussing on long term relationships with customers and placing their interest first. Employees are explicitly expected to deal responsibly with risks and dilemmas, to carefully consider the interests of stakeholders, to always be honest and reliable and take responsibility for their actions. Each individual employee contributes to the risk profile of Rabobank and the way in which risks are managed. Desirable behaviour is encouraged and undesirable behaviour is corrected. An important baseline is to create an environment in which risks are openly discussed and where openness exists regarding dilemmas that arise in our work. Tunnel vision needs to be avoided in the perception of risk. It is vital, to learn from mistakes and to limit repetition by removing the causes and by sharing experiences. Risk management activities actively keep risks within the established risk appetite and support assessment of potential consequences of choices, careful consideration of risk and/return trade-offs and appropriate measures based on up-to-date risk analyses.

The risk culture is further defined in the codes for various themes such as integrity, credit risk, information security, privacy and sustainability. Risk culture is further supported by:

- A structured organisational change in the 'Culture Collective' movement, in which Rabobank employees discuss their contribution to the organisational change and their individual behaviour, the focus on customers and strategic objectives, including in particular risk and compliance. In addition to that Rabobank adheres not only to the Banker's Oath in the Netherlands but also introduced an international Values Week to direct attention on core values and accompanying prudential behaviour. All employees are challenged worldwide to engage in dialogues about the bank's values and what they mean in their day-to-day work.
- Surveys among employees addressing risk and compliance issues culture topics (such as tone from the top, openness to challenge willingness to speak up) and areas of improvement for both the organisation and the employees.
- Training offered across the organisation on risk-related issues, such as informing customers with respect to the risks they take, integrity, privacy and information security. The subjects and methods are continually under development to keep

pace with external and internal developments and are combined with internal informative campaigns.

- Lessons Learned in which learning from mistakes is a recurring activity with respect to undesired operational risk and credit risk events. Sharing experiences is encouraged in order to avoid repetition in other parts of the organisation.

## Risk appetite

**EDTF 7** The Risk Appetite Statements (RAS) are aligned with the risk strategy and defines the types and levels of risk which Rabobank is willing to take in order to achieve its business objectives.

Risk appetite, is among other things, defined in terms of:

- Minimum levels for capital ratios;
- Liquidity ratios;
- Concentration limits for asset classes and industry sectors;
- Market risk ratios;
- Operational Risk ratios.

The risk appetite at Rabobank Group level is an integral part of the bank's strategy. Entity-specific risk appetite statements further specify the Group risk appetite at entity level. The RAS is articulated by the Risk Management department and is approved by the Executive and Supervisory Board. The risk appetite is embedded within principles, policies and limits across the Group.

The RAS are monitored by benchmarking the actual and forecasted risk profiles against the risk appetite and are discussed on a monthly basis in the Executive Board and Supervisory Board Risk Committee. This ensures that day-to-day operations are executed within the boundaries that are set by the business and risk strategy. Breaches of the risk appetite will result in immediate action at the appropriate management level. The risk appetite is reviewed annually by the Executive and Supervisory Board.

## Significant risks and developments

**EDTF 3** Rabobank keeps track on external developments and closely monitors the risks that might affect the achievement of organisational objectives. Regularly top-down and bottom-up risk assessments are performed in a structured manner to identify various types of risks and specific stress tests are being conducted to calculate the impact of adverse scenarios. The integral overview of the main risks, the changes in them and the measures taken are regularly discussed in the Executive Board and Supervisory Board.

Banking is taking risks. When business opportunities are pursued, options explored, decisions taken, at the same time risks are assessed. Rabobank daily takes informed risk decisions on credit granting, entering interest rate contracts and in its other services to customers. To control the material risks, risk management processes are in place which ensure that the risks are taken within the risk appetite of the bank and that the return is balanced with the risk. This limits the exposures to regular banking risk types such as: credit risk, market risk, interest rate risk, liquidity risk and non-financial risks, including compliance. Nevertheless, Rabobank has identified some fundamental residual risks:

- Sustained historically low interest rate levels: have an adverse impact on profitability of Rabobank mainly due to the impact on the result from Rabobank's interest rate business.
- Sustained exceptional market developments: influence the Value at Risk (VaR) and require continuous mitigation by adjusting the market risk position based in strict limits.
- Unexpected loan losses: despite an effectively diversified business model and prudent lending criteria loan losses may be higher than estimated.
- Balance sheet imbalance: funding costs may undesirably increase due to dependence on the capital market and the increasing regulatory capital requirements.
- Increase and complexity of regulation: the additive effect of new regulations has a direct impact on the available strategic alternatives and imposes a heavy burden on scarce human and financial resources.
- Negative public opinion: restore of confidence in the financial sector is an important condition to maintain a healthy customer base.
- Geopolitical and economic instability: geopolitical unrest in the Eurozone and in the emerging markets and continued economic instability lead to uncertainty in the financial markets.
- IT systems and security: technology and digitalisation contribute to more efficient business processes and improved service but at the same time lead to greater reliance on IT systems. Cybercrime is a main focus area.
- New market entries and disruptive technologies: lead to increased competition in areas such as payment systems and credit.

The risks mentioned above are inherent to the business model of Rabobank. The recent changes of the governance model and the announced cost reduction are part of the renewed strategy. Successful implementation of this strategy is of paramount importance to the future of Rabobank.

## 4.2 Risk management organisation

**EDTF 5** Two departments within Rabobank Group share the responsibility for central risk management. The Risk Management department is responsible for the overall risk management framework and more specifically for policies regarding interest rate, market, liquidity, currency and non-financial risks, as well as for the credit risk policy at portfolio level. Kredietrisicomanagement (KRM) is in charge of the policy for accepting new clients in terms of credit risk at individual customer level.

Rabobank takes a 'three lines of defence' approach to risk management to ensure adequate oversight and to provide a clear division of activities and responsibilities in risk management. It aims to provide clarity for every employee within the bank, with regard to their role and the level of risk awareness that is expected from them. In this approach the business is the first line of defence, being the 'risk owners' and making risk return trade-offs in their (daily) activities. As well as being responsible for the results, execution, compliance and effectiveness of risk control. The Risk Management department is the second line of defence and organisationally independent. It is providing oversight, guidance and approval as well as setting frameworks, rules and advice, facilitating, monitoring and reporting and challenging the business in their risk management activities and risk-return considerations to ensure that risk ownership is taken. The third line of defence includes internal audit and external audit. Internal audit assesses the quality and the effectiveness of the governance, risk management and control processes and recommend solutions to optimise them.

The Risk Management function is organised as follows:

1. Chief Risk Officers (CRO) - The major entities 'Aangesloten Banken Bedrijf' (Local Rabobank's Business) and 'Wholesale, Rural & Retail' in addition have their own CROs who are physically part of the entity to effectively steer risk management activities, while retaining their independent second-line responsibilities and independent reporting line.
2. Risk teams - The risk management organisation includes three highly specialised functional teams:
  - The Credit Risk team, which manages the credit portfolio at aggregate Group level and sets policies and limits, carries out performance analyses, constructs models and reports to senior management.
  - The Balance Sheet Risk team, which establishes the policies and the limits framework and measures the risk profile for balance sheet management (Asset & Liability

Management), liquidity, funding, market risk and internal settlement interest rates.

- The Non-Financial Risk team, which records, analyses and reports on the operational risk framework, including the responsibility for operational continuity, IT risk and Group insurance.
  - These risk teams work together with the Integrated Risk Team, which takes a holistic view of Rabobank's risk profile based on a strong risk governance and culture, strategic planning, capital, stress testing and prudential legislation.
3. Support teams - Specialist support and other activity teams in relation to:
- Model validation for the independent validation of risk management models and organisation.
  - Projects, data, processes and systems for the management of risk-related systems and data collection for risk projects and process optimisation.
  - Management support for strategic planning (such as Human Resources and budget).

### Risk decision

**EDTF 5** The CFRO is responsible for the execution of risk management activities for the entire Rabobank Group.

The Risk Management organisation is led by the Head of Risk Management and reports to the CFRO. From January 1st 2016 onwards, the CFRO responsibility is taken over by the CRO function.

### Risk management committee structure

At Rabobank Group two Executive Board committees are established for risk management with both having three permanent members from the Executive Board, and a mandate to take decisions on behalf of the Executive Board. These committees are:

1. Asset & Liability Committee (ALCO) Group - First line of defence committee, with risk optimization responsibilities for deciding on discretionary balance sheet risks for the Group. The ALCO Group is also responsible for optimizing Rabobank's mix of capital sources and optimizing the use of transactions (portfolio sales, securitizations etc.) of assets as both a capital and funding tool.
2. Risk Management Committee (RMC) Group - Second line of defence risk management committee, ultimate arbiter on risk management issues and guarding the risks taken by Rabobank. The RMC Group is responsible for risk appetite, limit setting, monitoring, intervening when appropriate and policing etc.

The RMC Group delegates specific risk management tasks to a number of subcommittees which have the following missions:

- RMC Wholesale Rural & Retail (RMC WRR) - RMC WRR is the primary second line of defence management committee of Wholesale Rural & Retail (WRR), acting with delegated authority of the Group RMC as the arbiter on the measurement of risk and guardian of the risk taken by WRR. Risk coverage includes liquidity risk (both short- and long-term), balance sheet risk, market risk, customer credit risk, portfolio management/risk aspects including credit profiles and credit risk appetite, and operational risk. RMC WRR's scope excludes compliance risk, reputational risk, tax risk and legal risk.
- RMC Retail NL - The primary second line of defence, management committee of Rabobank Retail, acting with delegated authority of the RMC Group as the arbiter on the measurement of risk and guardian of risk taken by Rabobank Retail NL.
- RMC Treasury Rabobank Group (RMC TRG) - The primary second line of defence management committee of TRG. RMC TRG acts with delegated authority of the RMC Group Committee. The committee is responsible for the monitoring of TRG's financial risk profile, reviewing of its activities and use of risk limits and amendments to financial markets risk policies and risk measurement methodologies related to TRG activities. In addition the RMC TRG also has credit and impairment approval authority with regard to the TRG Non-Core portfolio.
- Country Limits Committee (CLC) - Advises the RMC Group and the Executive Board on Country Risk policy and decides on Country Limits within its authority.
- Non-Financial Risk Committee (NFR) - The primary second line of defence for all Non-Financial Risk (NFR), acting with delegated authority of the RMC from which it drives its authority and to which it regularly reports. The NFR governs the NFR management framework, monitors the effectiveness of NFR management, acts as an arbiter on the measurement of NFR and is guardian of NFR taken by the Group. The NFR serves as a regular forum for discussion of Non-Financial Risk matters.
- Regulatory Oversight Committee (ROC) - Monitors and oversees changes of the global regulatory environment affecting the group. The committee is responsible for the internal allocation, the high level monitoring of the implementation and embedding of these changes. The ROC is a forum for ensuring that the RMC and Executive Board are aware of group-wide regulatory issues.
- Model Governance Committee (MGC) - Ensures oversight and control on material model risks and takes decisions accordingly. The models and the reviews thereof that are

submitted to the committee should be approved by the Senior Management of the relevant entity of Rabobank and be validated by Risk Management-Model Validation (RM-MV) prior to submission to MGC.

The Supervisory Board, supported by the Supervisory Board Risk Committee (SB RC), is responsible for the supervision of the Executive Board with regard to the risk policy pursued, risk management, and the associated risk profile. Risk Management provides the Supervisory Board and SB RC with risk-related information

## 4.3 Risk management framework

Rabobank identifies and manages the risks it incurs on an ongoing basis. This has led to a comprehensive risk management framework, which includes for example determining the risk appetite, stress-testing, risk assessments for each group entity and for the Group as a whole, and measuring and monitoring risks.

The mission of the risk management framework of Rabobank is, to ensure that risks are adequately assessed and managed. Procedures are needed to identify, assess, monitor, report risks and to drive risk mitigation and/or escalation when required. Risk identification is part of developing the risk strategy, defining risk appetite, implementing strategic choices and regular operational activities.

**EDTF 4** There is a strong interdependence between events in the environment of the bank and the applicable risks. Risks do not occur in isolation but are interconnected and may even mutually reinforce each other. Recent history has shown that extreme risks can occur as well. Rabobank has a tradition and culture of prudent risk taking and careful implementation of strategic decisions. Rabobank considers relevant risks when deciding on strategic choices and organises its processes to further improve its client services. Regulatory requirements are implemented and are monitored continuously.

## 4.4 Risk Measurement

### 4.4.1 Risk models and model validation

Rabobank develops and uses risk models for most risk types. The models for credit, market and operational risk are the most widely used. Models are developed by the modelling departments in close cooperation with the relevant business and risk experts. In principle, models are reviewed annually.

The models are the basis for internal measures of risk (economic capital) and are at the same time key inputs for calculation of the minimum regulatory capital requirements according to the Basel framework. All internal models are validated by the independent Model Validation department. Validation guidelines are specified to ensure objectivity, consistency, transparency and continuity. Models are validated according to these principles and reviewed against internal requirements and regulatory requirements. Model results are back-tested against historical loss data. Where relevant, external benchmark studies are used to support the calibration of parameters. Models require formal internal approval before implementation and use is allowed. Final internal approval for the (continued) use of a model is obtained from the Model Governance Committee (MGC), a subcommittee of the Risk Management Committee (RMC) Group. External approval is obtained from the regulator.

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

The bank uses internal models to estimate Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters. These models are embedded in the credit approval and internal reporting processes and are used to measure the credit risk in exposures to individual clients and portfolios. The same parameters are also used to calculate risk-adjusted return on capital, economic capital and the minimum regulatory capital requirements under the Basel Advanced Internal Ratings Based (AIRB) approach.

### ***Operational risk models***

Operational risk loss events are systematically collected and analysed on a bank-wide basis. Operational risk assessments are key in systematically assessing operational risks in ongoing business and in proposed changes. Progress on outstanding operational risk issues is monitored through issue management and action tracking. Operational risk exposures are analysed and reported to senior management to support decision-making.

### ***Market risk models***

Value-at-Risk (VaR) models are used to measure market risk of exposures in both the banking and the trading book. Value-at-Risk is used for the internal monitoring and reporting of positions relative to the limits determined in the risk appetite. In addition to VaR, other instruments to measure market risk are used as well, e.g. Equity at Risk, Income at Risk, basis point value and sensitivity and stress scenarios.

## **4.4.2 Stress testing**

**EDTF 8** Stress testing is an important risk management tool that provides a forward-looking assessment of risk and assists in the optimization of risk capital and liquidity buffers. It enables the exploration of vulnerabilities in business models whilst overcoming the limitations of risk models and historical data. At Rabobank, stress testing forms an essential part of the risk management framework. Stress tests are used to measure the impact of extreme, but yet plausible events. Where necessary, measures are taken on the basis of the results of the stress tests that are in line with Rabobank's risk appetite.

### ***Stress test governance***

Given the importance of stress testing in terms of regulatory compliance and sound risk management the stress testing process and governance warrants the involvement of senior management up to the Executive Board and Supervisory Board of Rabobank. The Executive Board of Rabobank is ultimately responsible for the Rabobank Stress Testing Framework and its execution, where the RMC Group acts as the delegated principal in cooperation with the ALCO Group. In this context, the Executive Board with representatives in the RMC Group and ALCO Group, represents the management body.

### **Accountabilities and decisions RMC Group related to stress testing**

- Oversee group-wide stress testing process (including: definition of methodology, formulation of scenarios);
- Consider the impact and implications of the result of stress testing on profit and loss and capital requirements in the context of risk appetite;
- Embed stress testing in forward-looking risk management and decision making processes (including development of capital planning, establishment of risk appetite, improvement of risk management framework, review of portfolios or complementary tools of Risk Models);
- Enhance communication on stress testing results with the entities.

### **Decisions**

- Sign-off group-wide stress tests;
- Approve scenarios used for group-wide stress testing concerning capital adequacy and reviewing and challenging the group-wide stress testing results;
- Determine mitigation actions and strategies based on the results of stress testing.

## Accountabilities ALCO Group related to stress testing

Reviewing balance sheet forecast and stress tests in order to raise and distribute capital, balancing risk and returns trade-offs.

In 2015 RMC Group and ALCO Group were advised by the Working Group Stress testing (WG ST) on all firm-wide capital and liquidity stress testing activities. In December 2015 the mandate of the WG ST was extended from an advisory role to a decision making body – delegated by the RMC Group and ALCO Group in preparation of the EBA and ICAAP stress tests.

### Stress test activities

Stress tests occur in many forms and shapes with different scopes. The current types of stress tests that are executed within Rabobank can be categorized by a variety of determinants:

- By scenario (macro-economic, non-macroeconomic);
- By initiator (external versus internal);
- By scope (firm-wide, portfolio specific and risk type specific)
- By type (bottom-up, top-down, reverse stress test).

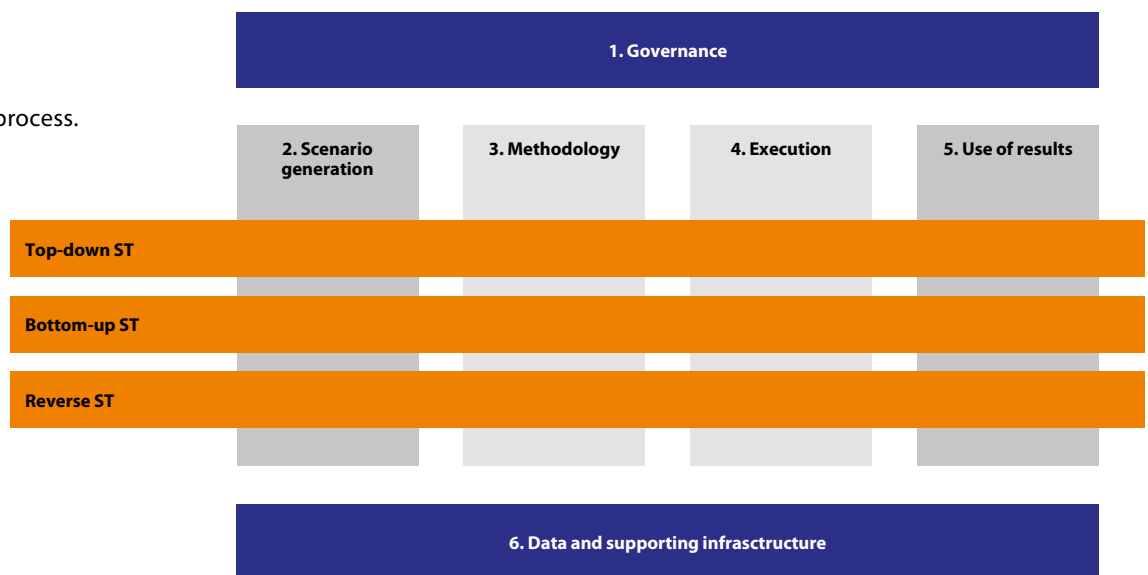
In general these determinants can be characterized by two dimensions used to define the scope of stress tests:

1. The risk dimension; and
2. The organizational dimension.

In general when multiple risk dimensions are covered the organizational scope becomes more important. Ultimately the Firm Wide Capital Stress Test covers multiple risk types and covers the whole organizational dimension. The risk dimension can be risk type (e.g. a Market Risk Stress Test) but can also be product related (e.g. a mortgage credit risk Stress Test). The organizational dimension can be on entity level or on portfolio level.

### Stress test process

Figure 1: Stress test process.



The overall stress test process can be summarised as shown in Figure 1. Scenarios inter alia consist of a set of regular macro-economic stress tests, thematic stress tests driven by macro-economic developments, regulator-provided Stress Tests, scenarios generated as a result of risk identification, and ad hoc scenarios. In the various internal and external scenarios both macro-economic and non-macroeconomic factors are taken into account. The macro-economic factors include growth, unemployment, inflation, interest rates, share prices and real estate prices.

Once a scenario is generated quantitative approaches are developed. Note that the stress test models are subject to review from model validation. Subsequently, the stress tests are executed. A stress test process can be executed via a top-down, bottom-up or reverse stress test approach. Results are used for sound risk management within Rabobank Group. Clear governance and a data and supporting infrastructure are essential in the stress test process.

In 2015 an internal group-wide stress test, as part of the yearly Supervisory Review and Evaluation Process (SREP), has been performed. For 2016 in addition to an internal group-wide stress test also an external group-wide stress test will be performed as part of the SREP process.

## 4.5 (Regulatory) Developments

### Volcker Rule

As part of the Dodd-Frank Act, US regulators adopted a ban on proprietary trading and restricted investments in or sponsoring (or having certain relationships with) hedge funds and private equity ('covered fund activities') by banking entities and their affiliates, known as the 'Volcker Rule'. The entire Rabobank Group is in scope of the Volcker rule since it controls an FDIC-insured bank ('Rabobank N.A.') and maintains a branch in the U.S. ('CCRB, New York Branch'). Market Making, Risk-Mitigating Hedging and Trading Outside the United States ('TOTUS') are examples of permitted proprietary trading activities under the Volcker Rule. As of 21 July 2015, Rabobank has an internal Volcker compliance program, reasonably designed to ensure and monitor compliance with the Volcker Rule. Rabobank is in the process of implementing the regulation with respect to covered fund activities for which the conformance period is 21 July 2016.

### IFRS 9

As of 1st of January 2018, the current IFRS standards (IAS 39) will be replaced by IFRS 9. Changes contain three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting. In 2015 an IFRS9 project was started to become compliant in time.

### MREL

In addition to stronger prudential CRR/ CRD IV requirements, there was also a need for a framework on recovery and resolution measures for banks to ensure that bank failures across the EU are managed in a way which avoids financial instability and minimises costs for taxpayers. Therefore, in April 2014, the European Parliament passed the BRRD effective 1 January 2016.

To ensure banks have sufficient loss absorbing capacity in resolution, banks have to hold a certain minimum required amount to absorb losses: The Minimum Required Eligible Liabilities which should be at least 8% of the balance sheet total. The MREL-requirement will be set on a case by case

basis (bank specific). MREL requirements have not been defined by the Resolution Authority but is expected to be compatible with the TLAC requirements for Global Systemically important institutions ("G-SIB's"). The expected timing for the communication on MREL requirements is the second half of 2016.

### TLAC

The Financial Stability Board (FSB) has published its final Total Loss-Absorbing Capacity (TLAC) standard in November 2015 to be applied to global systemically important banks (G-SIBs). The standard is intended to ensure that failing G-SIBs have sufficient loss-absorbing and re-capitalisation capacity available in resolution for authorities to implement an orderly resolution that minimise impacts on financial stability, maintains the continuity of critical functions and avoids exposing public funds to loss.

The TLAC principles and term sheet sets out the minimum requirement for the instruments and liabilities that should be readily available for bail-in without resolution at G-SIBs, which will be defined as at least 16% of the resolution group's risk-weighted assets from 1 January 2019 and at least 18% from 1 January 2022 as well as a minimum TLAC of at least 6% of the Basel III leverage ratio denominator from 1 January 2019 and at least 6.75% from 1 January 2022. The FSB has announced that it will monitor the technical implementation of the TLAC standard and will report on this by the end of 2019.

### Basel IV

The Basel Committee is currently reviewing the whole Regulatory Capital framework. In the market this is also called 'Basel IV' given the significant reforms. The new market risk framework is published in January 2016. The GHOS (Central Bank Governors and Heads of Supervision which is the oversight body of the Basel Committee) agreed in January 2016 that the Committee would complete its work to address the problem of excessive variability in risk-weighted assets by the end of 2016. This program will include the following key elements:

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



## 5. Capital management

This section describes the capital management and Regulatory and Economic Capital requirements of Rabobank. The CRR (CRD IV) framework defines capital requirements for banks as the absolute minimum amount of capital required to cover the financial risks that a bank faces. For Pillar 1 this is expressed in three major risk types: credit, operational and market risk.

### 5.1 Capital management

Capital risk is the risk that a sub-optimal amount or quality of capital is inefficiently deployed across the Group. Capital risk appetite is set by the Board, reflecting the Group's strategic plan, regulatory capital constraints and market expectations. It is defined by a number of minimum capital ratios in normal and stressed conditions. Rabobank has a capital management framework including policies and procedures that are designed to ensure that it operates within its risk appetite, continues to comply with regulatory requirements and is positioned to meet anticipated future changes to its capital requirements. Capital is actively managed and regulatory ratios are a key factor in Rabobank's planning process and stress analyses. The capital plan is tested for capital adequacy using sensitivity analysis and a range of stress scenarios covering adverse economic conditions as well as other adverse factors that could impact Rabobank. Rabobank maintains a Recovery Plan which sets out a range of potential mitigating actions that could be taken in response to a stress event.

The Executive Board has ultimate responsibility for ensuring that Rabobank maintains the targeted minimum capital levels above the minimum prudential capital levels as set by the European Central Bank (ECB).

In the yearly Internal Capital Adequacy Assessment Process (ICAAP), Rabobank assesses the capital adequacy in the context of the current and foreseeable business and environment where it operates in and the associated risk exposures as part of the Supervisory Review and Evaluation process.

Table 1 provides a reconciliation overview between the qualifying capital and the accounting capital at 31 December 2015.

**EDTF 10 Table 1: Reconciliation of qualifying capital with IFRS capital.**

	<i>Qualifying capital</i>	<i>IFRS capital</i>
Retained earnings	25,482	25,482
Expected dividends	(126)	
Rabobank certificates	5,949	5,949
Non-controlling interests	22	492
Reserves	224	224
Regulatory adjustments	(5,539)	
Transitional adjustments	2,742	
<b>Common Equity Tier 1 capital</b>	<b>28,754</b>	
Trust preferred securities III-IV		1,131
Capital Securities		8,002
CRDIV compliant Capital Securities	1,488	
Grandfathered instruments	6,373	
Non-controlling interests	5	
Regulatory adjustments	(76)	
Transitional adjustments	(1,492)	
<b>Tier 1 capital</b>	<b>35,052</b>	
Subordinated debt	15,078	
Non-controlling interests	6	
Regulatory adjustments	(85)	
Transitional adjustments	(596)	
<b>Total IFRS equity/qualifying capital</b>	<b>49,455</b>	<b>41,280</b>

The main differences are the regulatory and transitional adjustments in qualifying capital following CRR, such as intangibles, deferred tax assets, the Internal Ratings Based (IRB) shortfall and the phasing out of non-eligible additional Tier 1 capital instruments. The Tier 2 subordinated debt is accounted for as a liability under IFRS. Table 2 provides an overview of the changes in the different qualifying capital components.

EDTF 11 Table 2: Overview of changes in qualifying capital.

<b>Overview of changes in qualifying capital</b>	
<b>Qualifying capital at 1 January 2015 CRD IV</b>	<b>45,139</b>
Opening common equity Tier 1 capital at 1 January 2015	28,714
Retained earnings	66
Net profit	880
Rabobank Certificates	18
Non-controlling interests	(5)
Reserves	(141)
Regulatory adjustments	(291)
Transitional adjustments	(487)
<b>Closing common equity Tier 1 capital at 31 December 2015</b>	<b>28,754</b>
Opening additional Tier 1 capital at 1 January 2015	5,161
Capital Securities	1,488
Regulatory and transitional adjustments	(351)
<b>Closing additional Tier 1 capital at 31 December 2015</b>	<b>6,298</b>
Opening tier 2 capital at 1 January 2015	11,266
Subordinated debt	3,340
Regulatory and transitional adjustments	(203)
<b>Closing tier 2 capital at 31 December 2015</b>	<b>14,403</b>
<b>Qualifying capital at 31 December 2015</b>	<b>49,455</b>

The subordinated debt increased mainly due to the issuance of 2 subordinated liabilities (USD 2.75 billion and AUD 0.7 billion). A detailed breakdown of CET1, T1 and T2 and for the additional information about the CET1-, T1 and T2 capital instruments can be found in Annex 14.1.

### Rabobank Certificates

Rabobank Certificates have been listed on Euronext Amsterdam since January 27, 2014. The target minimum return on the Rabobank Certificates is 6.5% on an annual basis. The price rose to 107.45% (26.86) on 31 December 2014 to 111.46% (27.87) on 31 December 2015. The average daily turnover on the stock exchange in 2015 was 4.3 million securities, and the total volume of securities traded was 238 million. The stock exchange listing means that the Rabobank Certificates are also available to individuals who are not a member of Rabobank, which increases the tradability of this instrument.

### Capital Securities and Trust Preferred Securities III to IV

Rabobank Nederland has Tier 1 capital instruments outstanding as at 31 December 2015 for an amount of 9,133, of which 1,488 (issued in 2015) is CRDIV compliant and of which an amount of 6,373 is grandfathered. The Tier 1 capital instruments consist of Capital Securities and Trust Preferred Securities III to IV.

### Capital Securities

All Capital Securities are perpetual and have no expiration date. The distribution on the Capital Securities per issue is as follows:

- **Issue of EUR 1,500 million** - The distribution 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. Capital Securities are recognised as equity, as there is no formal obligation to repay the principal or to pay the periodic dividend. These Capital Securities comply with the current rules, the so-called CRD IV and CRR requirements, concerning additional tier 1 capital. The conditions include the requirement that the securities must not pay starter interest and must absorb losses if a certain trigger is reached. In that case, the relevant amount will be debited from the principal. The debiting will occur on a pro rata basis with other additional tier 1 instruments. This instrument has two triggers: One at Rabobank Group level and the other at the level of Rabobank with the local Rabobanks (Local Rabobank Group). For Rabobank Group, the trigger is at a common equity tier 1 ratio of 7%, and for the Local Rabobank Group at 5.125% respectively; this series of Capital Securities absorbs losses from that point onwards. 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%.
- **Issue of USD 2,000 million** - The distribution is 8.40% per year and is made payable every six months in arrears as of the issue date (9 November 2011), for the first time on 29 December 2011. The Capital Securities are perpetual and first redeemable on 29 June 2017. If the Capital Securities are not redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the US Treasury Benchmark Rate plus a 7.49% mark-up.
- **Issue of USD 2,000 million** - The distribution is 8.375% per year and is made payable every six months in arrears as of the issue date (26 January 2011), for the first time on 26 July 2011. 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.
- **Issue of EUR 500 million** - The distribution is 9.94% per year and is made payable annually in arrears as of the issue date (27 February 2009), for the first time on 27 February 2010. As of 27 February 2019, the distribution will be made payable every quarter based on the three-month Euribor plus an annual 7.50% mark-up.

- **Issue of USD 2,868 million** - The distribution is 11.0% per year and is made payable every six months in arrears as of the issue date (4 June 2009), for the first time on 31 December 2009 (long first interest period). As of 30 June 2019, the distribution will be made payable every quarter based on the three-month USD Libor plus an annual 10.868% mark-up.
- **Issue of GBP 250 million** - The distribution is 6.567% per year and is made payable every six months in arrears as of the issue date (10 June 2008), for the first time on 10 December 2008. As of 10 June 2038, the distribution will be made payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up.
- **Issue of CHF 350 million** - The distribution is 5.50% per year and is made payable annually in arrears as of the issue date (27 June 2008), for the first time on 27 June 2009. As of 27 June 2018, the distribution will be made payable every six months on 27 June and 27 December based on the six-month CHF Libor plus an annual 2.80% mark-up.
- **Issue of ILS 323 million** - The distribution is 4.15% per year and is made payable annually in arrears as of the issue date (14 July 2008), for the first time on 14 July 2009. As of 14 July 2018, the distribution will be made payable annually based on an index related to the interest rate paid on Israeli government bonds with terms between 4.5 and 5.5 years plus an annual 2.0% mark-up.
- **Issue of NZD 900 million** - The distribution on the NZD Capital Securities equals the one-year swap interest rate plus an annual 0.76% mark-up and is made payable annually on 8 October, until 8 October 2017. As of 8 October 2017, the distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an equivalent mark-up.
- **Issue of NZD 280 million** - Rabobank Capital Securities Limited has issued capital securities, the distribution of which equals the five-year swap interest rate plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As of the issue date (27 May 2009), the distribution 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 distribution 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 distribution will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% mark-up.

Trust Preferred Securities III to IV - In 2004, 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 expected distribution is 5.254% up to and including 21 October 2016. For the period 21 October 2016 to 31 December 2016 inclusive, the expected distribution is equal to the interpolated USD Libor rate for the period, plus 1.5900%. The company has the right not to make a distribution. Thereafter, the expected distribution is equal to the three-month USD Libor rate plus 1.5900%. The total proceeds from this issue amounted to USD 1,500 million. As of 21 October 2016, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval has been secured from the Dutch Central Bank.
  - Rabobank Capital Funding Trust IV, Delaware, a group company of Rabobank, issued 350,000 non-cumulative Trust Preferred Securities. The expected distribution is 5.556% up to and including 31 December 2019. Thereafter, the expected distribution is equal to the six-month GBP Libor rate plus 1.4600%. The company has the right not to make a distribution. The total proceeds from this issue amounted to GBP 350 million. As of 31 December 2019, these Trust Preferred Securities can be repurchased on each distribution date (which is once every half-year) after prior written approval has been secured from the Dutch Central Bank.
- For the Trust Preferred Securities, a payment is required if a distribution is paid on items of a more subordinated nature (such as Rabobank Certificates) or on items of the same rank (*pari passu*); with the provision that no payment is required if the DNB objects to such payment (e.g. if Rabobank Group's solvency ratio is lower than 8%). If Rabobank Group makes a profit, Rabobank can either pay or not pay compensation on these items at its own discretion.

## 5.2 Regulatory Capital

Rabobank is using the most advanced calculation methods for calculating the Regulatory Capital (RC) requirements under Basel II and CRR (CRD IV) for credit, market and operational risks.

Table 3 presents an overview of the Regulatory Capital requirements and the Risk Weighted Exposure Amounts (RWEA) at 31 December 2015 for the different risk types. The largest part of the capital requirement relates to credit risk (86%). Market risk accounts for 2% of the capital requirements and operational risk comprises 12% of the Regulatory Capital requirements.

**EDTF 14** Table 3: Regulatory Capital requirements and risk weighted exposure.

<b>Regulatory capital requirements and risk weighted exposure</b>				
	At 31 December 2015		At 31 December 2014	
	<i>Risk-weighted exposure amount</i>	<i>Capital requirement</i>	<i>Risk-weighted exposure amount</i>	<i>Capital requirement</i>
<b>IRB approach</b>				
Central governments and central banks	1,109	89	1,137	91
Financial Institutions	6,637	531	9,542	763
Corporates	85,282	6,823	82,257	6,581
Retail	41,102	3,288	37,275	2,982
Equities	13,465	1,077	14,554	1,164
Other non-credit obligations and transfer risk	15,088	1,207	16,124	1,290
Securitisation positions	2,219	178	2,982	239,000
<b>Total IRB approach</b>	<b>164,902</b>	<b>13,192</b>	<b>163,871</b>	<b>13,110</b>
<b>Standardised approach</b>				
Central governments and central banks	-	-	1	-
Financial Institutions	137	11	570	46,000
Corporates	9,315	745	9,799	784,000
Retail secured by real estate	852	68	648	52,000
Retail other	4,691	375	4,692	375,000
Securitisation positions	-	-	-	-
Deferred tax assets	3,734	299	4,069	325
<b>Total standardised approach</b>	<b>18,730</b>	<b>1,498</b>	<b>19,779</b>	<b>1,582</b>
<b>Total credit risk and transfer risk</b>	<b>183,632</b>	<b>14,691</b>	<b>183,650</b>	<b>14,692</b>
Market risk	4,948	396	5,091	408
Operational risk	24,512	1,961	23,129	2
<b>Total</b>	<b>213,092</b>	<b>17,047</b>	<b>211,870</b>	<b>16,950</b>

At year-end 2015, the Regulatory Capital requirement of Rabobank Group was 17.0 (16.9) billion. The Regulatory Capital requirement for credit risk and market risk is in line with the Regulatory Capital Requirement as per year-end 2014. Regulatory Capital Requirement for operational risk increased due to the improved registration of operational events. A more granular overview of the capital requirements can be found in Appendix 14.2 (CRR 438c,d).

**EDTF 16** In Table 4 until Table 6 the flow statements of the RWEA for the different risk types are shown.

Table 4: RWEA Credit Risk

<b>Credit Risk</b>	
RWEA at 31 December 2014	183,650
Model adjustments	6,740
Business volume incl FX	(5,628)
(Des)investments	(1,130)
<b>RWEA at 31 December 2015</b>	<b>183,632</b>

Table 5: RWEA Market Risk

<b>Market Risk</b>	
RWEA at 31 December 2014	5,091
CVA	(245)
Other	102
<b>RWEA at 31 December 2015</b>	<b>4,948</b>

Table 6: RWEA Operational Risk

<b>Operational Risk</b>	
RWEA at 31 December 2014	23,129
Improved registration	1,382
<b>RWEA at 31 December 2015</b>	<b>24,511</b>

## 5.3 Economic Capital

In addition to Regulatory Capital, Rabobank Group also uses an internal capital requirement. This Economic Capital (EC) framework is used as key metric for internal risk measurement and management. The main difference between EC and RC is that the calculation of the Economic Capital takes into account all the material risks for which Rabobank considers a capital reserve necessary. Rabobank also assumes a higher confidence level (99.99%) than is used for Regulatory Capital (99.90%). A broad spectrum of risks is measured consistently to gain an understanding of these risks and to enable a rational

weighing of risk against return. A series of models has been developed to assess the risks incurred by Rabobank Group. These models concern credit, transfer, operational, interest rate and market risk. Market risk breaks down into trading book, private equity, currency, real estate and residual value risk. These EC models also form the core of the Internal Capital Adequacy Assessment Process (ICAAP).

The Economic Capital increased to 26.7 (23.4) billion. The increase was mainly due to the removal of diversification between risk categories in the EC framework.

Economic capital by risk category at year-end 2015

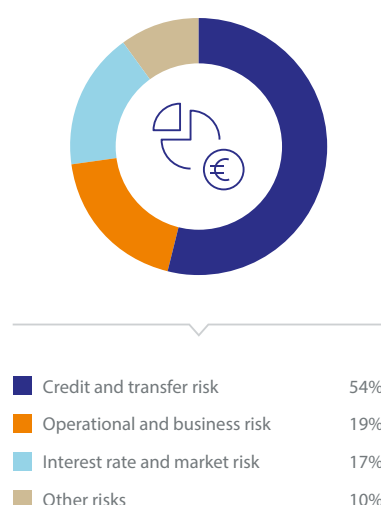


Figure 2: Economic Capital by risk category.

### Qualifying capital

The available qualifying capital of 49.4 (45.1) billion, that the bank retains to compensate for potential losses, was above the level of the total external and internal capital requirements. This buffer underlines the financial solidity of Rabobank Group.

The Risk Adjusted Return on Capital (RAROC), is calculated by relating the net profit to the average Economic Capital during a year. In Table 7 the RAROC and Economic Capital are shown. The RAROC of WRR is negatively impacted in 2015 because of the goodwill impairment of EUR 0.6 billion on RNA. In 2014 the real estate loan impairment charges were significant. In 2015 the real estate results recovered mainly due to less loan impairment charges which resulted in a higher RAROC.

Table 7: RAROC and Economic Capital (in billion).

<b>RAROC</b>				
	At 31 December 2015		At 31 December 2014	
	RAROC	Economic Capital	RAROC	Economic Capital
Domestic retail banking	13.0%	10.1	8.2%	8.8
Wholesale banking and international retail banking	-4.3%	7.7	10.2%	7.3
Leasing	27.4%	2.0	31.2%	1.5
Real estate	11.8%	1.4	-15.5%	1.5
<b>Total</b>	<b>8.3%</b>	<b>26.7</b>	<b>7.8%</b>	<b>23.4</b>

## 5.4 Capital ratios

The CRR and CRD IV jointly constitute the European implementation of the Basel capital and liquidity agreement of 2010. CRR provides CET1 deductible items such as deferred tax assets and the Internal Ratings Based (IRB) shortfall. These adjustments will be phased in gradually during the period 2014-2018. A special element in the deductible items is the treatment of intangible non-current assets which temporarily move from CET1 deduction to additional Tier 1 deduction (AT1 deduction). This leads to an initial and temporary increase in the CET1 ratio. The Tier 1 ratio is not affected.

The fully loaded Common Equity Tier 1 ratio was 12.0% on 31 December 2015. Fully loaded is the CET1 ratio where based on all CRR (CRD IV) regulation being fully applied. In line with the regulatory requirements various adjustments in capital will be phased in during the coming years in the CET1 capital. Therefore, the current CET1-ratio is higher than the fully loaded CET1-ratio.

The Tier 1 instruments that were issued by Rabobank before 2014 do not meet the new requirements of the CRR. For these instruments, grandfathering is applicable. This means that these instruments will, in line with the regulatory requirements, gradually be phased out of equity. In 2015 the Tier 1 ratio increased by 0.4 percentage points to 16.4% (16.0%), mainly due to the issuance of the 1.5 billion CRR compliant capital securities in January 2015.

As a result of the issue of Tier 2 capital, the capital ratio rose by 0.9 percentage points to 23.2% (21.3%).

Table 8: Capital ratios

<b>Capital ratios</b>				
	At 31 December 2015	At 1 January 2015	At 31 December 2014	
Risk Weighted Exposure Amount	213,110	211,870	211,870	
Total Common Equity Tier 1 capital	28,754	27,999	28,714	
Total Tier 1 capital	35,052	32,780	33,873	
Total qualifying capital	49,455	44,165	45,140	
Common Equity Tier 1 ratio	13.5%	13.2%	13.6%	
Tier 1 ratio	16.4%	15.5%	16.0%	
<b>Capital ratio</b>	<b>23.2%</b>	<b>20.8%</b>	<b>21.3%</b>	

**EDTF 9** Rabobank's capital objectives are based on the CRR (CRD IV) and bail-in legislation, peer group analyses and market expectations. In setting these objectives, we have taken into account the maximum Systemic Risk Buffer of 3% and bail-in legislation from Europe. Rabobank has been designated as a Dutch SIFI and not as a global SIFI. DNB has imposed Rabobank (and the other major Dutch banks) the maximum buffer of 3%. This buffer will be phased in between 2016 and 2019.

Table 9: Minimum capital buffer.

<b>Minimum capital buffer</b>				
CRD IV/CRR				
		CET1	Tier 1	Total Capital
Minimum pillar 1	2015	4.5%	6.0%	8.0%
Pillar 2 and Capital conservation buffer	2016-2019	5.0%	5.0%	5.0%
Minimum + capital conservation buffer		9.5%	11.0%	13.0%
Countercyclical buffer	2016-2019	0.0%	0.0%	0.0%
Systemic Risk buffer	2016-2019	3.0%	3.0%	3.0%
Total required (end state)	2016-2019	12.5%	14.0%	16.0%

The total required (end state) CET1 capital therefore amounts to 12.5%, i.e. a minimum Pillar 1 requirement of 4.5%, a pillar 2 requirement and capital conservation buffer of 5.0% and a system buffer of 3%. The required (end state) total capital amounts to 16.0%, i.e. a minimum Pillar 1 requirement of 8%, a pillar 2 requirement and capital conservation buffer of 5.0% and a system buffer of 3%, however there are discussions whether banks should include the full additional tier 1 and tier 2 minimum pillar 1 requirement in this total capital requirement when there is already a pillar 2 CET1 capital requirement set. In addition to these ratios, there would be a counter cyclical buffer of up to 2.5% which may be imposed by the supervisor which also will be phased in between 2016 and 2019. Almost all supervisors have set their countercyclical buffer at 0% as per 1 January 2016.

Our current (transitional based) capital ratios and targets are higher than the minimum capital requirements. It is our ambition to maintain a strong capital position. Rabobank has the following capital ambition as per the end of 2016<sup>1</sup>:

- Minimum CET1 ratio of 14%;
- Minimum Total Tier 1 ratio of 17.5%;
- Minimum Total capital ratio of 20% (later revised to mid-twenties).

The leverage ratio is the Tier 1 capital divided by balance sheet positions and liabilities not appearing in the balance sheet and is calculated on the basis of the definitions in CRD IV. The fully loaded leverage ratio on 31 December 2015 stood at 3.9%. The fully loaded leverage ratio is the leverage ratio if the provisions of the new regulations are fully applied. The actual leverage ratio on 31 December 2015 stood at 5.1% (2014: 4.9%). The regulatory minimum level for the leverage ratio is 3%. The actual leverage ratio was at a higher level than the fully loaded leverage ratio at year-end 2015 because various adjustments will be applied to the capital gradually over the coming years in accordance with the regulations.

1 CRR (CRDIV) transitional (not fully loaded).

## Bail-in buffer

Due to regulation it is possible to shift losses onto the creditors of a bank if the bank in question gets into financial difficulties. This process is known as a bail-in of creditors. Rabobank wishes to mitigate this risk as far as possible by holding a large buffer of equity and subordinated debt that will be called upon at first instance. This so-called bail-in buffer consists of retained earnings, other reserves, Rabobank Certificates, hybrid and subordinated debt instruments and other debt instruments (the so-called Senior Contingent Notes). Only after using the buffer, non-subordinated creditors whose claims are not covered by collateral will have to contribute. The bail-in buffer increased in 2015 from 51.5 billion to 57.5 billion. This corresponds to approximately 27% (24%) of the risk weighted assets. The increase in this buffer is mainly due to the issuance of Tier 1 and subordinated Tier 2 paper in 2015.

Table 10: Bail-in buffer (in billion)

<b>Bail-in buffer</b>		
	<i>At 31 December 2015</i>	<i>At 31 December 2014</i>
Retained earnings and other reserves	25.7	24.9
Rabobank Certificates	5.9	5.9
Hybrid capital instruments	9.1	7.6
Subordinated debt	15.5	11.7
Senior Contingent Notes	1.2	1.2
<b>Bail-in buffer</b>	<b>57.5</b>	<b>51.3</b>
Risk-weighted assets	213.1	211.9
<b>Bail-in buffer/risk-weighted assets</b>	<b>27.0%</b>	<b>24.2%</b>



## 6. Credit Risk

Credit risk is defined as the risk of the bank facing an economic loss because the bank's counterparties cannot fulfil their contractual obligations.

Credit risk management within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk policies. The primary responsibility for managing and monitoring credit risk lies with the business as the first line of defence. The business is required to identify, assess and manage, monitor and report potential weaknesses in the credit risk portfolios in line with the credit risk framework. Monitoring takes place on an ongoing basis to limit credit risk exposures to a level in line with the business line's risk appetite.

In addition, risk in the credit portfolio is measured and monitored at bank-wide level and on entity level on a monthly basis and by quarterly and ad-hoc portfolio reporting and analysis, with specific attention for risk developments and concentrations.

### 6.1 Credit risk management

#### Credit committees and credit approval

Rabobank has various levels of credit committees. Very large loans are approved by the Executive Board. Its judgement is based on the advice of the Central Credit Committee Rabobank Group. Most loans are subject to approval by a lower level credit committee. The credit authority amounts are periodically reviewed and are higher at each higher level of credit committee. Entities have their own local credit committees which are organised along the lines of the committees at the central level. Their duties and responsibilities are clearly defined in a charter. In general, the Local Credit Committee is chaired by the general manager, with the head of credit risk management as vice chairman. The charter also specifies the required members and regulates the proper representation by front office and credit risk management. Credit committee members are appointed by the management of the entity based on their position in the organisation, knowledge, experience and management responsibilities. Rabobank considers it as a priority that the credit committees are comprised of high level (senior) management representation with a significant level of experience in the respective credit area.

The credit committees play a key role in ensuring consistency among Rabobank standards of credit analysis, compliance with the overall Rabobank credit policy and consistent use of the rating models. The credit policy sets the parameters and

remit of each committee, including the maximum amount they are allowed to approve for limits or transactions. Policies are also in place which restrict or prohibit certain counterparty types or industries. As a rule, all counterparty limits and internal ratings are reviewed once a year (corporate clients) as a minimum. Where counterparties are assigned a low loan quality classification they are reviewed on a more frequent basis. Credit committees may request for more frequent reviews as well.

### 6.2 Credit risk measurement

#### Credit Risk Measurement Framework

Internal credit models are used to estimate PD, LGD and EAD parameters. Rabobank uses different modelling methodologies for the different portfolios. Ranging from statistical models to expert-based models, taking into account quantitative and qualitative risk drivers. The credit risk parameters are used in the calculation of the capital requirements.

Decisions which determine the level of credit risk that is accepted by Rabobank are not only based on quantitative information or model output. Also practical and conceptual limitations of metrics and models using a qualitative approach including expert judgment and critical analysis are taken into account.

Rabobank applies the Internal Ratings Based (IRB) approach for the vast majority of its credit portfolio (including retail) to calculate its regulatory capital requirements according to CRR (CRD IV). The IRB approach is the most sophisticated and risk-sensitive of the CRR (CRD IV) approaches for credit risk, allowing Rabobank to make use of its internal rating methodologies and models. Rabobank combines CRR (CRD IV) compliance activities with an internal Economic Capital (EC) framework. The approach represents key risk components for internal risk measurement and risk management processes. Key benefits are a more efficient credit approval process, improved internal monitoring and reporting of credit risk and the application of Economic Capital. Another important metric is the Risk Adjusted Return On Capital (RAROC) for a transaction as part of the credit application. This enables credit risk officers and committees to make better informed credit decisions.

The IRB approach uses the Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Maturity (M) as input for the regulatory capital formula, where:

<i>Risk metric</i>	<i>Abbreviation</i>	<i>Description</i>
Probability of Default	PD (%)	The likelihood that a counterparty will default within 1 year. This is a forward-looking measure.
Loss Given Default	LGD (%)	The estimate of the economic loss in the situation of a default, expressed as a percentage of the Exposure at Default (EAD).
Exposure at Default	EAD (EUR)	The expected exposure in case a counterparty defaults.
Maturity	M(t)	The remaining expected maturity.

The Risk-Weighted Exposure Amount (RWEA) and the Expected Loss (EL) are calculated based on these parameters. The RC requirements are calculated as 8% of RWEA.

The differences between the actual IRB provision made for the related exposure and the EL is adjusted for in the capital base. The negative difference (when the EL amount is larger than the provision amount) is defined as the Internal Ratings Based Shortfall. According to CRR (CRD IV) rules, the shortfall amount is deducted from the CET1 capital, AT1 capital and T2 capital. For the deduction from the CET1 Capital a transition scheme applies and the deduction moves from AT1 and T2 to CET1. The shortfall amount in 2015 was 1,789.

### Risk classification and internal rating system

An important element in the risk analysis for credit applications is the classification of the credit risk by assigning an internal rating to each credit counterparty. This is a borrower rating reflecting the likelihood of a counterparty becoming unable to repay the loan or to fulfil other debt obligations. Together

with the introduction of the Basel II framework, Rabobank developed the Rabobank Risk Rating (RRR) master scale, comprising 21 performing ratings (R0-R20) and 4 default ratings (D1-D4). The performing ratings correspond with the PD of the client. The D1-D4 ratings represent default classifications. D1 represents a minimum of 90 days of arrears, D2 a high probability that the debtor is unlikely to pay, D3 that the debtor is unable to meet its obligations and foreclosure is required and D4 is the status of bankruptcy. In accordance with this approach, all D-ratings constitute the total non-performing exposure. Each RRR is associated with a range for the PD in basis points and an average PD in basis points (see Table 17). The RRR for a specific counterparty is determined based on internally developed credit risk models. These models are developed by taking into account various risk factors including the sector, country, size of the counterparty and type of counterparty.

When using the credit risk model, specific customer information is entered, such as general customer behaviour, customer financial data and market data. The credit risk models are used as a credit decision supporting tool. The outcome of the credit risk model is used as a starting point for determining the RRR. Model results are combined with professional judgment and risk management (e.g. credit committee) to take into account relevant and material information, including those aspects which are not (sufficiently) taken into account by the credit risk model.

External agencies' credit ratings do not imply a specific PD, although one can observe a default frequency for each Standard & Poor's (S&P) grade. The observed default frequency is a backward-looking measure of PD. By matching the observed default frequencies of the S&P grades with the average default probabilities of associated internal RRR, a mapping has been obtained from the external ratings by S&P to our internal ratings for reference purposes.

The portfolio's average RRR is around R13 (PD between 0.92% and 1.37%). For 2.6% of the portfolio the commitments are not fully met. If such a situation is expected an adequate allowance will be formed for this part of the portfolio.

The IRB models calculate a client PD, which is subsequently mapped to the RRR. Each entity/type of credit facility has its own LGD models, which are based upon Rabobank LGD principles. Estimates for PD and LGD, together with the exposure value (EAD), feed into the calculation of EL and unexpected loss (UL). The latter is used to determine regulatory and economic capital requirements.

## Quality assurance credit risk models

### Model governance

**EDTF 17** The Model Governance Committee (MGC) has the responsibility to sign-off on credit risk models before implementation (for De Lage Landen (DLL) a separate arrangement on model validations is in place). Before MGC sign-off is requested, all models are validated by an independent Model Validation team. Implemented models are reviewed on at least an annual basis including back testing of predictions against realizations. Besides these internally reviewed risk models, there are some risk models that are periodically reviewed by external parties under supervision of the Model Validation team.

The Model Validation team assesses model performance annually, based on statistical review complemented with an in-depth analysis of model risks arising from changes in model internal and external changes. For example, there can be relevant changes in internal model usage, business model, changes in external regulations and market conditions. This periodic validation aims to assess the quality of the model in terms of prudence, methodology, validity of key assumptions, fit-for-purpose and compliance. The overall conclusions on performance of the models are reported to the MGC with a recommendation to either extend the usage of the model, or to redevelop the model if necessary. If models are tested as non-prudent, the MGC is informed and decides on an appropriate capital add-on until the model is recalibrated to a prudent level.

### Model performance

Table 11 provides an overview of number of risk models per portfolio that were tested 'to be recalibrated' during 2015 and the mitigating actions that are taken. The table only reports the models covering portfolios above 1 billion.

**Table 11: Overview of risk model tested to be recalibrated.**

Portfolio	Number of risk models	Models tested 'to be recalibrated'	Actions taken <sup>1</sup>
Retail NL – Mortgages	5	2	
Retail NL – Consumer Finance	3	-	
Retail NL – Business Lending	3	2	-
SME lending NL	5	1	Recalibration is ongoing
Sovereigns and Institutions	7	-	-
Corporate Lending International	7	-	-
Rural and Retail country banking	6	2	Recalibration ongoing
Commercial Real Estate	4	1	-
DLL	22	-	-

<sup>1</sup> Add-ons are defined until recalibration is implemented.

### Model changes in 2015

The annual periodic validation of risk models may lead to the conclusion that improvements are needed to maintain their quality for risk management and capital calculation purposes. In 2015, Rabobank redeveloped the following models:

- The redevelopment of the PD and LGD models for mortgages in the Netherlands have been internally approved. The new models improve the use of client behaviour, revaluation of collateral, downturn LGD, and using information from defaulted exposures which are still in the workout process. The new models are submitted to the regulator for a material change process.
- The downturn methodology for the Dutch corporate clients has been redeveloped and internally approved. The new methodology takes into account the client and collateral specific risk drivers as well as the current situation of the economy. For the new methodology a material change process is currently ongoing.
- The LGD model for international corporate clients has been recalibrated.

### Credit risk reporting

Credit risk reporting is based on the product administration systems and the rating systems, which hold PD, LGD and EAD information. Risk reporting is reconciled with financial reporting data both at entity and Group level. Risk Management compiles a quarterly Management Information Credit Risk (MICR) report on the developments in the credit portfolio, which is distributed among senior management. Key risk indicators in this quarterly credit risk report such as PD, EAD, LGD, EC and EL, are used to monitor developments within the portfolio. Furthermore, trends in bad debts costs, allowances for loan impairments, non-performing loans, number and amount of exposures are analysed by Special Accounts Management. Another important periodic report is the semi-annual provisioning report.

Risk Management Credit (RM Credit) provides insight into the risk at portfolio level, in order to make it possible for Rabobank to optimize the balance between credit risk, capital usage and returns. RM Credit is a centre of competence for all credit activities in which risk-return considerations play a role.

### IRB and Standardised Approach exposures

The following tables provide an overview of Rabobank's IRB exposures in terms of EAD. These exposures include outstandings, an estimate of the amount drawn from the unused part of credit facilities and the estimated interest payments in arrears in case of a default. Furthermore the risk-weighted exposure amount, the PD, the LGD and the exposure-weighted average risk weight are shown.

The policy of Rabobank is aimed at applying the IRB approach for its credit portfolio as much as possible. A few exceptions can be made to this policy. The criteria used to assess when the IRB approach does not need to be applied for a credit portfolio are included in the 'Policy on partial use of the Standardised Approach'. In this policy a distinction is made between portfolios on which the Standardised Approach (SA) is permanently applied – as they are immaterial in size and risk – and portfolios for which SA is temporarily applied. Within the portfolios for which SA is permanently applied, a distinction is made between portfolios for which the credit risk is nil or very limited (e.g. some central governments) and portfolios falling under discretionary approval of DNB for using the SA, for which specific limits are prescribed.

Rabobank is IRB compliant for 96% of its credit portfolio exposures. A full 100% advanced IRB coverage will never be reached, since the SA has been chosen for some portfolios as described in the previous paragraph. In general the IRB coverage is particularly high for the portfolios in the Netherlands and in the wholesale portfolios outside the Netherlands. Some parts of the international retail portfolios are under SA. The total exposure under the SA is 20 billion. In Table 12 Rabobank's IRB exposure is presented.

Table 12: Rabobank's IRB exposure

<b>Rabobank's IRB exposure as defined in CRR (CRD IV)</b>					
	<i>Exposure</i>	<i>Risk-weighted assets</i>	<i>Exposure-weighted average LGD %</i>	<i>Exposure-weighted average PD %</i>	<i>Exposure-weighted average risk weight %</i>
<b>Rabobank</b>					
(Virtually) no risk	163,119	5,687	31.7	0.0	3.5
Adequate to good	414,818	125,693	21.3	1.3	30.3
Past due > 90 days	1,994	105	23.6	100.0	5.3
Other defaults	13,729	2,644	55.3	100.0	19.3
<b>Total exposure</b>	<b>593,660</b>	<b>134,130</b>	<b>25.0</b>	<b>3.6</b>	<b>22.6</b>
<b>Central governments and central banks</b>					
(Virtually) no risk	92,578	173	41.3	0.0	0.2
Adequate to good	1,795	936	31.7	2.1	52.2
Past due > 90 days	0	0	0.0	0.0	0.0
Other defaults	8	0	36.6	100.0	0.0
<b>Total exposure</b>	<b>94,381</b>	<b>1,109</b>	<b>41.1</b>	<b>0.1</b>	<b>1.2</b>
<b>Financial institutions</b>					
(Virtually) no risk	10,167	1,323	21.3	0.0	13.0
Adequate to good	8,979	5,314	38.2	0.8	59.2
Past due > 90 days	0	0	7.6	100.0	0.0
Other defaults	497	0	17.2	100.0	0.0
<b>Total exposure</b>	<b>19,643</b>	<b>6,637</b>	<b>28.9</b>	<b>2.9</b>	<b>33.8</b>
<b>Corporates</b>					
(Virtually) no risk	20,079	2,445	17.6	0.1	12.2
Adequate to good	189,056	80,087	19.9	2.0	42.4
Past due > 90 days	237	105	37.5	100.0	44.3
Other defaults	10,993	2,644	61.7	100.0	24.1
<b>Total exposure</b>	<b>220,365</b>	<b>85,282</b>	<b>21.8</b>	<b>6.8</b>	<b>38.7</b>
<b>Retail secured by real estate</b>					
(Virtually) no risk	39,779	1,725	19.3	0.1	4.3
Adequate to good	163,358	24,453	19.6	0.4	15.0
Past due > 90 days	1,328	0	18.1	100.0	0.0
Other defaults	36	0	21.0	100.0	0.0
<b>Total exposure</b>	<b>204,502</b>	<b>26,178</b>	<b>19.5</b>	<b>1.0</b>	<b>12.8</b>
<b>Retail other</b>					
(Virtually) no risk	515	21	21.7	0.1	4.1
Adequate to good	51,631	14,902	28.7	2.0	28.9
Past due > 90 days	429	0	33.1	100.0	0.0
Other defaults	2,194	0	32.3	100.0	0.0
<b>Total exposure</b>	<b>54,769</b>	<b>14,923</b>	<b>28.8</b>	<b>7.1</b>	<b>27.2</b>

In Table 13 the exposure value which is covered by eligible collateral and covered by guarantees and credit derivatives is presented. Table 14 presents the exposure to which the SA is applied. In Table 15 the exposures for the SA before and after credit risk mitigation is shown. Credit risk mitigation lowers the amount of credit risk due to e.g. collateralization and guarantees. The exposure with the 250% risk weight concerns the capital that is held for deferred tax assets in accordance with CRR (CRD IV).

Table 16 the undrawn commitments are presented. Table 17 gives an overview of the IRB exposures by internal rating scales. The external rating equivalents are included for comparison purposes.

**EDTF 30** Table 13: Rabobank's exposure secured by collaterals, guarantees and credit derivatives (IRB approach)

<b>Rabobank's exposure secured by collaterals, guarantees and credit derivatives (IRB approach)</b>			
	<i>Exposure</i>	<i>Of which secured by guarantees and credit derivatives</i>	<i>Of which secured by collateral</i>
Central governments and central banks	94,381	715	93,666
Institutions	19,643	-	19,643
Corporates	220,365	4,639	215,726
Retail	259,271	13,379	245,891
<b>Total IRB approach</b>	<b>593,660</b>	<b>18,734</b>	<b>574,926</b>

Table 14: Rabobank's SA exposure as defined in CRR (CRD IV)

<b>Rabobank's SA exposure as defined in CRR (CRD IV)</b>			
	<i>Exposure</i>	<i>Risk-weighted exposure amount</i>	<i>Exposure-weighted average risk weight (%)</i>
Central governments and central banks	102	-	0.0
Financial institutions	354	137	39
Corporates	9,267	9,315	101
Retail secured by real estate	2,197	852	39
Retail other	6,212	4,691	76
Deferred tax assets	1,494	3,735	250
<b>Rabobank</b>	<b>19,626</b>	<b>18,730</b>	<b>95</b>

Table 15: Exposure under the SA by risk weight

<b>Exposure under the SA by risk weight</b>		
<i>Risk weight</i>	<i>Before credit risk mitigation</i>	<i>After credit risk mitigation</i>
0%	102	102
20%	269	269
35%	2,265	2,148
50%	252	250
75%	4,902	4,538
100%	15,813	10,531
150%	1,224	294
250%	1,494	1,494
<b>Total exposure</b>	<b>26,321</b>	<b>19,626</b>

Table 16: Amount of undrawn commitments and average credit conversion factor

<b>Amount of undrawn commitments and average credit conversion factor</b>			
	<i>Original exposure pre conversion factors</i>	<i>Average credit conversion factor (%)</i>	<i>Exposure value</i>
Central government and central institutions	1,330	28	370
Institutions	3,624	59	2,145
Corporates	86,407	59	51,137
Retail secured by real estate	10,406	72	7,449
Retail other	6,849	97	6,615
<b>Total</b>	<b>108,617</b>	<b>62</b>	<b>67,716</b>

Table 17: IRB exposures by internal rating scales

<b>Rabobank's IRB exposure as defined in CRR (CRD IV) at 31 December 2015</b>									
	Internal rating	PD min %	PD max %	Exposure	Risk-weighted exposure amount	Exposure-weighted average LGD (%)	Exposure-weighted average PD (%)	Exposure-weighted average risk weight (%)	External Rating Equivalent
(Virtually) no risk	R00	0.00	0.00	91,003	7	41	0.00	0	zero-risk
	R01	0.00	0.02	5,925	52	2	0.01	1	AAA
	R02	0.02	0.02	2,053	180	18	0.02	9	AA+
	R03	0.02	0.03	2,654	74	16	0.03	3	AA
	R04	0.03	0.05	4,374	441	24	0.04	10	AA-
	R05	0.05	0.06	14,281	634	16	0.05	4	A+
	R06	0.06	0.09	14,898	1,725	27	0.08	12	A
	R07	0.09	0.12	27,930	2,575	21	0.11	9	A-
Adequate to good	R08	0.12	0.17	44,566	6,167	23	0.15	14	BBB+
	R09	0.17	0.27	72,289	6,634	16	0.22	9	BBB
	R10	0.27	0.41	64,617	12,517	22	0.33	19	BBB-
	R11	0.41	0.61	46,088	11,456	22	0.50	25	BB+
	R12	0.61	0.92	50,344	15,295	22	0.75	30	BB+/BB
	R13	0.92	1.37	38,287	15,480	23	1.12	40	BB
	R14	1.37	2.06	29,702	12,437	21	1.68	42	BB-
	R15	2.06	3.09	23,027	9,800	19	2.52	43	B+
	R16	3.09	4.63	18,664	10,995	22	3.78	59	B+/B
	R17	4.63	6.95	13,088	8,333	29	5.67	64	B
	R18	6.95	10.42	9,324	9,863	31	8.51	106	B-
	R19	10.42	15.63	2,115	2,559	30	12.77	121	B-/CCC+
	R20	15.63	99.99	2,709	4,158	33	19.15	154	CCC+/worse
Past due > 90 days	D1	100.00	100.00	1,994	105	24		5	Default
Other defaults	D2	100.00	100.00	6,711	1,395	48		21	Default
	D3	100.00	100.00	4,872	952	64		20	Default
	D4	100.00	100.00	2,146	298	59		14	Default
<b>Total exposure</b>				<b>593,660</b>	<b>134,130</b>	<b>24.95</b>	<b>0.98</b>	<b>22.59</b>	

### 6.2.1 Credit portfolio

In Table 18 the credit risk to which Rabobank is subject is presented. No collateral or any other measures for mitigating credit risk is taken into account. In some cases the amounts deviate from the carrying amounts, since the outstanding equity instruments are not included.

Table 18: Credit Risk

<b>Maximum credit risk</b>				
	31 December 2015		31 December 2014	
	Total gross exposure	Average gross exposure	Total gross exposure	Average gross exposure
Loans and advances to customers	458,618	460,203	461,787	459,178
Debt securities	36,838	37,665	38,493	42,114
Derivatives	48,113	52,301	56,489	48,096
Loans and advances to banks	31,210	38,586	45,962	43,045
Cash and balances at central banks	64,943	54,176	43,409	43,224
	<b>639,722</b>	<b>642,931</b>	<b>646,140</b>	<b>635,657</b>
Credit-related and contingent liabilities	62,285	57,966	53,647	51,103
<b>Total</b>	<b>702,007</b>	<b>700,897</b>	<b>699,787</b>	<b>686,760</b>

### Off-balance sheet financial instruments

Guarantees and standby letters of credit which Rabobank provides to third parties in the event a client cannot fulfil its obligations vis-à-vis these third parties, are exposed to credit risk. Documentary and commercial letters of credit and written undertakings by Rabobank on behalf of clients authorise third parties to draw bills against Rabobank up to a present amount subject to specific conditions. These transactions are secured by the delivery of the underlying goods to which they relate. Accordingly, the risk exposure of such an off-balance sheet instrument is lower than that of an on-balance sheet exposure, e.g. a direct loan. Obligations to grant loans at specific rates of interest during a fixed period of time are recognised under credit granting liabilities and accounted for as such unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, in which case they are considered to be transactions conform standard market conventions.

Rabobank is exposed to credit risk when it promises to grant lending facilities. The size of such losses is less than the total of the unused commitments, as promises to grant credit facilities are made subject to the clients meeting certain conditions that apply to loans. Rabobank monitors the term to expiry of credit promises, as long-term commitments are generally associated with a higher risk than short-term commitments.

Table 19: Residual contractual maturity breakdown at 31 December 2015

<b>Residual contractual maturity breakdown (excluding credit related and contingent liabilities)</b>						
<i>At 31 December 2015</i>						
	<i>Loans and advances to customers</i>	<i>Debt securities</i>	<i>Derivatives</i>	<i>Loans and advances to banks</i>	<i>Cash and balances at central banks</i>	<i>Total</i>
On demand	36,480	864	40	10,555	64,808	112,747
Less than 3 months	34,935	1,571	3,036	16,986	126	56,655
3 months to 1 year	37,948	3,344	2,870	1,878	9	46,048
1 to 5 years	89,456	18,701	11,226	1,300	-	120,683
More than 5 years	259,799	12,359	30,940	490	-	303,589
<b>Total gross exposure</b>	<b>458,618</b>	<b>36,838</b>	<b>48,113</b>	<b>31,210</b>	<b>64,943</b>	<b>639,722</b>

Table 20: Residual contractual maturity breakdown at 31 December 2014

<b>Residual contractual maturity breakdown (excluding credit-related and contingent liabilities)</b>						
<i>At 31 December 2014</i>						
	<i>Loans and advances to customers</i>	<i>Debt securities</i>	<i>Derivatives</i>	<i>Loans and advances to banks</i>	<i>Cash and balances at central banks</i>	<i>Total</i>
On demand	35,544	1,045	64	22,271	43,217	102,141
Less than 3 months	33,433	2,817	4,333	19,574	152	60,309
3 months to 1 year	38,484	3,089	3,404	2,626	40	47,643
1 to 5 years	83,696	16,369	12,086	1,207	-	113,358
More than 5 years	270,630	15,173	36,602	284	-	322,689
<b>Total gross exposure</b>	<b>461,787</b>	<b>38,493</b>	<b>56,489</b>	<b>45,962</b>	<b>43,409</b>	<b>646,140</b>



### Composition of the credit portfolio

Table 21 presents the geographical distribution of exposure to private sector lending and in Table 22 the private sector lending is presented by business segment.

Table 21: Geographical distribution of exposure to private sector lending

<b>Geographical distribution of exposure to private sector lending</b>				
	31 December 2015		31 December 2014	
	Loans and advances to customers		Loans and advances to customers	
Total gross exposure	458,618		461,787	
Less: Loans to government clients	3,353		2,135	
Less: Receivables relating to securities transactions	20,151		18,295	
Less: Hedge accounting	8,957		11,626	
<b>Total private sector lending</b>	<b>426,157</b>		<b>429,731</b>	
	%		%	
Netherlands	313,895	74	321,429	75
Other European countries	27,563	6	27,312	6
North America	42,098	10	40,198	9
Latin America	12,741	3	11,273	3
Asia	9,400	2	9,230	2
Australia	20,116	5	19,948	5
Other countries	344	0	341	0
<b>Total private sector lending</b>	<b>426,157</b>	<b>100</b>	<b>429,731</b>	<b>100</b>

Table 22: Private sector lending by business segment

<b>Private sector lending by business segment</b>				
	2015		2014	
	%		%	
Private individuals	207,867	49	210,788	49
Trade, industry and services	120,463	28	127,287	30
Food and agri	97,827	23	92,316	21
<b>Total private sector lending</b>	<b>426,157</b>	<b>100</b>	<b>430,391</b>	<b>100</b>

Approximately 98% of lending to private individuals is related to Dutch residential mortgages. The breakdown of private sector lending to trade, industry and services, and food and agri is disclosed in Table 23 and Table 24.

Table 23: Breakdown of private sector lending to trade, industry and services

<b>Breakdown of private sector lending to trade, industry and services</b>				
	On balance exposure	In %	Off balance exposure	In %
Lessors of real estate	24,042	20	34	0
Other services	21,782	18	2,370	19
Finance and insurance (except banks)	14,296	12	1,464	12
Wholesale	10,986	9	4,155	34
Activities related to real estate	5,103	4	29	0
Manufacturing	7,806	6	997	8
Transportation and warehousing	6,281	5	349	3
Construction	5,214	4	1,258	10
Healthcare & social assistance	5,866	5	42	0
Professional, scientific and technical services	9,275	8	312	3
Retail (except food and beverages)	4,499	4	222	2
Utilities	3,011	2	925	8
Information and communication	888	1	7	0
Arts, entertainment and recreation	1,414	1	14	0
<b>Total trade, industry and services</b>	<b>120,463</b>	<b>100</b>	<b>12,177</b>	<b>100</b>

Table 24: Breakdown of private sector lending to food and agri

<b>Breakdown of private sector lending to food and agri</b>				
	On balance exposure	In %	Off balance exposure	In %
Grain and oilseeds	18,691	19	655	23
Animal protein	23,769	24	214	8
Dairy	14,373	15	69	2
Fruit and vegetables	10,865	11	216	8
Other food and agri	9,157	9	1,028	37
Farm inputs	7,951	8	365	13
Food retail and foodservice	3,901	4	218	8
Beverages	2,670	3	16	1
Flowers	1,711	2	4	0
Sugar	2,671	3	23	1
Miscellaneous crop farming	2,069	2	8	0
<b>Total food and agri</b>	<b>97,827</b>	<b>100</b>	<b>2,815</b>	<b>100</b>

## 6.2.2 Troubled debt

### *Past due, non-performing loans, impairments and allowances for loan impairments*

**EDTF 27** For the purpose of reporting Rabobank distinguishes several types of troubled loans, like for example:

- Past due loans: Interest, repayments or overdrafts on a loan have been due for payment for more than one day.
- Non-performing loans: Loans that at least satisfy one of the following criteria. Material exposures which are more than 90 days past due or the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or the number of days past due.

Please note that inflow criteria for classification in non-performing and default classes are mostly in line. Within Rabobank the Basel II default definitions are used for identifying an allowance for loan losses. However, exit criteria for forborne non-performing exposure are stricter than for defaulted exposure. Furthermore, recovered forborne non-performing exposure is bound by more rigorous inflow criteria and can be labelled as non-performing exposure once more, even if the default criteria are not being met.

### *Loan impairment allowance*

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 P&L by 7.5 or more is dealt with by the Provisioning Committee.
- **Collective allowance:** In addition to the assessment of individual loans, for retail exposures a collective assessment is made if it is not economically justified to recognize 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 recognize an allowance for loan losses.

- **IBNR (Incurred But Not Reported):** For exposures in the portfolio that are impaired, but not yet recognised 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 (EL) data resulting from the Economic Capital models.

Specific and collective loan losses for the period comprise actual losses on loans minus recoveries. Recoveries regard written-back amounts from actual losses in previous years.

### *Expected Loss data for provisioning*

Expected Loss is a key risk component for determining the bank's general and collective provisions. EL parameters are used to determine general and collective allowances, adjusted in conformity with IFRS rules. The outcome is benchmarked with an alternative methodology, which uses historical provisioning data.

### *One-obligor principle*

For exposures that, under Basel regulations, qualify as corporate exposures, exposure is measured at client group level, in line with the one-obligor principle as defined by Rabobank. The one-obligor principle implicates that the total of the approved exposure limit(s) of a debtor is combined with the exposure limits of the other debtors of the same client group within all entities. The client group of debtors includes debtors belonging to an economic unity in which legal entities and companies are organisationally connected, as well as majority shareholders of that economic unity.

EDTF 28 Table 25: Past due, non performing, impaired loans and allowances for loan impairments

<b>Past due, non performing, impaired loans and allowances for loan impairments</b>						
	Past due loans	Non-performing loans	of which: impaired loans	Collateral received on non-performing loans	Allowance	Allowance as % of non-performing loans
Domestic Retail	5,554	9,166	8,579	5,979	3,963	43.2%
Wholesale, Rural & Retail	709	5,644	5,356	2,212	2,962	52.5%
Leasing	1,744	681	681	111	344	50.6%
Real Estate	634	4,012	3,467	2,583	1,175	29.3%
Other					34	n/a
<b>Total</b>	<b>8,640</b>	<b>19,503</b>	<b>18,084</b>	<b>10,886</b>	<b>8,478</b>	<b>43.5%</b>

Table 26: Past due and gross impaired loans by geographical area

<b>Past due and gross impaired loans by geographical area</b>				
	Past due	%	Impaired loans	%
Netherlands	6,526	76	13,169	73
Other European countries	855	10	2,889	16
North America	813	9	800	4
Latin America	101	1	385	2
Asia	88	1	410	2
Australia	257	3	431	3
<b>Total</b>	<b>8,640</b>	<b>100</b>	<b>18,084</b>	<b>100</b>

Table 27: Loan impairment allowance

<b>Loan impairment allowance</b>							
	Allowance at 1 January 2015	FX	Write-down	Additional value adjustments	Reversal of value adjustments	Other	Allowance at 31 December 2015
Domestic retail banking	4,836	0	(1,440)	1,496	(1,118)	189	3,963
Wholesale banking and international retail banking	2,881	14	(478)	1,051	(495)	(11)	2,962
Leasing	403	(12)	(167)	236	(116)	0	344
Real estate	1,270	0	(218)	282	(191)	32	1,175
Other	48	0	(4)	6	(16)	0	34
<b>Total</b>	<b>9,438</b>	<b>3</b>	<b>(2,307)</b>	<b>3,070</b>	<b>(1,936)</b>	<b>210</b>	<b>8,478</b>

In 2015 loan impairment charges were at a lower level compared to 2014, especially for the Dutch portfolio. The 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.

Table 28: Overview of loan impairment charges (LIC) of clients

<b>Overview of loan impairment charges (LIC) of clients</b>			
	LIC of clients (amounts)	LIC of clients (basis points)	10-year average LIC of clients (basis points)
Domestic retail banking	343	12	23
Wholesale banking and international retail banking	526	53	59
Leasing	85	25	66
Real estate	90	56	89
Other	(11)	n/a	n/a
<b>Total loan impairment charges</b>	<b>1,033</b>	<b>24</b>	<b>36</b>

The 10-years average loan impairment charges of clients (basis points) is up to and including 2014.

### 6.2.3 Forbearance

**EDTF 27** Since 2014 Rabobank is monitoring its forbearance portfolio. The forbearance 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 measures:

- Modification of the previous terms and conditions of a contract which the debtor is considered unable to comply with due to its financial difficulties (i.e. troubled debts) to allow for sufficient debt service ability that would not have been granted had the debtor not been in financial difficulties.
- Total or partial refinancing of a troubled loan contract that would not have been granted if the debtor had not been in financial difficulties.

Examples include postponements of repayments and extensions of the term of a facility. The rationale for the focus on this portfolio derives from the concerns of the European supervisory authorities 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 (LQC) framework. This Rabobank framework divides the loan portfolio into the categories: Good, OLEM, Substandard, Doubtful and Loss. The three categories Substandard, Doubtful and Loss form the classified portfolio. Forbearance measures only apply to this classified portfolio. If forbearance measures are applied to a debtor, the debtor is by definition dealt with by the Special Asset Management department. Items in the forbearance category must be reported and monitored for up to two years after recovery. This period of two years is referred to as 'Forborne under probation'.

**EDTF 28** Table 29: Forborne assets

<b>Forborne assets</b>									
	Private sector loan portfolio	Forborne assets (gross carrying amount)	Performing forborne assets	Of which (a): instruments with modifications in the terms and conditions	Of which (b): refinancing	Non-performing forborne assets	Of which (a): instruments with modifications in the terms and conditions	Of which (b): refinancing	Loan impairment allowance on non-performing forborne assets
Domestic retail banking	281,941	7,773	3,586	3,290	296	4,187	3,796	391	1,592
Wholesale banking and international retail banking	98,798	4,138	1,121	706	415	3,018	2,414	603	1,171
Leasing	29,656	211	50	39	11	161	117	44	44
Real estate	15,287	2,358	138	138	0	2,219	2,162	58	765
Other	474	0	0	0	0	0	0	0	-
<b>Rabobank Group</b>	<b>426,157</b>	<b>14,480</b>	<b>4,895</b>	<b>4,173</b>	<b>722</b>	<b>9,585</b>	<b>8,489</b>	<b>1,096</b>	<b>3,572</b>

## 6.3 Specific counterparty credit risk

In addition to the more familiar types of credit risk arising from loan and issuer risk portfolios, credit risk is also generated from derivatives and security finance transactions entered into with our counterparties. Trading derivatives and security finance transactions are concentrated within the Markets and Treasury departments of Rabobank. Rabobank's comprehensive risk management philosophy led to an integrated market and counterparty credit risk policy, control and reporting framework.

### Qualitative information counterparty credit risk and credit risk mitigation

Risk Management Wholesale Rural & Retail (RM WRR) is established in the domain of Risk Management (RM), and the department focusing on the financial markets risk management of the Markets and Treasury departments is Risk Management Financial Markets (RM FM). The department aims to manage the various financial market related risk types in an integrated manner.

The day-to-day focus of RM FM revolves around risk assessment and recommendation, primarily with regard to credit and market risks and surveillance of Markets and Treasury activities. The department also takes the lead in working with these departments to agree on the overall risk parameters for each separate business area. Structurally, the department operates through four regional hubs – Utrecht, London, New York and Hong Kong.

In addition, RM FM incorporates an Advisory team, tasked with maintaining and further developing a robust integrated risk management framework for the financial markets business of Rabobank. It supports RM FM, the Markets and Treasury departments and senior management by providing consolidated global risk reporting, and maintenance of policies and risk methodologies. The team is also involved in providing regulatory reports, supporting the Bank in regulatory initiatives like Asset Quality Review, EBA stress testing, Volcker, Swap dealer registration and liaising with the regulators on relevant topics.

### Credit analysis

From a counterparty credit risk policy and credit review perspective the main counterparty groups are: Banks, Non-Banks Financial Institutions including central counterparties (CCP), sovereigns and corporates. In general the parameters to determine a derivative limit (which covers both derivatives and security finance transactions) are the counterparty rating, the close-out netting documentation, collateral documentation, product restrictions and regulatory requirements. These parameters, amongst others, form the input to a derivative limit amount with a specified tenor.

### Credit risk measurement

The credit risk that relates to a derivative product does not remain static over time due to the movement of underlying market factors. In order to address the impact of these changes in market factors Rabobank measures Potential Future Exposure (PFE) on derivative financial products on a confidence level of 97.5%. Rabobank measures credit exposure as the replacement cost at given time points over the life of the transaction under the assumption that market rates move adversely. Rabobank uses a Monte Carlo simulation approach for calculating Potential Future Exposure (PFE) for the majority of the portfolio. For a few smaller portfolios an add-on approach is applied. The same Monte Carlo simulation is also the basis of the Internal Model Method (IMM) used to calculate EAD for regulatory and economic capital calculations. Rabobank received DNB approval to use IMM to calculate regulatory capital since 2011.

In the Monte Carlo approach the market risk factors (interest and foreign exchange rates, credit spreads, equity spots and commodity futures) influencing the value of the derivatives contract are simulated forward in time based on a suitably chosen stochastic process for that risk factor. The parameters of this process are calibrated based on historical market data (up to eight years of history when available and an even longer history for interest rate mean reversion parameters). The latest daily close of market values form the starting point of the simulation. Based on the simulated values, trades are repriced (full revaluation) and the position towards the counterparty is determined, including where allowed netting and margining. Back testing of the simulations is performed on an annual basis.

The exposure relating to a transaction or portfolio of transactions is shown in Rabobank exposure monitoring systems on a gross basis unless there is confidence that the counterparty and jurisdiction domicile is one where netting is legally enforceable. The exposure of a portfolio of transactions can be calculated on a net basis if Rabobank has entered into a bilateral close out netting agreement and the counterparty is domiciled in a netting friendly jurisdiction. When a close out netting agreement is in place, an additional collateral agreement can reduce the counterparty credit risk, which is taken into account into the PFE calculation. The outcome of the collateralized exposure calculation is dependent on the agreed collateral agreement parameters and the current exposure.

Where there is an executed Credit Support Annex (CSA) and confidence in its effectiveness (internal and external counsel opinion is sought), this is taken into account for exposure measurement. However, also netting with a CSA still generates exposures. For derivatives with daily margining a minimum 10 day Margin Period of Risk (MPOR) is assumed, for securities finance netting sets with daily margining the MPOR is assumed to be a minimum of 5 days. The minimum MPOR can be increased in case of illiquid collateral or derivatives, two or more disputes that occurred within a particular timeframe (2 quarters) or a netting set contains more than 5000 trades (CCPs are excluded from the 5000 trades cut-off). The increase is only applied in the regulatory run (increasing effect in exposures) and ignored in the day to day PFE calculations. The monitoring of exposure generated by derivative products covers nearly the complete group. This capability enables regular and on-going management information to be available to senior management. The underlying models are yearly back tested to test the performance of the underlying models. Any observed inefficiencies in the stochastic models will be taken into account in the recalibration.

Additionally to introducing Monte Carlo simulation to the calculation of PFE, an internal stress testing framework has been designed in order to determine the size of counterparty credit risk exposures under more severe market circumstances. Stress testing of counterparty credit risk is a regulatory requirement under the IMM approach. As part of the designed stress testing framework, the wrong-way risk part of stress testing will be addressed for all counterparties by calibrating the parameters on a stressed period with respect to our counterparties. Next to the quantitative wrong-way risk analyses also qualitative analysis, e.g. based on the risk factor stress scenarios and an analysis of the counterparty's exposure profile, are performed in order to obtain additional insight into the general wrong-way risk towards counterparties.

The IMM model has also been extended with a separate Credit Value Adjustment (CVA) capital model. This model is based on the advanced CVA Risk methodology where the credit spreads are shocked with a 10 day liquidity horizon to calculate CVA risk. The multilateral development banks, pension funds, non-NFC+ corporate, internal trades and sovereign counterparties are excluded for CVA RC/EC.

For accounting, Rabobank calculates a CVA per derivative transactions named Bilateral CVA (BCVA). In line with IFRS 13, BCVA is an adjustment to cover expected credit losses. The BCVA calculation is based on the expected exposure to counterparties, taking into account collateral and netting benefits, as well as on the expected default probability for the credit rating of the counterparties. Expected default probabilities are based on Credit Default Swap. The scoping for BCVA is based on accounting requirements (IFRS 13) and the scoping of CVA risk in based on regulatory requirement (Basel III). All external counterparties are taken into account.

## Credit risk mitigation

### Derivatives

Rabobank uses a wide range of credit mitigation techniques to reduce the credit risk in the derivatives books. Our portfolio of derivative counterparties is consistently skewed towards higher credit quality names reducing the likelihood of counterparty failure. The principal form of credit mitigation is close out netting and the use of collateral agreements. Rabobank has a strong preference for the International Swaps and Derivatives Association (ISDA) and the CSA for derivative portfolios. The setting of the main parameters of a collateral agreement are geared to a low or zero threshold, daily margining, and acceptable collateral being cash or highly rated government/supra national debt paper (cash and AA- or better rated government bonds).

In total Rabobank has around 646 collateral agreements which cover all of our major bank and non-bank financial institution trading counterparties, of which just under 336 CSAs were active with underlying exposure and/or collateral at year end 2015. The Collateral Operations team ensures that margin calls are made in a timely fashion in accordance with the terms of the collateral agreement. Excluding Spot FX, based on positive mark to market (MTM) values around 92% of non-cleared derivative trades fall under CSA including 93% of our non-cleared fixed income derivatives and 100% of our equity derivatives.

For all derivative documentation it is important to have a clean netting/collateral opinion in place and to have the documentation reviewed on an annual basis by the legal department. In the derivative exposure calculations only derivative documentation that is governed by a clean netting/collateral opinion can be used. Additionally, Rabobank executes a number of other market standard legal agreements with its counterparties to reduce risk. The described policy enforces that only in specific circumstances Rabobank will trade derivatives without employing an internationally recognized derivatives master agreement which in principal must be supported by a clean legal and netting opinion for each Rabobank and counterparty jurisdiction with which we contemplate trading. By volume of trades and notional amount the most important is the ISDA master agreement for derivatives. Master agreements permit the netting of obligations generated by all the derivative transactions covered by the agreement if a counterparty should default. Positive and negative balances are off-set to minimize exposure and to create a single net claim against the counterparty.

Rabobank also uses a number of other derivative risk mitigation techniques to limit exposure or the tenor of specific trades, e.g. break clauses or MTM resets. Mandatory breaks and reset clauses should only be executed with professional counterparties and should fit into the generic product and documentation requirements.

The liquidity impact of a Rabobank downgrade for the OTC derivatives is reported on a monthly basis. A further Rabobank downgrade has a limited liquidity impact. This is further mitigated since Rabobank has in certain transactions the option to novate the transaction which would limit the liquidity outflow. As per December 2015 the impact of one notch downgrade of Rabobank credit rating for OTC derivative is around 80.

### Securities finance and repo

Security finance transactions are entered into on a collateralized basis, with financial institutions (including pension funds) from Utrecht, London, Hong Kong and New York under industry standard agreements (e.g. GMRA, GMSLA). In most cases margin frequency is on a daily basis. The haircut is in our favour for most of the Securities Finance positions.

Collateral arrangements for this type of trades are evidenced under the terms of the legal master agreement and embedded in the terms of each individual transaction. The type of collateral to be held and the criteria to be adhered to are set out in the credit policy with a focus on: correlation between the counterparty and the collateral; the liquidity of the collateral; cash out limits on a counterparty basis; and collateral concentration limitations.

### Central counterparties (CCP)

Following regulatory requirements, Rabobank is clearing an increasing number of trades via central counterparties, either directly or via clearing brokers. To further diversify its exposure to central counterparties and brokers, Rabobank is actively increasing its options for clearing trades.

The credit analysis of CCP involves among others an assessment of: the risk governance framework, the risk waterfall, the default procedures, margin model, regulatory framework and regulatory oversight. As well as other regular credit risk parameters like: financials, rating reports, market research and other forms of publicly available information.

Where Rabobank trades Over-The-Counter (OTC) products it is usually a direct member of the CCP. This implies that besides the initial and variation margin Rabobank also is required to contribute to the default fund. The initial margin is designed to protect the clearing house from adverse price movements (i.e. market risk) arising from either closing out, transferring or hedging trades following the default of the counterparty. Variation margin covers current MTM. For OTC trades the initial and variation margin requirements of the CCP are factored into our standard PFE credit exposure methodology. If the initial margin posted at the CCP is regarded as bankruptcy remote by an external legal opinion, then that component of initial margin is excluded from our exposure calculation to the CCP. Default fund contributions are included in our credit risk methodology.

For most exchange traded products (ETP), Rabobank has a 'non-clearing member' (NCM) CCP status. This means that Rabobank is required to use clearing brokers in order to clear the trades via a CCP. Rabobank is required to post initial and variation margin to the clearing broker. The clearing broker posts these initial and variation margins directly to the CCP to cover the risks of the cleared trades. As part of CRD IV, capital is calculated also for all centrally cleared derivatives, both OTC and ETP. Rabobank is gearing towards the mandatory clearing of IRS through CCPs for 2016.

Internal CCP credit policy has been structured to keep risk within acceptable levels whether credit, market, legal, liquidity or operational. The full consideration within a number of committees of new business and new product initiatives assists this process.

### Credit risk systems

The counterparty credit risk out of derivatives and security finance transactions is administered and controlled by the bank's credit risk systems. They are a mix of in-house developed solutions and third party vendor solutions. The system is built to track the risk parameters and controls that Rabobank has set and has shown flexibility and robustness to ensure support to the daily risk management operations. There are initiatives ongoing to improve the reporting flexibility and the data integrity to support the increasing demand of granular data in various request/reports.

### Quantitative information counterparty credit risk and credit risk mitigation

The scope of the quantitative information is:

- (a) all derivative transactions with counterparties executed under industry standard legal netting agreements for derivative businesses (i.e. mainly ISDA but also referencing local master agreements having the same or similar legal and netting effect as the ISDA Master agreement), and
- (b) Any derivative transactions with counterparties executed in the absence of an industry standard legal netting agreement.

Products covered include FX Derivatives, Interest Rate Derivatives, Total Return Swaps, Credit Derivatives, Equity Derivatives and Commodity Derivatives. The definitions below provide insight into the presented quantitative tables.



Table 30: Definitions.

Financial term	Definition
Gross positive fair value	This is taken as the sum of all aggregate positive MTM values for each counterparty in each netting pool before any benefit is given for offsetting negative MTM values on the same netting pool.
Netting benefits	The netting benefits applicable to each pool are worked out on a counterparty by counterparty basis and are derived by referencing the impact or negative MTM values for each counterparty but only to the extent that positive MTM exists.
Netted current credit exposure	The gross positive fair value less netting benefits for each counterparty produces the netted current credit exposure.
Collateral benefit	The offset arising from (net) collateral held to collateralize the netted current credit exposure is quantified on a counterparty by counterparty basis. Instances where Rabobank has pledged more collateral to a counterparty than it has received are ignored. Collateral benefit is only recorded for collateral held and only to the extent that positive netted current credit exposure exists.
Net derivatives credit exposure	The netted current credit exposure less the collateral benefit for each counterparty produces the net derivatives credit exposure for each counterparty, which to summarise takes the positive trade MTMs for each counterparty, and shows the impact of netting agreements and collateralisation. The collateral over posted as part of CSA trades are included here. Also the non-bankruptcy remote Initial Margin placed for exchange traded products and CCPs are included here.
Notional Value	This is taken as the sum of all aggregate notional values for each counterparty.
Exposure in the 0d to 10d	The exposure in the 0 to 10day time band represents the Potential Future exposure for the time band 0 to 10day.
Peak PFE exposures	The Peak PFE exposure is the maximum potential future exposure (across the lifetime of the deals) aggregated on an industry level across all financial derivatives products.
Peak PFE timeband	The Peak PFE time band is the time band in which the peak of the PFE aggregated at the industry level lies.

Each of the first five terms presented above are segmented by counterparty industry type; Bank, Corporate, NBFi and Sovereign, and for the portfolio as a whole. For OTC derivatives and Repo/Reverse Repo categories, we also provide a breakdown of the Gross Positive Fair Value for trades where no netting agreement exists – i.e. the gross pool. For Repos and Securities the collateral benefit is taken into account in the Positive or Negative Fair Value. Therefore the Netted Current Credit Exposure equals the Net Credit Exposure.

Table 31: Overview of derivatives captured under netting agreements

Derivatives - captured under netting agreements					
	(A)	(B)	(C)	(D)	(E)
Industry type	Gross positive fair value	Netting benefits	Netted current credit exposure	Collateral benefit	Net derivatives credit exposure
Bank	38,293	31,775	6,518	6,265	467
Corporate	1,749	360	1,388	59	1,336
NBFI	63,472	62,991	481	185	404
Sovereign	1,628	1,549	79	66	40
<b>Total</b>	<b>105,142</b>	<b>96,675</b>	<b>8,467</b>	<b>6,575</b>	<b>2,247</b>

Table 32: Overview of derivatives not captured under netting agreements

Derivatives - not captured under netting agreements (gross pool)	
Industry type	Gross positive fair value
Bank	35
Corporate	480
NBFI	14
Sovereign	29
<b>Total</b>	<b>558</b>

**EDTF 29** The following section provides a quantitative analysis of counterparty credit risk that arises from its derivatives transactions. This quantifies notional derivatives exposure, including whether derivatives are OTC or traded on recognized exchanges. Where the derivatives are OTC, Table 33 shows how much is settled by CCP. The credit risk mitigation paragraph in this subsection elaborates on the collateral agreements in place.

Table 33: Overview of derivatives

<b>Overview of derivatives</b>						
	(A)	(B)	(C)	(D)	(E)	(F)
<i>Industry type</i>	<i>Gross positive fair value</i>	<i>Netting benefits</i>	<i>Netted current credit exposure</i>	<i>Collateral benefit</i>	<i>Net derivatives credit exposure</i>	<i>Notional Value</i>
Derivatives-CCP	60,974	60,964	10	0	10	1,768,721
Derivatives-ETP	232	184	49	12	133	79,972
Derivatives-under netting agreements	43,936	35,528	8,408	6,563	2,104	1,078,169
Derivatives-Gross	582		558	0	558	33,549
<b>Total</b>	<b>105,724</b>	<b>96,675</b>	<b>9,025</b>	<b>6,575</b>	<b>2,805</b>	<b>2,960,412</b>

### Repo/reverse repo and securities finance

The scope of the figures below include all Repo/Reverse Repo and transactions concerning debt instruments with counterparties executed under industry standard legal netting agreements for repo businesses. Please note that netting/collateral benefits are capped by gross positive fair value. The gross repo position is negligible, hence there is no table shown for gross Repos/SFT position.

Table 34: Repo/reverse repo and securities finance captured under netting agreements

<b>Repo/reverse repo and securities finance - captured under netting agreements</b>			
	(A)	(B)	(C)
<i>Industry type</i>	<i>Gross positive fair value</i>	<i>Netting benefits</i>	<i>Netted current credit exposure</i>
Bank	13,036	12,961	74
NBFI	7,964	7,402	562
Sovereign	2	0	2
<b>Total</b>	<b>21,001</b>	<b>20,363</b>	<b>638</b>

### Potential future exposure by Industry Type

Table 35 shows the PFE, broken down by Industry Type. The exposure in the 0 to 10 day time band as well as the Peak PFE exposures (across the lifetime of the deals) aggregated on an industry level across all financial derivatives and Repo/Reverse Repo/Securities Finance products can be seen below. Collateral is taken into account for any trades benefiting from a collateral agreement.

Table 35: Potential Future Exposure

<b>Potential future exposure</b>			
	<i>Exposure in 0-10 day time band (G)</i>	<i>Peak PFE exposure (H)</i>	<i>Peak PFE time band (I)</i>
<i>Industry type</i>			
Bank	6,636	6,636	0D - 10D
Corporate	2,778	4,156	3M - 6M
NBFI	4,642	4,642	0D - 10D
Sovereign	702	702	0D - 10D
<b>Total</b>	<b>14,758</b>	<b>16,137</b>	

### Exposure at default for trading and investment activities

Table 36 shows the total exposure for trading and investment activities as of 31 December 2015, broken down by Industry Type.

Table 36: Total exposure at default for trading and investment activities

<b>Total exposure at default for trading and investment activities</b>	
<i>Industry type</i>	
Bank	7,642
Corporate	8,472
NBFI	3,636
Sovereign	89,581
<b>Total EAD</b>	<b>109,331</b>

## Exposure on credit default swaps

This section provides the notional amounts of sold and bought protection via CDS broken down by industry of the reference name. Figures for protection bought and sold are shown in Table 37 without being netted.

**Table 37: Credit default swaps notional exposures by Industry type**

<b>Credit default swaps notional exposures by Industry type</b>		
<i>Industry type</i>	<i>Protection sold</i>	<i>Protection bought</i>
Bank	5	5
Corporate	95	96
NBFI	0	105
Sovereign	70	139
<b>Total</b>	<b>170</b>	<b>345</b>

Rabobank participates in the CDS trading market, primarily as a net purchaser of credit risk protection from other counterparties, to hedge credit risk arising from bond positions. The figures above represent the notional amount of CDS that Rabobank entered into on a gross basis without any netting.

## 6.4 Developments in the real estate portfolio

### 6.4.1 Domestic retail real estate

#### *The housing market*

The recovery in the housing market continued at a rapid rate in the Netherlands. In each province the number of residential property transactions rose compared to the previous year. The price index for private homes for sale rose in almost all provinces. Only in Zeeland and Flevoland did the index fall. The more urban provinces of North-Holland, South-Holland and Utrecht showed the sharpest price increases. For 2016 we expect moderate growth in the number of residential property transactions and an increase in the price index for current private homes. This positive development is mainly the result of high Consumer confidence, historically low mortgage rates and the economic recovery. The problems of remaining debts and the tightening of lending criteria have applied a limited brake to this growth.

#### *Market share*

The share of Rabobank Group in the Dutch mortgage market amounted to 19.7% (21.5%) of new mortgage production in 2015. The market shares of the local Rabobanks and Obvion fell to 15.5% (16.3%) and 4.2% (5.2%) respectively. In recent years,

insurers and pension funds have sharply increased their market share in new mortgages.

#### *Mortgage portfolio*

The additional repayments on mortgages remained relatively high in 2015. While savings rates remain low, a number of households will continue to opt to accelerate paying off their mortgages. On balance, the Dutch mortgage portfolio of Rabobank Group contracted to 201.5 (205.0) billion in 2015.

National Mortgage Guarantee (Nationale Hypotheek Garantie, or NHG) financing accounts for 21.4% (21.1%) of the mortgage portfolio. The revised tax treatment of owner-occupied homes introduced on 1 January 2013 has led to an increase in the number of annuity-based and straight-line loans in the mortgage portfolio. The changes to the tax regime have made mortgages with capital accumulation and interest-only mortgages less attractive. Customers with 100% interest-only finance accounted for 23.9% (24.6%) of the mortgage portfolio at the end of 2015. The weighted average indexed loan-to-value (LTV) of the mortgage portfolio improved to 73% (78%) in 2015. This was due to (additional) repayments, an increase in pledged savings and a small increase in the average price of existing private homes. The LTV exceeds 100% for approximately 13% (18%) of the mortgage portfolio, excluding NHG.

#### *Concern for affordability*

Rabobank wishes to avoid as much as possible customers having payment difficulties. This actually begins with good advice leading to a suitable mortgage. During its lifetime, Rabobank regularly checks whether the mortgage is still suitable for their personal situation. Nevertheless, it sometimes happens that a customer can no longer meet his payment obligations. Where there are arrears (or a threat of arrears), Rabobank wants to talk to the customer as early as possible in order to seek a solution. In most cases, the customer and the bank find a solution together and the customer can continue to live in his home. In 2015, for 0.48% (2014: 0.40%), of mortgage customers recovery was no longer a possibility and there were no prospects of continuing the mortgage in a stable manner. In these cases the homes had to be sold. The preferred option here is to do this in cooperation with the customer by means of a private sale. In exceptional circumstances we will use a public auction.

#### *Loan impairment charges and write-downs*

Two non-recurring changes affected the loan impairment charges and the allowances for residential mortgages. Rabobank developed a new capital model for residential mortgages; this model is also used to define the level of

allowances. In addition, Rabobank elected to take the loan impairments on residential mortgages for entrepreneurs out of business lending and to account for them fully in the private individuals sector. These changes resulted in an extra 161 in additional loan impairment charges, of which 134 was a non-recurring charge. As a result, the level of allowances is also higher. The total loan impairment charges amounted to 286 (112).

The new capital model for mortgages<sup>1</sup> takes more account of behavioural factors than the old model. With the new model default situations are recognised earlier. The non-recurring change of model impact totalled 83.

Migrating the residential mortgages of entrepreneurs to the private individuals sector led to an increase of 78 in loan impairment charges on residential mortgages, of which 51 was non-recurring<sup>2</sup>.

During 2015 the loan impairment charges were 152 (7.5 basis points), notwithstanding the additional loan impairment charges resulting from the aforementioned non-recurring changes.

**Table 38: Dutch residential mortgage portfolio**

<b>Residential mortgages</b>		
	31-12-2015	31-12-2014
Mortgage portfolio	201,498	205,008
Weighted average LTV	73%	78%
Non-performing loans	0.91%	0.99%
More than 90 days arrears	0.57%	0.73%
Share NHG portfolio	21.4%	21.1%
Share customers with fully interest-only mortgage	23.9%	24.6%
Non-performing loans	1,837	2,001
Allowances	319	178
Coverage ratio based on non-performing loans	17%	9%
	2015	2014
Loan impairment charges	286	112
Loan impairment charges (in basis points, excluding non-recurring effects) <sup>3</sup>	7.5	5.4
Write-downs	156	128

- 1 The new capital model has successfully completed the internal validation and approval process, but it is not yet suitable for calculating capital, pending the outcome of the external validation process performed by the ECB.
- 2 The migration implies a reduction in the loan impairments on residential mortgages in the business sector by 127. On balance, there was a release that is largely due to the difference between the LGD for residential mortgages and LGD for business loans.

## 6.4.2 Commercial real estate

### *Developments in the real estate portfolio*

Rabobank's commercial real estate portfolio in the Netherlands is managed by FGH Bank and the local Rabobanks. The commercial real estate market showed some signs of recovery in 2015. The demand of real estate end users for offices and business premises increased slightly, although this demand remains low from a historical perspective. The supply of vacant buildings is decreasing, both for offices and retail premises. This is not the result of an increased growth in demand, but extra initiatives to convert vacant buildings in combination with low levels of new housing development. However, rental prices are still under pressure in areas outside core locations in large cities. This has led to an increasingly visible distinction between properties with little, or no prospect of viability and those with a chance of success. Long term trends such as demographic ageing, the 'New Way of Working' and online shopping are all important factors in this development. The pressure on retail property will continue for the coming years, in particular causing difficulties for mid-market retail chains. This is in contrast to the positive demand on the investment side, in which there is significant activity from both domestic and international investors. Low interest rates and limited returns on other investment segments are stimulating investments in real estate. All real estate segments are in demand among investors. Under the current market conditions, the quality of the commercial real estate loan portfolio is showing signs of stabilisation, especially in the second half of the year, whereby the aforementioned distinction in the market shows differences at sub-sector level.

Within Rabobank Group, management of the commercial real estate portfolio in the Netherlands has been intensified for several years now and steps have already been taken in recent years to tighten the financing, revision and valuation policy. At the beginning of 2015, in the context of One Rabobank, a vision in which Rabobank will combine its operations to provide an optimal customer service, it was disclosed that FGH Bank would be integrated with Rabobank as a centre of expertise. The preparations for this process are in full swing.

- 3 The loan impairment charges in basis points are excluding the non-recurring effects, but including additional loan impairment charges for entrepreneurs' private borrowing. For a clean comparison of the figures against those from 2014 you need to take out the loan impairment charges for entrepreneurs' private borrowing. The loan impairment charges then come out at 6.1 basis points.

The table below provides insight into the commercial real estate loan portfolio in the Netherlands on 31 December 2015. The Property Development segment is presented separately. Rabobank's lending in this segment was relatively low, at 1.9 (2.3) billion. The commercial real estate portfolio of Rabobank in the Netherlands declined again in 2015 mainly due to repayments, foreclosures and write-downs, loan sales and a lower risk appetite.

Table 39: Commercial real estate loan portfolio at 31 December 2015

<b>Commercial real estate loan portfolio on 31/12/2015</b>					
	<i>Net loan portfolio</i>	<i>Gross non-performing loans<sup>1</sup></i>	<i>Loan impairment allowances</i>	<i>Loan impairment charges</i>	<i>Write-downs</i>
- Property investment domestic retail banking	7,729	1,447	588	(8)	105
- Property investment real estate segment	13,794	3,614	1,040	142	217
<b>Total property investments</b>	<b>21,523</b>	<b>5,061</b>	<b>1,628</b>	<b>134</b>	<b>322</b>
- Property development domestic retail banking	784	495	301	26	83
- Property development of real estate segment	1,101	172	62	5	1
<b>Total property development</b>	<b>1,885</b>	<b>667</b>	<b>363</b>	<b>31</b>	<b>84</b>

<b>Commercial real estate loan portfolio on 31/12/2014</b>					
	<i>Net loan portfolio</i>	<i>Gross non-performing loans<sup>1</sup></i>	<i>Loan impairment allowances</i>	<i>Loan impairment charges</i>	<i>Write-downs</i>
- Property investment domestic retail banking	8,586	1,509	673	249	152
- Property investment real estate segment	15,099	3,394	1,098	544	333
<b>Total property investments</b>	<b>23,685</b>	<b>4,903</b>	<b>1,771</b>	<b>793</b>	<b>485</b>
- Property development domestic retail banking	1,062	586	342	23	26
- Property development of real estate segment	1,211	146	43	8	2
<b>Total property development</b>	<b>2,273</b>	<b>732</b>	<b>385</b>	<b>31</b>	<b>28</b>

The table above only concerns identified loan impairment charges and identified loan impairment allowances.

In recent years, market developments have led to heavy pressure on the quality of the portfolio, which is reflected in the increased level of loan impairment charges. The year 2015 has been characterised by a clear bifurcation of the portfolio. On the one hand, amongst other things the increased interest of investors has caused some sub-markets to bottom out or to even show signs of some recovery. The allowances made for this part of the portfolio proved to be adequate. On the other hand, structural problems in other sub-markets result in continuing higher loan impairment charges.

Nearly the entire real estate portfolio outside the Netherlands is provided by ACC Loan Management. This portfolio is being gradually scaled down. In 2015, the extra additions to the loan impairment allowance for this portfolio were limited (40). Rabobank expects to make a few further allowances in 2016, albeit at a lower level than in previous years.

1 Non-performing loans are identified in accordance with the EBA definition of 'non-performing'. The reporting of these loans is in line with general practice in the sector and deviates from the impaired loans that were reported last year.

## 6.5 Country risk

With respect to country risk, a distinction is made between collective debtor risk and transfer risk. Collective debtor risk is the risk that a large number of debtors in a particular country will all be unable to fulfil their obligations owing to the same cause, e.g. war, political or social unrest, natural disasters, or government policy that fails to create macro-economic and financial stability. Transfer risk is the risk that payments in non-local currency could in any way be hindered or prohibited due to insufficient availability of non-local currency financial resources (economic transfer risk), and/or to unwillingness of the government (political transfer risk) to permit the non-local currency outflow of financial resources.

Rabobank uses a country limit system to manage collective debtor risk and transfer risk. After careful review, relevant countries are given an internal country risk rating, after which general limits and transfer limits are set. Transfer limits are introduced based on the net transfer risk, which is defined as total loans granted less loans granted in local currency, guarantees, other collateral obtained to cover transfer risk and a deduction related to the reduced weighting of specific products. The limits are allocated to the offices, which are

themselves responsible for the day-to-day monitoring of loans that have been granted and for reporting on this to Risk Management. At Rabobank Group level, the country risk outstanding is reported every quarter to the Risk Management Committee (RMC Group) and the Country Limit Committee (CLC).

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 transfer risk is relevant.

Based on the concept of country of ultimate risk, the collective debtor risk for non-industrial non-OECD countries stood at 24.7 (2014: 26.9) billion at year-end 2015. The net ultimate transfer risk before allowances for these countries amounted to 15.4 (2014: 18.2) billion at year-end 2015, which corresponds to 2.3% (2014: 2.7%) of total assets. Total assets were 670.4 (2014: 681.1) billion. The total allowance for ultimate country risk amounted to 346 (2014: 233), which corresponds to 4.1% (2014: 2.5%) of the total allowance of 8,478 (2014: 9,438).

Table 40: Ultimate risk in non-industrial non-OECD countries

<b>Ultimate risk in non-industrial non-OECD countries</b>						
31-Dec-15						
Regions	Europe	Africa	Latin America	Asia/Pacific	Total	As % of total assets
Ultimate country risk (exclusive of derivatives) <sup>1</sup>	818	466	10,335	13,123	24,742	3.7%
- of which in local currency exposure	148	178	5,604	3,377	9,307	
<b>Net ultimate country risk before allowance</b>	<b>670</b>	<b>288</b>	<b>4,731</b>	<b>9,746</b>	<b>15,435</b>	<b>2.3%</b>
As % of total allowance						
<b>Total allowance for ultimate country risk</b>	<b>10</b>	<b>-</b>	<b>144</b>	<b>191</b>	<b>346</b>	<b>4.1%</b>
31-Dec-14						
Regions	Europe	Africa	Latin America	Asia/Pacific	Total	As % of total assets
Ultimate country risk (exclusive of derivatives) <sup>1</sup>	430	493	10,187	15,749	26,860	3.9%
- of which in local currency exposure	157	195	4,554	3,768	8,675	
<b>Net ultimate country risk before allowance</b>	<b>273</b>	<b>298</b>	<b>5,633</b>	<b>11,981</b>	<b>18,185</b>	<b>2.7%</b>
As % of total allowance						
<b>Total allowance for ultimate country risk</b>	<b>3</b>	<b>-</b>	<b>146</b>	<b>84</b>	<b>233</b>	<b>2.5%</b>

<sup>1</sup> Total assets after third party coverage, plus guarantees issued and unused committed credit facilities

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

Already since the beginning of 2014 Rabobank has been following a very restrictive country risk policy towards Russia. Monitoring has been intensified. Exposure in Russia at year-end 2015 was very limited, mainly in trade and commodity financing of Russian exports and to a lesser extent in leasing. Rabobank's risks on Russia are considered to be acceptable.

## 6.6 Equities in the banking book

Total exposure value at 31 December 2015 of equities in banking books amounted to 5,309, resulting in a capital requirement of 1,077.

Table 41 shows Rabobank's equity holdings outside the trading book based on the purpose of the ownership. All equities in the investment portfolio are stated at fair value. The evidence of published price quotations in an active market is the best evidence of fair value, and if they exist they are used to measure the value of financial assets and financial liabilities. For equities with no published price quotations, fair values are estimated based on appropriate price/earnings ratios, adjusted to reflect the specific circumstances of the respective issuers. Strategic investments are recognised in accordance with the equity method. With this method, Rabobank's share in the profit or loss of an associate – subject to Rabobank's accounting policies – (after the acquisition) is recognised in profit or loss, and its share in the changes in reserves after the acquisition is recognised in reserves. Any post-acquisition changes are taken to the cost of the investment.

Table 41: Overview of equities in the banking book

<b>Equity overview</b>					
	<i>Exposure value</i>	<i>Risk-weighted exposure amount</i>	<i>Capital requirement</i>	<i>Cumulative unrealised gains/losses</i>	<i>Gains/losses realised in the period</i>
Investment portfolio	2,266	5,387	431	111	121
Strategic investment	3,043	8,078	646	187	14
Total	5,309	13,465	1,077	298	135

Of the exposure value 1,320 relates to private equity exposures in sufficiently diversified portfolios (190% risk weight), 2,833 to exposures in significant financial institutions (250% risk weight), 503 to exchange traded equity exposures (290% risk weight) and 653 to all other equity exposures (370% risk weight).



## 7. Securitisation

Securitisation is part of the ICAAP and ILAAP process and is integrated in Rabobank Group's long-term funding strategy.

The following External Credit Assessment Institutions (ECAIs) are used: Fitch Ratings, Standard & Poor's, Moody's and DBRS. These ECAIs are used for all investor positions and own asset securitisations. There is no policy to use specific ECAIs for specific exposures or transactions. This is determined on a case-by-case basis.

Rabobank securitises, sells and carries various financial assets. Those assets are sometimes sold to SPVs, which then issue securities to investors. Rabobank follows the IFRS regulations with regard to the consolidation of SPVs. As Rabobank consolidates its SPVs, it is irrelevant whether the transactions are treated as sales or financing. Investor positions are classified as financial assets. Assets which could be securitised in the near future are still accounted for in the banking book, as it is uncertain if and when those assets will be securitised. Further details of the Rabobank accounting policies with regard to securitization transactions are provided in the Rabobank Group Consolidated Financial Statements 2015, note 2.9 and note 50.

### 7.1 Own asset securitisation (originator role)

Within Rabobank Group own asset securitisation is used by RaboAgri Finance (Harvest), Obvion (STORM and STRONG), De Lage Landen (LEAP), CCRB (synthetic securitization of loans to corporates) and Athlon (Highway). Own asset securitisations that do not achieve significant risk transfer (SRT) are not classified as exposures subject to the securitisation framework and hence are reported on a look-through basis.

Only one securitisation transaction was set up to improve liquidity ratios and create collateral for the ECB only. This transaction does not mitigate credit risk exposure and is retained by Rabobank in full, and Rabobank is still holding capital for the underlying assets. The total amount was 50 billion as per 31 December 2015.

Securitisation transactions are compliant with capital requirements regulations Supervisory Regulation on Solvency Requirements for Credit Risk). Compliance with the Regulation is documented and signed-off by the internal legal department and the control department. Own asset securitisation transactions are also in line with internal policies covering, for example, IFRS treatment. The general accounting rules are followed as described in the Consolidated Financial Statements 2015 of Rabobank

Group (note 2.9. and note 50 ). Securitisation transactions can be initiated by entities and at group level. All transactions received a positive advice of the ALCO Group and are subject to approval by the Executive Board of Rabobank Group.

For transactions originated after 1 January 2011, compliance with CRR (CRD IV) is warranted by a) retaining the first loss positions and, if necessary, other tranches with the same or more severe risk positions than those transferred or sold to investors with a minimum of 5% of securitised assets or randomly selected assets that would otherwise have been securitised or b) retaining 5% of the notes placed with external investors. Retained positions are not externally hedged. A certain amount of liquidity risk in securitisation transactions is retained by Rabobank by acting as liquidity facility provider and swap counterparty in all of its own asset securitisation transactions. Contingent liquidity risk in securitisation swaps has been identified and is taken into account in the liquidity risk management framework, see also Section 10 Liquidity Risk.

Given the current rating of Rabobank Group, the role as account bank is also fulfilled by Rabobank. The processes in place to monitor the changes in credit risk of securitised assets do not differ from those for non-securitised assets. Please see Section 6 Credit Risk for more information. Interest rate risk for

own asset securitisation positions are intercompany positions, and are irrelevant for the interest rate risk position at a group level. Rabobank does not book gains or losses on securitised own assets.

## 7.2 Sponsor transactions

Rabobank sponsors Nieuw Amsterdam Receivables Corporation, which issues Asset Backed Commercial Paper (ABCP) in various currencies and provides Rabobank's core customers access to liquidity via the commercial paper market instead of financing through Rabobank's statement of financial position. The ABCP of Nieuw Amsterdam carries short-term ratings of A-1/P-1 based on the credit and liquidity support provided by Rabobank and the quality of the transactions that are funded in Nieuw Amsterdam. The conduit acquires exposures from Rabobank clients and finances these pools in the ABCP market. As a sponsor, the bank manages/advises on the program, places ABCP on the market, and provides liquidity and/or credit risk enhancements and other facilities to underlying transactions and to the conduits itself. The liquidity facilities are provided for individual structured pools of assets placed in Nieuw Amsterdam. When a pool of assets is structured a risk assessment takes place based on rating agency criteria for that asset type. The pool of assets is structured to a certain overcollateralization level dependent on the desired level of creditworthiness for the transaction. The risk drivers and their importance vary per transaction, for example different asset types: the risk drivers for Trade Receivables are different to those for credit card loans. Even within the asset types there can be much variance: within trade receivables the payment terms could vary as well as the dilution risks. In addition to this quantitative assessment a more qualitative risk assessment of the whole transaction takes place. This assessment looks at the whole structure besides the quality of the assets. The total funding size of Nieuw Amsterdam Receivables Corporation was 7.2 billion as per 31 December 2015.

Rabobank underwrites sponsor transactions in close consultation with the internal risk department and the legal department. The bank conducts pre-closing due diligence on the customers, their servicing operations (e.g. credit and collections policies, management information systems, disaster recovery) and on their origination and supply chains. Rabobank either engages third party collateral audit firms, such as PwC, Protiviti, KPMG, or makes use of Rabobank collateral inspection teams. All transactions are subject to approval by requisite deal, business, and credit committees. When necessary, the tax, control and compliance departments are involved upfront.

Rabobank monitors each transaction on a continuous basis. As a minimum, the clients provide servicing reports on a monthly basis. These reports provide overall assessments of the performance of the overall portfolio that is being financed and determine key trends in terms of delinquency, default and dilution data. The reports also determine compliance with transaction parameters, triggers, financial covenants, and the borrowing base.

On at least an annual basis, each client transaction undergoes a re-underwriting, in accordance with standard Rabobank credit policies and procedures. Each review or approval will be subject to an analysis of and be provided with an opinion of Risk Management GFM before entering the Credit Committee KRM. Depending on the size of the transaction, final credit approval is required from the Credit Committee KRM, the Central Credit Committee Rabobank Group or the Executive Board.

Nieuw Amsterdam Receivables Corporation produces an Investor- and Rating Agency report on a monthly basis. In these reports detailed information on the underlying transactions and their assets is given to the investors, who buy the ABCP, and to the Rating Agencies, who provide for each structuring and restructuring of the transactions Rating Affirmation Confirmation (RAC).

## 7.3 Investor transactions

Rabobank operates in the term securitisation market as an arranger, a book runner and a provider of such ancillary products as liquidity facilities, swaps and current accounts. The liquidity facilities can be considered investor positions in securitisation transactions. All liquidity facilities for term securitisation transactions (mostly Dutch RMBS) rank senior to any payment to note holders and, as such, the credit risk is limited. After a downgrade of Rabobank below a certain trigger rating (typically long-term A-) the liquidity facilities must be replaced by other parties. Contingent liquidity risk in liquidity facilities has been identified and is taken into account in the liquidity risk management framework.

In all swap transactions of Rabobank with SPVs, the market risk position is fully hedged with opposite swaps. As such, the market risk on the swap in the transactions only becomes relevant after a default of a party providing the hedge to Rabobank. Credit risk on the SPVs is limited due to a senior position over payments to note holders. Contingent liquidity risk in securitisation swaps has been identified and is also taken into account in the liquidity risk management framework.

For all investor transactions where Rabobank engages in there is a procedure that requires involvement of risk, credit, legal and tax departments. Depending on the size of the transaction, final credit approval is required from the Central Credit Committee Rabobank Group or the Executive Board. On an annual basis, the liquidity facilities are reviewed and renewed. For swap transactions, the underlying market risk in the portfolios is monitored closely, with typical daily valuation. Transaction analysis is based on trustee reports, rating agency reports and industry-wide reports. From these reports information is gathered on the overall performance of the transaction, the development of credit enhancement, trends in delinquencies and defaults, and performance versus trigger levels.

Besides the aforementioned asset backed securitisation (ABS) transactions, Rabobank holds ABS in its non-core legacy portfolios managed by Portfolio Management. These ABS assets are held in various different portfolios, all of which are run-off portfolios. All ABS securities are subject to an annual sector review. Besides this annual review, which is drafted by Risk Management Global Financial Markets (RM GFM), this department also performs a bi-annual impairment assessment of these securities. All securities in scope carry an internal credit rating that shows the implied creditworthiness according to the assessment of RM GFM.

Rabobank holds a limited position in re-securitisation transactions which are also part of the run-off portfolio. Underlying securitisation positions are senior and mezzanine notes of US High Yield Corporate Loans (Collateralized Loan Obligations (CLOs)) and Residential Mortgage Backed Securities (RMBS) transactions. For re-securitisation positions, the underlying collateral is monitored via trustee reports. A portion of these re-securitisation positions are hedged via credit default swaps or financial guarantees. Rabobank has established a strong governance framework around the non-core portfolios. Any portfolio activity is subject to approval from the ICFM. Members of this committee are senior staff from various banking disciplines. Interest rate risk for investor securitisation positions is monitored through Value at Risk (VaR) parameters. As all investor positions are swapped to floating, the interest rate risk is relatively small.

## 7.4 Regulatory Capital approaches

All of Rabobank's securitisation positions in own asset securitisation transactions and investor positions are reported using the Internal Rating Based (IRB) approach. Market risk is reported using the Standardised Approach.

The Internal Assessment Approach (IAA) has been approved and rolled out for Nieuw Amsterdam transactions. Solvency calculations for a given transaction will be dependent on the protections built into each transaction and the funding requirements for the liquidity facility. We use the Cosas system (securitisations assessment tool) to calculate the solvency. IAA calculations should be confirmed with GFM Risk early in the renewal process so that accurate solvency and RoS calculations are used. This methodology is used to assign a risk weight to a securitisation exposure where a direct rating based approach or inferred rating based approach cannot be used and is only applicable to exposures within an ABCP. Nieuw Amsterdam and the underlying transactions are analysed, and the commercial paper is rated by the rating agencies (Moody's and Standard & Poors). However, the various facilities provided by Rabobank to Nieuw Amsterdam are not explicitly rated themselves and accordingly do not fall under either the Direct or Inferred Ratings Based Approach. The IAA is used for these exposures. Two type of facilities fall under the IAA: Liquidity Facilities and Program Wide Credit Enhancement (PWCE). The outcome of the IAA is an internal rating for the liquidity facilities and the PWCE. For a more detailed explanation on the liquidity facilities please see section 7.2 above. The PWCE is available to all pools in the conduit, and will incur a loss if there are losses within a pool of assets greater than the over-collateralization within that pool. The probability that such a loss will occur is reflected in the implied rating of the structured pool of assets. The size of the loss is limited to the size of the structured pool. The risk weight for the PWCE is the weighted average re-securitisation risk weight of the lowest rated structured pool. When a pool of assets is structured and placed in the conduit, new commercial paper is given out and the PWCE is increased by a fixed percentage (7% of the notional for non-fully supported deals) of the size of the structured pool/new commercial paper unless the specific pool is fully supported by liquidity facility.

## 7.5 Risk measurement

Based on EBA guidelines published in 2014, retained securitisations are no longer classified as securitisation exposures where no significant risk transfer has been achieved. These are reported subsequently based on the underlying assets. In this context, Rabobank did not securitise exposures in 2015 that resulted in significant risk transfer. Retained securitisation exposures also include on and off balance sheet exposure to the sponsor (Nieuw Amsterdam). Exposures in the trading book are not related to own asset securitisation transactions.

Table 42: Total outstanding exposure securitised by Rabobank

<b>Total outstanding exposure securitised by Rabobank and subject to the securitisation framework by exposure type excluding fully retained securitisation transactions.</b>			
	Own assets	Third party assets (sponsor deals)	Total
<b>Traditional securitisations</b>			
- Residential mortgages	-	-	-
- Loans to corporates or SMEs	-	7,158	7,158
- Leasing	-	-	-
<b>Subtotal</b>	-	<b>7,158</b>	<b>7,158</b>
<b>Synthetic securitisations</b>			
- Corporate loans	2,103	-	2,103
<b>Total portfolio</b>	<b>2,103</b>	<b>7,158</b>	<b>9,261</b>

Table 43: Impaired/past-due assets securitised

<b>Impaired/past-due assets securitised by Rabobank and losses recognised during the current period, broken down by exposure type</b>			
At 31 December 2015	Past due <sup>1</sup>		Losses
	Traditional	Synthetic	Traditional/synthetic
Residential mortgages	-	-	-
Loans to corporates or SMEs	-	-	-
Corporate loans	-	0.2	0.0
<b>Total</b>	-	<b>0.2</b>	<b>0.0</b>

<sup>1</sup> Traditional: payment arrears > 90 days, synthetic: credit event

Table 44: Aggregate amount of securitisation exposure retained or purchased

<b>Aggregate amount of securitisation exposure retained or purchased, broken down by exposure type</b>			
At 31 December 2015			
	Banking book	Trading book	Total
<b>Traditional securitisations</b>			
- Residential mortgages	-	-	-
- Loans to corporates or SMEs	-	-	-
- Leasing	-	-	-
<b>Subtotal</b>	-	-	-
<b>Synthetic securitisations</b>			
- Loans to corporates or SMEs	2,103	-	2,103
<b>Subtotal</b>	<b>2,103</b>	-	<b>2,103</b>
Sponsored positions	7,158		7,158
Investor positions	3,257	229	3,487
<b>Total</b>	<b>12,518</b>	<b>229</b>	<b>12,748</b>

Table 45: Aggregate amount of resecuritisation exposure retained or purchased

<b>Aggregate amount of resecuritisation exposure retained or purchased, taking into account credit risk mitigation</b>		
	Before credit risk mitigation	After credit risk mitigation
Resecuritisation exposure	531	409

Table 46: Receivable from guarantors, broken down according to guarantors creditworthiness

<b>Receivable from guarantors, broken down according to guarantors creditworthiness</b>	
	Receivable from guarantors
Investment-grade guarantors	-
Non-investment-grade guarantors	122
<b>Total</b>	<b>122</b>

Table 47: Aggregate amount of securitisation exposure retained or purchased

<b>Aggregate amount of securitisation exposure retained or purchased and the associated IRB capital charges</b>							
	<i>IAA approach</i>	<i>IRB approach</i>	<i>STD approach</i>	<i>Total exposure</i>	<i>Of which: resecuritisation</i>	<i>Total exposure in the trading book</i>	<i>Regulatory Capital charges before cap</i>
<b>Risk weight bands</b>							
≤ 10%	5,074	3,567	130	8,772	140	130	51
> 10% ≤ 20%	1,798	463		2,261	3		23
> 20% ≤ 35%		95	99	194	125	99	5
> 40% ≤ 100%	254	964		1,219	258		70
> 100% ≤ 850%		159		159	5		47
Unrated							
	7,126	5,249	229	12,604	531	229	196
Deduction own funds				51			
<b>Total</b>				<b>12,655</b>			

The difference between the exposures reported in the tables above (12,748 and 12,655) can be explained by adjustments of positions for provision and tax.

## 8. Operational risk

Operational risk is an integral part of doing business. Operational Risk Management (ORM) within Rabobank is aimed at having a healthy balance between the exposure to these risks and tools to manage these risks. The objective of ORM is to identify, measure, mitigate and monitor operational risk, and promote risk awareness and a risk culture within Rabobank. Risk quantification and awareness helps the management in charge to set priorities in their actions and to allocate people and resources. Within Rabobank, operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including potential reputational consequences.

### 8.1 Operational Risk Management framework

Rabobank Group has applied the Advanced Measurement Approach (AMA) to calculate operational risk capital requirements. The current version of Rabobank's capital model has been in use since January 2013. Incremental changes take place continuously to safeguard alignment of the model. The operational risk model of Rabobank includes the following elements:

- Internal data;
- External data from consortium;
- Scenario analyses; and
- Business environment and internal control factors (BEICFs).

The option to reduce capital requirements through insurance mitigation or other risk-transfer instruments is currently not used.

The internal loss data is captured from the mandatory reporting on operational losses over 10,000. Incident reporting is signed-off by management and validated by the Non-Financial Risk department (NFR) for quality assurance. Internal loss data is used in the capital model for defining frequency distributions and for calculating capital per entity.

The external loss data is based on quarterly reports from a data consortium that specialises in operational risk loss data collection. External loss data is reviewed on relevance and suitability for the Rabobank organisation before being added to the capital model. Consortium data is used in the capital model for defining severity distributions.

Rabobank has developed a number of loss scenarios which are used to substantiate and benchmark the model based on internal and external historical data. An example is a fraud

related scenario, which estimates the probability and impact for Rabobank of the execution of unauthorised transactions.

BEICFs are based on reports available at group level or from the entities. BEICFs are annually gathered using multiple risk identification methods. The BEICFs are used in the capital model as incentive to complement the modelled capital.

Rabobank uses the following BEICFs:

- Business Environment and Internal Control factor assessments at group level;
- Scenario program at group level (as stated above);
- Risk and control self-assessment at entity level; and
- Indicators for key risks and controls at entity level.

A schematic overview of Rabobank's capital model is presented in Figure 3.

### Managing operational risks

**EDTF 31** The Non-Financial Risk Committee (NFRC) is responsible for ratifying the operational risk policy and its parameters at Rabobank Group level. Approval of NFR policies will be done by the Executive Board as from 2016 on. The primary responsibility for the management of operational risk lies within the business, as it should be fundamentally woven into their strategic and day-to-day decision-making. Within the group entities, risk management committees have an important role in identifying and monitoring the operational risks of the entity. These responsibilities are supported by Risk Management, which provides oversight, tools, expertise and challenge to the group entities and transparency throughout the Group and towards senior management. In addition, NFR reports quarterly to the RMC Group on developments in group wide operational losses.

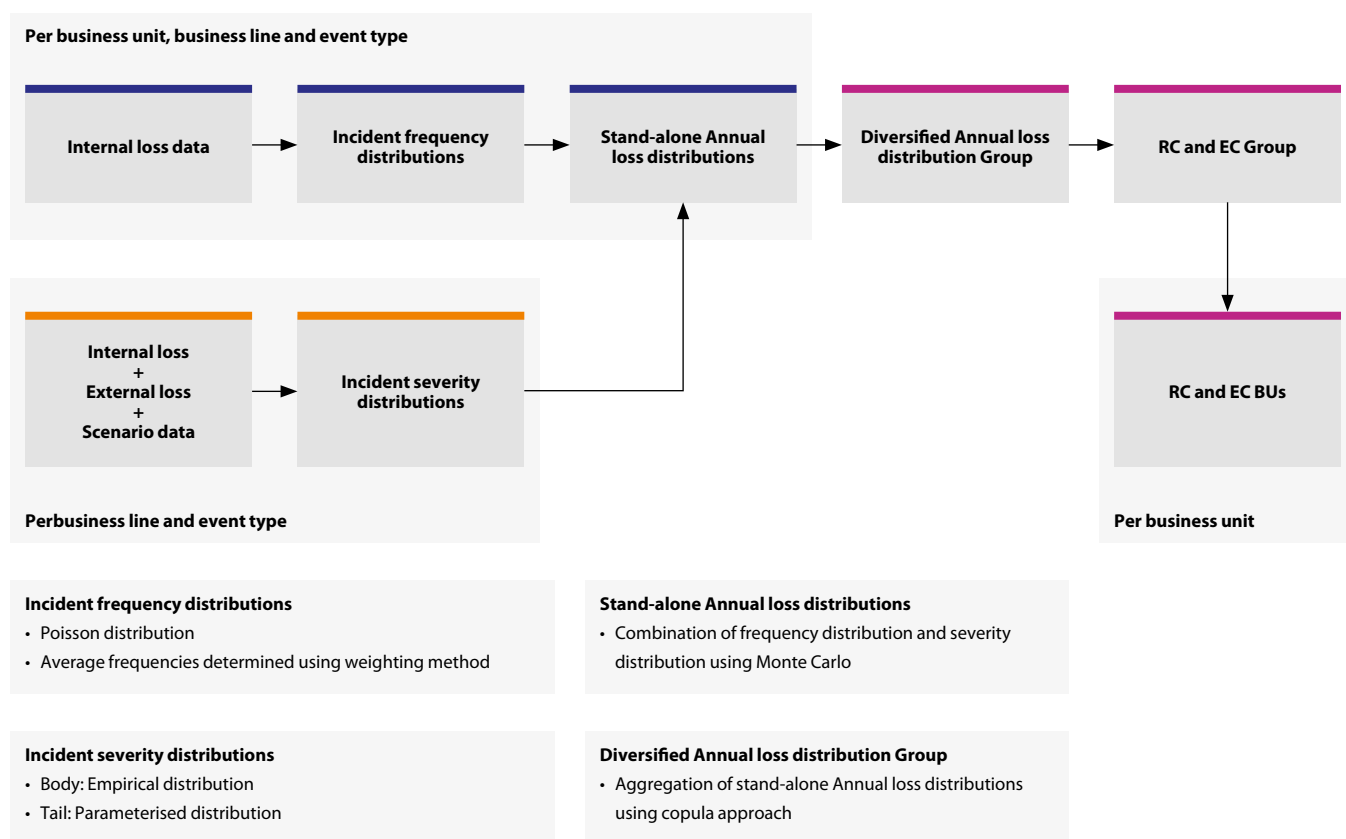


Figure 3: Capital model.

Rabobank recognises the following operational risk types:

Risk type	Definition	Management actions
Fraud	Risk that an internal or external party obtains an undue personal benefit at the expense of our organisation (or at the expense of a customer or client whose property we are responsible for safeguarding).	Rabobank has implemented measures on all levels in the organisation to mitigate this risk, including scanning of electronic banking and Know-your-customer (KYC) policies.
IT	Risk that infrastructure or systems fail, possibly leading to business disruption, creating a financial impact. Also the risk of losses arising from systems intrusion and invasion, online data fraud or deception schemes for profit, external identity theft through system intrusion and skimming or electronic eavesdropping.	Maintaining a well-functioning and secure IT environment is crucial to the performance of Rabobank. To this end there is a specific IT risk management team within NFR.
Clients, Products and Business Practices	The risk of not exercising due care in dealings with clients and customers, conduct and contract breaches by the organisation and its staff, conflicts of interest, inappropriate products and business practices, as well as compliance or governance breaches.	Various measures have been implemented to deal with this area, including a Product Approval Process.
Execution, Delivery and Process Management	The risk of direct and indirect losses incurred when a prearranged operational task or transaction is executed improperly. Includes transactional errors, non-transactional errors and errors relating to client or customer service delivery and includes errors or mistakes arising from reference data issues.	As this category is a part of the day-to-day operations of Rabobank, primary responsibility lies with the entities units, as they are the first line of defence.
Business Continuity	The risk of impact to the organisation which disrupt its ability to continue to deliver Rabobank products and services at acceptable predefined levels.	Although Business Continuity Management (BCM) is not recognised as a specific ORM risk, ORM has close links with BCM. Within Rabobank, a specific BCM organisation liaises with the entities for effective management of risks.

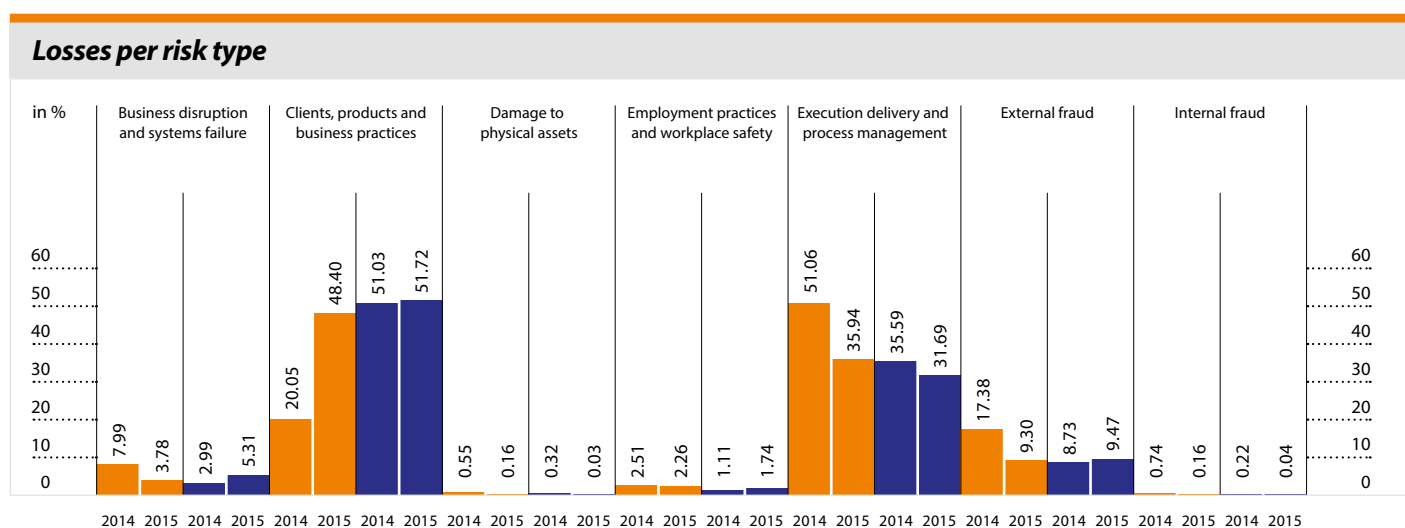


Figure 4 shows the distribution of losses within Rabobank in terms of percentage of total loss (blue) and number of incidents (orange). The graph shows that the main areas of risk remain the same in 2014 and 2015, a pattern which continues from previous years.

**Figure 4: Distribution of operational risk losses.**

## 8.2 Developments in 2015

**EDTF 32** Rabobank aims to continually improve the risk management function in the organisation. In 2015, the new quarterly Non-Financial Risk Committee (NFRC) was formed. As key part of the new Risk Management Committee structure, the NFRC brings together all Non-Financial Risk expertise functions and senior representatives of the first line in one decision-making structure. The NFRC aims at governing the NFR management framework, monitors the effectiveness of NFR management and is guardian of NFR exposure of Rabobank. Another core element of the initiatives in 2015 has been to position the NFR function as a corporate competence centre. This included a leading role in the Risk Control Framework Project, which includes initiatives regarding organisation wide tooling, awareness and learning, taxonomy and Risk Control Assessments. Further developments include the continuation of the organisation-wide implementation of the risk-profile method. The risk profile focuses on the (early) recognition of risk through the combination of various internal and external sources of information.



## 9. Market risk

Market risk is the risk that the bank's earnings and/or economic value may be negatively affected by changes in interest rates or market prices. Exposure to a certain degree of market risk is inherent in banking and creates the opportunity to realise profit and value. In the management and monitoring of market risk, a distinction is made between market risk in the trading environment and market risk in the banking environment. The various market risks are discussed in the sections below.

Section	Description	Key risk indicators	Monitoring
9.1 Market risk trading environment	Market risk arising from the bank's trading activities. Rabobank's trading activities are customer-focused or for the purpose of the bank's own balance sheet management and take place within the departments Markets and Treasury.	Value at Risk, event risk, interest rate delta	Daily
9.2 Interest rate risk banking environment	Interest rate risk arising from the bank's activities not related to trading. Occurs mainly within the retail banking business as a result of the difference in interest rate fixing periods between assets and liabilities and implicit options in various customer products.	Equity at Risk, Income at Risk, basis point sensitivity	Weekly/Monthly
9.3 Currency risk banking environment	Currency risk arising from the bank's activities not related to trading. This mainly concerns translation risk resulting from capital invested in foreign operations.	Value at Risk	Monthly

Within the trading environment, the most significant types of market risk are: interest rate risk (including basis risk), credit spread risk and currency risk. Market risk in the trading environment is managed and monitored on a daily basis within the trading market risk framework. This framework contains all derivative books, as well as the loan syndication books, the short term funding books, securities finance & repo books and the bond trading books. A prudent limit and control framework is in place. Rabobank's trading activities are client driven or for the purpose of the bank's own balance sheet management and are managed within the Markets and the Treasury departments.

Within the banking environment the most significant type of market risk is interest rate risk. Rabobank is mainly exposed to interest rate risk in the banking environment as a result of the structural maturity and repricing mismatch between assets and liabilities, i.e. mismatches resulting from differences in end dates and/or interest rate reset dates in financial contracts, and because of options and products with embedded options that are offered to clients. Rabobank is also exposed to currency risk in the banking environment. This currency risk is mainly translation risk on capital invested in foreign activities. Other non-trading currency risks are mostly hedged.

Where market risk in the trading environment is managed within the trading market risk framework, market risk in the banking environment is managed and monitored within the Asset & Liability Management (ALM) framework. The ALM framework is applied to portfolios that imply structural non-trading market risk. The most important kinds of books in this framework are banking books, investment books and capital books. Banking books contain financial products and related derivatives to these products which are held to generate (a balanced growth of) net interest income. Investment books comprise financial instruments that are held for strategic reasons, i.e. they are destined to be permanently linked to the bank's operations, inter alia for controlling interest rate risk, solvency and liquidity risk. Capital books incorporate financial instruments that are funded with the bank's own capital. The exposures covered by the ALM framework are far more stable than the exposures in the trading market risk framework. Therefore, they are managed and monitored on a weekly and/or monthly basis.

A large part of the structural interest rate and currency risks arising from the banking activities are transferred through internal derivative transactions to the trading environment. Within the trading environment these risks are for the most part hedged in the market.

**EDTF 22** It is not possible to make a direct link between the items on the bank's balance sheet and the various figures for market risk. This is because the bank's balance sheet only contains transactions with third parties. The published market risk figures for the trading books are based on both transactions with third parties and transactions with internal parties in the banking environment. The same applies to the disclosed interest rate and currency risk figures for the banking books, which are based on both transactions with third parties and transactions with internal parties in the trading environment.

## 9.1 Trading market risk

Movements in markets affecting interest rates, equities, credit spreads, currencies and commodities generate market risk as they have an impact on the value of the trading portfolios. These portfolios are the result of the bank's trading activities, which are undertaken for clients or for the bank's own balance sheet management by the departments Markets and Treasury. Market risk in the trading environment is monitored daily within the market risk framework. Rabobank's market risk is relatively small as evidenced by the low Risk Weighted Exposure Amounts (RWEA) compared to that of credit risk and, to a lesser extent, operational risk.

Table 48: Value at Risk

<b>Value at Risk by group entity</b>		
	<b>31 December 2015</b>	<b>31 December 2014</b>
Markets	4.4	2.8
Treasury	1.0	1.1
Other	0.0	0.0
Diversification	(0.3)	(0.7)
Total	5.1	3.2

### 9.1.1 Trading market risk framework

The market risk framework is put in place to measure, monitor and manage market risk in the trading books. In addition to that it is used to calculate Regulatory Capital (RC) for market risk. An important part of the framework is an appropriate system of limits and trading controls. The Executive Board determines

Rabobank's risk appetite and its related limits on an annual basis. These limits are translated into limits and trading controls at book level. The risk position is reported to senior management on a daily basis and discussed in the various risk management committees each month.

On consolidated level, the risk appetite is defined for VaR, event risk and Interest Rate Delta. In addition to the VaR limits, an extensive system of other limits and trading controls for each book is in place. These controls include tenor basis swap risk, commodity and equity cash delta, interest rate (IR) delta bucket limits, notional limits and FX exposure limits, to ensure that risks that offset each other or are not covered by the VaR framework are not overlooked. In order to weigh the risk of 'abnormal' market conditions, the effects of certain extreme events (event risk) are calculated daily. These extreme events can be historical events or plausible hypothetical scenarios affecting the positions in the trading portfolios.

### Internal VaR model

The internal VaR model forms a key part of Rabobank's market risk framework. Rabobank has opted to apply a VaR model based on historical simulation for which one year of historical data is used. The major benefit of a VaR model based on historical simulation is that no assumptions need to be made in terms of distribution of possible value changes of the various risk factors. A drawback is that a certain period of historical market movements needs to be selected, which may affect the level of the calculated VaR. Further to the requirements of the supervisory authority and after internal research, Rabobank has opted for the most recent period of one year.

For internal risk management purposes, Rabobank has opted for a confidence level of 97.5% and a time horizon of one day. The VaR used in the calculation of the capital requirement for market risk uses a confidence interval of 99% and a holding period of 10 days as prescribed by the regulator.

Figure 5 shows the development of market risk during 2015, as measured by the VaR with a one day holding period and 97.5% confidence level. In 2015, the VaR fluctuated between 2.5 and 8.7, the average being 4.9. On 31 December 2015, the consolidated VaR was 5.1. This relatively limited position was well within the internal VaR limit of 40. Also during the year, the VaR was well within the limit. VaR movements were limited and have mainly been driven by volatility in the financial markets, especially during the first half of 2015.

### Value at Risk in millions of euros



Figure 5: VaR overview (1-day, 97.5% confidence).

Table 49 shows that the VaR can be broken down into a number of components, of which changes in interest rates and credit spreads are the most important. Trading positions in different portfolios offset each other to a certain degree. This is because valuations of positions in different portfolios can move in opposite directions given certain market movements. This results in a diversification benefit that reduces total risk. The VaR is the result of both historical market volatility and the positions taken.

Table 49: VaR (1 day, 97.5%)

<b>VaR (1 day, 97.5%)</b>							
	<i>Interest</i>	<i>Credit</i>	<i>Foreign currencies</i>	<i>Shares</i>	<i>Commodities</i>	<i>Diversification</i>	<i>Total</i>
2015 – 31 December	4	1	0	0	0	(1)	5
2015 – average	4	1	0	1	0	N/A	5
2015 – highest	8	2	1	1	1	N/A	9
2015 – lowest	2	1	0	0	0	N/A	3

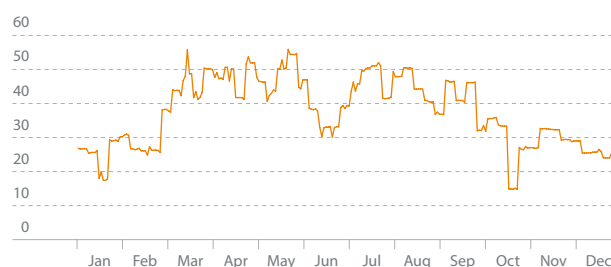
### Stressed Value at Risk (stressed VaR)

According to the regulations stressed VaR replicates a VaR calculation for the bank's current portfolio using historical scenarios based on a one year stressed period. The period that Rabobank uses for stressed VaR runs from 5 June 2008 until 4 June 2009. This was the most stressful year during the recent global financial crisis. Analysis showed that historical market data movements in this period generated the largest losses given the positions in Rabobank's trading portfolios. The stressed VaR period is reviewed every month. In case it appears that market movements in another historical one year period cause the largest losses, the stressed VaR period is changed to that period. The period has not changed during the year.

Figure 5 shows the development of market risk during 2015, as measured by the stressed VaR with a 10-day holding period and a 99% confidence level. In 2015, the stressed VaR fluctuated between 15 and 56, the average being 37.

Figure 6: Stressed VaR overview (10-day, 99% confidence).

### Stressed VaR overview in millions of euros



As Table 50 shows, the stressed VaR can be broken down into a number of components, of which changes in interest rates and credit spreads are the most important. Since positions in different books off-set each other to a certain degree, this results in a large diversification benefit. At 31 December 2015, the consolidated 60 days averaged stressed VaR based on a 10-day holding period and a 99% confidence interval was 23.

**Table 50: Stressed VaR (10day, 99%)**

<b>Stressed VaR (10day, 99%)</b>							
	<i>Interest</i>	<i>Credit</i>	<i>Foreign currencies</i>	<i>Shares</i>	<i>Commodity</i>	<i>Diversification</i>	<i>Total</i>
2015 – 31 December	31	5	3	1	1	(17)	23
2015 – average	42	10	2	2	2	N/A	37
2015 – highest	70	17	3	4	7	N/A	56
2015 – lowest	20	5	1	1	1	N/A	15

### **Incremental Risk Charge**

The Incremental Risk Charge (IRC) captures credit risk in the trading portfolio that is not captured in the VaR. This risk arises from the fact that the issuers of bonds, the reference name of Credit Default Swaps or other issuer risk related products that Rabobank holds in its trading portfolio might default or suffer from a rating migration. This can result in a loss for Rabobank.

To calculate this risk, the current issuer risk portfolio is used as a starting point. It is assumed that these positions cannot be sold within three months in stressed circumstances. A Monte Carlo simulation (with input parameters PD, LGD, migration losses and correlation) results in 4 possible outcomes of losses due to defaults and migrations in the portfolio within three months. Regulations prescribe that the final capital number is based on a one-year period. Under the constant risk assumption Rabobank adds the outcomes of four 3-month profits and losses to arrive at a one year loss. The resulting 99.9% worst observation from the profit and loss distribution represents the IRC Regulatory Capital.

### **Regulatory Capital**

The VaR, stressed VaR, IRC and Risk Weightings for Securitisations (RWS) are used in the calculation of Regulatory Capital for market risk in the trading portfolios. Also the Credit Value Adjustment (CVA) charge is part of the Regulatory Capital for market risk. The VaR, stressed VaR and IRC are calculated using the Internal Method Approach (IMA), while the Standardised Approach is used for the RWS. This methodology is based on the standardised approach, already used for the banking book, which applies a fixed risk weight to a position based on rating, seniority, granularity and product type

(securitisation or re-securitisation). All banks for which IMA is approved are required to use the Standardised Approach of RWS. A confidence interval of 99% and a holding period of 10 days is used for the VaR and stressed VaR in the calculation of the Regulatory Capital of the trading portfolios.

In addition to the capital charges mentioned above Standardised Approach Regulatory Capital charges are calculated for the commodity trading positions in the Trade & Commodity Finance (TCF) department and for FX positions.

Based on the internal CRD IV solvency model, the capital requirement for market risk amounts to 261. Table 51 shows a breakdown of the Regulatory Capital requirement for market risk. On the 31 December 2015, VaR and stressed VaR have a multiplier of 3.4 as per methodology, including a 0.4 additional charge as Rabobank's outliers were above the threshold.

**Table 51: Regulatory Capital for Market Risk**

<b>Regulatory Capital</b>			
	<i>Internal model</i>	<i>Standardised</i>	<i>Total</i>
VaR	76		76
Stressed VaR	93		93
IRC	58		58
RWS		3	3
Commodities (TCF)		32	32
FX		-	-
CVA	135		135
<b>Total</b>	<b>361</b>	<b>35</b>	<b>396</b>

## Back testing

Back testing is a risk management technique to evaluate the quality and accuracy of internal VaR models. In essence, back testing is a routine comparison of model generated risk measures (daily VaR) with the subsequent trading outcomes (hypothetical or actual profit or loss). It is expected that the calculated VaR will be larger than all but a certain fraction of the trading outcomes, where this fraction is determined by the confidence level assumed by the VaR measure.

Among others, the performance of the VaR model is dependent on the risk factors covered by the VaR framework, the accuracy of the methodology applied and on the quality of the market data used to generate the historical scenarios. Inaccuracies in these items can lead to an abnormal number of outliers which could be an indication of inadequate quality of the internal model. Another source for outliers are technical issues. Using back tests, the quality of the VaR model can be assessed, both in terms of the distributional assumptions, historical market data validation and transaction or position registration. In line with regulation, Rabobank uses the 99% confidence level, 1-day holding period VaR for the purpose of back testing. Back tests are carried out at consolidated level and at book level, using both actual profit or loss and hypothetical profit or loss. Back testing results are reported to the regulator on a quarterly basis. Outliers are reported and individually analysed if they exceed an operational threshold (50,000 for books with a VaR smaller or equal 500,000, and 0.15 times VaR for books with a VaR larger than 500,000).

The number of outliers over a rolling window of one year determines an additional charge to the capital multiplier used on the VaR and stressed VaR in the RC calculation. If the number of outliers on consolidated level exceeds a given number based on the 99% confidence level of the VaR measure, a capital multiplier has to be applied. In 2015, there were 5 actual and 4 hypothetical P&L outliers which exceeded the consolidated VaR. On 31 December, the additional charge is 0.4 for Rabobank as the number of outliers was above the threshold of four CRR (CRD IV).

## Valuation

The valuation of the trading portfolio positions is based on, or derived from, observable prices or curve inputs. The availability of observable prices or curve inputs varies by product and market, and may change over time. In some markets or for certain products, observable prices or inputs are not available, and fair value is determined using valuation techniques appropriate for the particular product. The data sources are consistent between various products and independent of any

Rabobank activity. If in exceptional cases, in a start-up phase, curves are not independently maintained, a minimum of a monthly independent validation is a requisite. These curves will be subject to a yearly review in order to define if database providers have caught up with the market evolution and allow independent monitoring in the future. The department accountable for the valuation process is independent of the front office.

Rabobank aims to include all liquid inputs of its valuation models as risk factors in its market risk models and to achieve maximum alignment between the valuation and risk models. For instance, for interest rate portfolios a large variety of forecasting and discounting curves are used to value the products within them. All these curves are treated as separate risk factors in the risk models. The historical yield curve data which is used to generate the historical scenarios for the VaR calculation is derived from the yield curves which are used to value the trades. By doing so Rabobank also aims to achieve maximum correlation between the actual profit or loss and hypothetical profit or loss figures.

## Stress testing

**EDTF 25** Rabobank recognizes that VaR, due to its underlying statistical assumptions, must be complemented by stress testing for a more complete risk assessment. Stress testing is used to measure events that are not captured by the VaR model. 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. Rabobank designed a large number of global scenarios based on book composition and current macro/economic financial markets situations. Risk drivers captured by these scenarios include among other things: tenor basis swap spreads, interest rates, credit spreads, volatility and interest rate rotation. The shocks applied are determined using historical calibration or are based on expert judgment. The scenarios are global and homogeneous for all geographical regions.

Rabobank uses sensitivity stress scenarios for the following risk factor categories:

- Interest rates;
- Interest rate volatility;
- Interest rate curve rotation;
- Credit spreads;
- Commodities;
- Commodity volatility;
- FX rates;
- FX volatility;
- Equities;

- Equity volatility;
- Treasury spreads;
- Inflation related products;
- Tenor basis swap spreads;
- Bond - CDS spread.

In each sensitivity stress scenario extreme shocks for one particular risk factor category are applied. These shocks generally represent up- and downward movements in the risk factors. A book's sensitivity is examined daily by applying all relevant sensitivity scenarios with an aim to report a maximum negative result as exposure under a trading control. The size of the shocks depends on, among other things: different asset classes, sectors, regions and liquidity horizons. Liquidity horizons vary between 10 and 120 days, depending on the type of asset and risk factor. The liquidity horizon provides an estimate of the amount of days it takes to liquidate a position in the market or replace a hedging position in times of stress. For less liquid treasuries, corporate bonds and products with optionality the horizon is longer.

In addition to these sensitivity scenarios, Rabobank also uses real historical and hypothetical scenarios to gain insight into the impact of such scenarios on the profit or loss of the trading book. In these stress scenarios multiple risk factor categories are shocked at the same time.

On 31 December 2015 the event risk amounted to 108 well within the set limit of 200. Event Risk is largely determined by the tenor basis swap position, which historically has its origin in client flow which related mainly to the hedging of Rabobank's residual mortgage portfolio. At this moment, it comes from non-client facing positions of a more strategic nature which are classified as permitted proprietary trading activities outside the United States under the Volcker Rule.

Table 52: Event risk

<b>Event risk</b>	
2015 – 31 December	108
2015 – average	113
2015 – highest	132
2015 – lowest	99

## Interest Rate Delta

The Interest Delta indicates how the value of positions changes if the relevant yield curve shows a parallel increase by 1 basis point. These positions are shown in Table 53 for each key currency in the Rabobank portfolio.

Table 53: Interest Rate Delta

<b>Interest Rate Delta</b>	
Euro	(1.2)
US dollar	(0.4)
British pound	0.1
Other	0.1
<b>Total</b>	<b>(1.4)</b>

## 9.2 Non-trading interest rate risk

Rabobank considers transforming amounts and maturities of money as a major source of earnings and economic value. Moreover, in meeting the needs of its clients it also offers options and products with embedded options. Due to these factors the bank is exposed to interest rate risk in the banking environment. Interest rate risk is defined as the exposure of the bank's financial condition to adverse movements in interest rates. Interest rate risk in the banking environment may arise from:

1. a maturity and repricing mismatch between assets and liabilities (mismatch risk);
2. interest rate related options embedded in products that might affect future cash flows (option risk);
3. possible changes in the shape of the yield curves (yield curve risk); and
4. changes in the relationship between various yield curves (basis risk).

An important driver of interest rate risk in the banking environment is client behaviour. This factor even constitutes the most important distinguishing factor between interest rate risk in the banking environment and interest rate risk in the trading environment. Any risk run by clients due to the fact that their financial obligations increase as a result of movements in interest rates does not affect Rabobank's exposure to interest rate risk, but it may increase the bank's exposure to credit risk.

### 9.2.1 Non-trading interest rate risk framework

Rabobank accepts a certain level of interest rate risk in the banking environment, because this can be a major source of earnings and economic value, but at the same time it seeks to avoid any material unexpected swings in earnings and



economic value caused by interest rate movements. Therefore, the Executive Board, under the supervision of the Supervisory Board, determines the interest rate risk appetite and the corresponding limits on an annual basis. Reports on the actual exposure to interest rate risk in the banking environment are submitted to the responsible Asset & Liability Management and Risk Management Committees on a monthly basis. The actual exposure is also periodically, i.e. on a quarterly basis, reported to the supervisory authorities. The various treasury departments within the bank are in charge of the operational management of the exposure to interest rate risk in the banking environment. They manage that exposure through hedging transactions. The extent and timing of any hedging is, among other factors, dependent on the view on future interest rates and the expected movements in the size and the composition of the balance sheet. Rabobank entities have limited freedom to make their own choices within the set constraints.

Interest rate risk in the banking environment is not only measured and managed on the basis of contractual maturities and repricing dates (i.e. interest rate reset dates); the bank's internal interest rate risk model also considers client behaviour. For instance, premature mortgage repayments (prepayments) are taken into account by applying conditional prepayment rates and deposits that the depositors are free to withdraw at any time, such as variable rate savings demand deposits and current account balances, are modelled based on what is known as the replicating portfolio method. Using this method, portfolios of money market and capital market instruments are selected that best replicate the behaviour of these items.

### 9.2.2 Risk measurement

Rabobank uses three standard measures:

- 1) Equity at Risk (EatR);
- 2) Basis Point Value (BPV) or the delta of equity (total and per maturity); and
- 3) Income at Risk (IatR);

to control and manage the interest rate risk in the banking environment arising from changes in the level of interest rates. The delta per maturity or the delta profile is used to control and manage the risk of changes in the shape of the yield curve, which shows the yield per maturity. These measures are also used to express the risk appetite of Rabobank.

In addition to the three standard measures of interest rate risk in the banking environment, Rabobank regularly analyses the effect of one or more macroeconomic scenarios on its earnings and economic value. The results of this analysis are important for integrated interest rate risk management purposes and are included in reports to senior management. Furthermore,

the amount of capital required to compensate for the effect of unfavourable interest rate developments on the books in the banking environment is calculated on the basis of both historical scenarios and scenarios based on the opinions of experts.

#### *Risk appetite and developments related to EatR and BPV of equity*

The key measure used by Rabobank to manage interest rate risk from the perspective of economic value is the EatR. The EatR shows the percentage decline in the economic value of equity if money and capital market interest rates rise by 1 percentage point. For 2015, the Executive Board determined a risk appetite with a lower limit of 0% and an upper limit of 6%.

Table 54: EatR

<b>EatR</b>		
	31-Dec-15	31-Dec-14
EatR	2.4%	0.4%

EatR changed from 0.4% at the end of 2014 to 2.4% at the end of 2015. The increase in EatR was mainly due to the increased volumes of new and extended mortgage loans and a shift in customer preference to longer fixed-interest rate periods.

In addition to the EatR, Rabobank uses the BPV or delta of equity to control and manage interest rate risk from the perspective of value. The BPV of equity shows the change in the economic value of equity if all interest rates in the money and capital markets were to rise by 1 basis point (or 0.01 of a percentage point). The application of the delta profile is designed to control and manage the risk of changes in the shape of the yield curve from the perspective of value. For each individual maturity, the delta profile represents the change in the economic value of equity as a result of a 1-basis point increase in the market interest rate for the maturity concerned. Both the BPV of equity and the delta profile remained within their limits in 2015.

#### *Risk appetite and developments relating to IatR*

The key measure used by Rabobank to manage interest rate risk from the earnings perspective is the IatR. The IatR is the largest deviation in negative terms of the expected net interest income in the next 12 months as a result of a gradual rise in all money and capital markets interest rates in this period by 2 percentage points and of a gradual decline in all money and capital markets interest rates in this period by 2 percentage points. The limit for this measure was 500 in 2015. The IatR analysis does not take account of active management intervention, but it does take

account of the changes in repayment and savings behaviour of customers associated with this interest rate development, and of changes to the pricing policy for savings products.

**Table 55: Income at Risk**

<b>latR</b>		
	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Euro interest rates</b>	<b>2 basis points decline</b>	<b>2 basis points decline</b>
<b>latR</b>	<b>19</b>	<b>15</b>

In 2015, Rabobank's net interest income was exposed to a decline in interest rates throughout the year. On 31 December 2015 the latR ended up at 19. This was also the highest value in 2015. The low level of the latR was mainly due to the assumption that interest rates will not fall sharply anymore if they are already (partially) negative. As a result, the assumed maximum decline in Euro interest rates as of 31 December 2015 was 2 basis points instead of 200 basis points. This assumption was the same as at 31 December 2014. Early 2016 Rabobank adjusted its latR methodology. The size of the applied downward shocks has been increased to at least 10 basispoints and the applied floor has been reduced from 0% to -0.50%.

### 9.3 Non-trading 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 the 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 is resulting 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 the 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 using the VaR method. Translation risks are measured using a confidence interval of 99.99% and an assumed horizon of one year.

# 10. Liquidity risk

**EDTF 18** Liquidity risk is the risk that the bank will not be able to meet all of its (re)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, if at all. This could happen if, for instance, clients 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. Maintaining sufficient cash resources and retaining the confidence of both professional market parties and retail clients have proved to be crucial in this respect over the past few years, as Rabobank kept good access to public money and the capital markets.

## 10.1 Liquidity risk management framework

Liquidity risk is a major risk type at Rabobank, which has to be managed carefully. Rabobank's policy is to finance non-liquid assets with stable funding, i.e. customer deposits and long-term wholesale funding. Responsibility for the day-to-day management of the liquidity position, the raising of professional funding on the money and capital market, and the management of the structural position lies within the Treasury department.

Liquidity risk management is based on three pillars. The first pillar sets strict limits for the maximum cash outflow of wholesale funding. The expected cash inflows and outflows for the next twelve months are daily measured and reported. Limits have been set for these cash outflows, per currency and per 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.

A large and high quality buffer of liquid assets is maintained as a second pillar. These liquid assets other than central bank deposits can be used to be pledged to central banks, in repo transactions or be sold directly in the market as to generate liquidity immediately. The size and quality of the liquidity buffer is aligned with the risk Rabobank is exposed to resulting from its balance sheet. Additionally, Rabobank has (internally) securitised a portion of the loan portfolio, which is pledged to the central bank and can be used as backup source of liquidity. As these are retained securitisations, they are not shown in the consolidated balance sheet of Rabobank Group.

The third pillar for managing liquidity risk is to have good credit ratings, high capital levels and a prudent funding policy. Key elements of this policy are to have a balanced diversification of funding sources by maturity, currency, investor, geography and market, to have a very high level of unsecured funding, and therefore a limited asset encumbrance and an active and consistent investor relations policy. This helps to ensure that Rabobank does not become overly dependent on any single source of funding.

## 10.2 Risk measurement

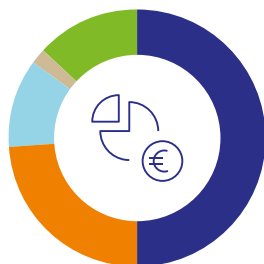
### Liquidity position

**EDTF 18** Rabobank's liquidity buffer remained robust in 2015.

The total liquidity buffer at 31 December 2015 measured in 'High Quality Liquid Assets' (HQLA) was 98 (2014: 80) billion. The increase (in absolute terms) is a consequence of the increase in central bank deposits. Measured in terms of the 'Liquidity Coverage Ratio' (LCR) of 128% (2014: 144%) and 'Net Stable Funding Ratio' (NSFR) of 116% (2014: 115%), the liquidity position remained comfortably above current and future limits. Moreover, the available liquidity exceeded the minimum DNB requirement by an average of 23% (2014: 26%).

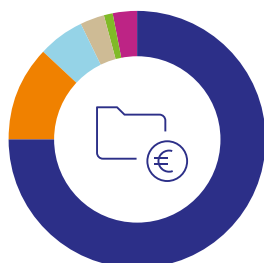
Figure 7: Currency split HQLA and Level 1 assets issued by sovereigns.

Currency split HQLA  
at year-end 2015



Euro	50%
US dollar	24%
Pound sterling	11%
Australian dollar	2%
Other	13%

Level 1 assets issued by sovereigns  
at year-end 2015



The Netherlands	75%
United States	12%
France	6%
United Kingdom	3%
Germany	1%
Other	3%

Table 56: HQLA liquidity buffer

<b>HQLA liquidity buffer</b>		
	31 December 2015	31 December 2014
	amount/market value	amount/market value
<b>Level 1 assets</b>		
Cash and withdrawable central bank reserves	61,447	39,933
Securities issued or guaranteed by sovereigns, central banks and multilateral development banks	33,900	36,432
<b>Total stock of Level 1 assets</b>	<b>95,347</b>	<b>76,365</b>
<b>Level 2a assets</b>		
Securities issued or guaranteed by sovereigns, central banks and multilateral development banks	1,553	2,231
Non-financial corporate bonds, rated AA- or better	128	107
Covered bonds, not self-issued, rated AA- or better	137	129
<b>Total stock of Level 2a assets</b>	<b>1,817</b>	<b>2,466</b>
<b>Level 2b assets</b>		
Residential mortgage-backed securities (RMBS), rated AA or better	252	542
Non-financial corporate bonds, rated BBB- to A+	308	412
<b>Total stock of Level 2b assets</b>	<b>560</b>	<b>955</b>
<b>Total stock of HQLA</b>	<b>97,724</b>	<b>79,786</b>
Central bank eligible Retained RMBS	43,789	43,184
Other central bank eligible assets	6,312	6,769
Other securities and equity	3,235	7,122
<b>Total stock</b>	<b>151,061</b>	<b>136,861</b>

62% of the HQLA liquidity buffer consists of deposits at central banks, mainly held at the DNB, the Federal Reserve Bank of New York, the Swiss National Bank and the Bank of England. The most liquid category of the buffer (Level 1 assets) constitutes approximately 98% of the HQLA buffer (and 63% of the total buffer). The HQLA buffer reported contains unencumbered assets and is managed by the Treasury department. In addition to this HQLA buffer, a significant amount of eligible, retained RMBS notes secured by residential mortgages issued by Rabobank, are held as a buffer for liquidity purposes. Furthermore, Rabobank holds a portfolio of equities obtained by short term secured funding transactions, mostly equity, (29 billion) that can be liquidated. This portfolio is not included in Table 56: HQLA liquidity buffer.

### Funding strategy

The funding strategy strives for diversification of the funding in products, maturities and markets. In the current situation Rabobank is, more than other banks, dependent on the financial markets and it aims to reduce this dependency. For this purpose, Rabobank seeks to reduce its wholesale funding for the group below EUR 150 billion by 2020. Table 57 shows the various funding sources. The domestic retail banking business is to a large extent funded by funds deposited by retail customers. In 2015, funds entrusted by customers of the domestic retail banking business remained stable. The increase in non-retail funds entrusted was mainly due to some short term deposits from public sector entities, financial institutions and large corporates. This, and a decrease in assets, contributed to a reduction of the wholesale funding.

Table 57: Funding mix (in billion)

<b>Access to funding</b>		
	31-12-2015	31-12-2014
Funds entrusted	337.6	326.3
<b>Domestic retail</b>	<b>212.4</b>	<b>208.9</b>
- Private individuals savings	117.1	119.9
- Private individuals others	13.3	13.0
- Businesses	82.1	76.0
<b>Domestic non-retail <sup>1</sup></b>	<b>51.2</b>	<b>45.7</b>
- Private individuals savings	0.0	0.0
- Private individuals others	0.0	0.3
- Businesses	51.2	45.5
<b>International <sup>2</sup></b>	<b>74.0</b>	<b>71.6</b>
- Private individuals savings	23.5	22.7
- Private individuals others	8.0	7.9
- Businesses	42.5	41.0
<b>Wholesale funding</b>	<b>203.1</b>	<b>216.5</b>
Short-term wholesale funding	53.1	56.2
- CD/CP	48.0	51.6
- ABCP	5.1	4.6
Long-term wholesale funding	150.0	160.3
- Of which Medium Term Notes	119.4	131.7
- Of which RMBS	14.4	16.6
- Of which subordinated	15.5	11.9
- Of which Asset Backed Securities	0.7	0.2

1 Amounts to 10 million both in 2014 and 2015.

2 Of the total international funds entrusted, 30 (30) billion is attributable to International Direct Retail Banking activities.

In 2015, Rabobank issued 19 billion of senior unsecured long-term bonds in 22 different currencies. By operating on a global scale, the bank aims to avoid becoming too reliant on a single source of funding. The average maturity of the newly issued unsecured long-term bonds is approximately 5 years (2014: 4 years). Of the total wholesale funding, excluding commercial paper and certificates of deposit, more than 51 billion matures after five years or more as of year-end 2015. Rabobank is a frequent and flexible issuer of short-term debt securities and has seen a solid inflow of funds in the past years, reflecting its good creditworthiness. The maturity of the short-term debt has decreased in the past twelve months. During 2015, the average maturity of short-term funding decreased with one day to 90 (2014: 91) days.

### Additional contractual obligations in case of a rating downgrade

In the event of a downgrade to Rabobank's credit rating, the bank could be required to provide additional collateral. Table 58 shows the potential maximum outflow of liquidity in the worst-case scenario in the event of a one, two or three notch downgrade.

Figure 8: Unsecured long-term bonds by currency

#### Unsecured long-term bonds by currency, at year-end 2015

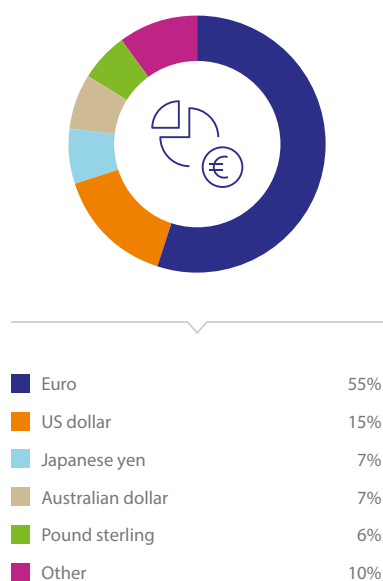
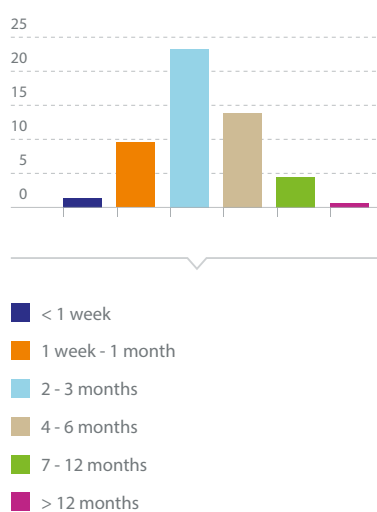


Figure 9: Maturity date calendar

#### Maturity date calendar, short-term wholesale funding at year-end 2015, in billions of euros



#### Maturity date calendar, long-term wholesale funding at year-end 2015, in billions of euros

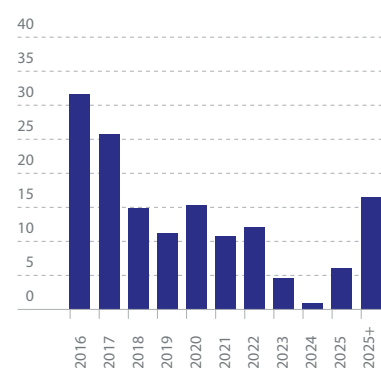


Table 58: Potential maximum outflow of liquidity

<b>Potential maximum outflow of liquidity as per year-end 2015</b>				
	<i>Funding</i>	<i>Derivatives</i>	<i>Credit related</i>	<i>Total</i>
<b>Rating downgrade:</b>				
0 notch <sup>1</sup>	57	-	97	154
1 notch	1,285	78	482	1,845
2 notch	488	1,153	3,078	4,719
3 notch	1,939	839	451	3,229
<b>Total for 3 notches</b>	<b>3,769</b>	<b>2,070</b>	<b>4,108</b>	<b>9,947</b>

These outflows are based on rating triggers that will be hit in the event of a credit rating downgrade. In this table a split has been made between funding, derivatives and credit related instruments. Funding instruments include, but are not limited to any kind of deposits, bonds, loans or wholesale funding with rating triggers. Two important components within the funding category are funding from the European Investment Bank (EIB) and Guaranteed Investment Contracts (GIC) accounts. Derivative documentation may also contain rating triggers on Rabobank that could potentially result in additional liquidity risk for Rabobank. Rating triggers may also be included in credit

related instruments or in a guarantee/letter of credit, which means that the beneficiary of the guarantee, under certain conditions could request payment under the guarantee upon a rating downgrade of Rabobank. In that case, Rabobank has a direct claim on the customer for who the guarantee was provided.

### Asset encumbrance

The encumbrance of assets is a standard element of a bank's business. An asset is to be treated as 'encumbered' if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. At year-end 2015, 63<sup>2</sup> billion (2014: 55 billion) of Rabobank's total assets were encumbered. Total assets includes both on-balance sheet and off-balance sheet assets. Off-balance sheet assets refers to collateral received in, mainly, secured lending transactions. The total asset encumbrance per year-end 2015 was 9% (2014: 8%). The average asset encumbrance over 2015 was 8% (2014: 8%). The encumbered on-balance sheet items were mainly due to the clearing of derivatives positions and funding-related transactions, such as securitisations and asset backed commercial paper, for which loans are placed as collateral.

Table 59: Asset encumbrance

<i>Asset type</i>	<i>Carrying value of encumbered assets</i>	<i>Fair value of encumbered assets</i>	<i>Carrying value of unencumbered assets</i>	<i>Fair value of unencumbered assets</i>	<i>Total</i>
<b>As per 31 December 2015</b>					
Loans on demand	3,562		62,229		65,791
Equity instruments	-	-	1,568	1,568	1,568
Debt securities	9,566	9,566	31,696	31,656	41,262
Loans and advances other than loans on demand	37,936		441,836		479,773
of which: mortgage loans	19,220		288,333		307,553
Other assets	784		81,196		81,980
<b>Total</b>	<b>51,848</b>		<b>618,526</b>		<b>670,373</b>

Collateral received in secured funding transactions and collateral swaps are considered off-balance sheet assets. Part of these assets are pledged as collateral in secured lending transactions and collateral swaps. These pledged assets are considered encumbered. The below table provides an overview of the total off-balance sheet received collateral, of which partially encumbered.

1 The numbers in case of a '0 notch' rating downgrade present the current remaining potential outflow.

2 In line with the EBA asset encumbrance definition.

Table 60: Asset encumbrance

<i>Encumbered received collateral</i>	<i>Fair value of encumbered assets</i>	<i>Fair value of unencumbered assets</i>
Equity instruments	8,938	28,570
Debt securities	2,555	10,632
Others	-	10,215
Total	11,492	49,417
<b>Total asset encumbrance</b>	<b>63,340</b>	
<i>Sources of encumbrance</i>	<i>Liability</i>	<i>Assets encumbered</i>
Derivatives	18,511	18,511
Repurchase agreements	1,154	1,273
Collateralised deposits other than repurchase agreements	4,798	5,719
Debt securities issued	20,824	20,991
of which: asset-backed securities issued	20,251	20,418
Other sources of encumbrance	16,846	16,846
<b>Total</b>	<b>62,133</b>	<b>63,340</b>



# 11. Remuneration

This section describes the Group Remuneration Policy of Rabobank Group.

## 11.1 General principles for remuneration

Rabobank Group has a meticulous, well-managed and sustainable remuneration policy which is in keeping with the strategy, the willingness to take risks, the cooperative objectives and the core values of Rabobank. The remuneration policy is customer-orientated and takes into consideration the long-term interests of the bank, the international context of the markets in which Rabobank Group is active and also the general interest. This Group Remuneration Policy has been drawn up based on the bank's cooperative identity.

As a cooperative bank, Rabobank is sailing its own – relatively moderate – course when it comes to defining pay levels. Our aim is to pay no more than the median level within the relevant market for established businesses and jobs, based on total reward. In general, variable pay within Rabobank makes up a relatively small proportion of total reward and is no longer existent for the majority of functions in the organisation. Nevertheless, Rabobank must be able to attract, retain, and motivate the right people with the right capabilities at the right time, leading to a (slightly) different choice of pay mix in some environments and markets.

The key principles that are core to our remuneration policy have been included in our Vision on Remuneration. This vision applies across all Rabobank entities, including Rabobank and its member banks within the Netherlands, affiliates and businesses within the Netherlands and abroad.

## 11.2 Group Remuneration Policy

### 11.2.1 Scope

Building on the Vision on Remuneration, the Group Remuneration Policy applies to all business lines and subsidiary organisations of Rabobank Group, in the Netherlands and abroad. The Group Remuneration Policy underlines our striving for a meticulous, restrained and sustainable remuneration policy, and contains at least the minimum requirements

to be satisfied in the area of a risk-mitigated remuneration policy under applicable national and international laws and regulations. Every year the Group Remuneration Policy is evaluated and adjusted.

### 11.2.2 Governance

The remuneration policy describes the monitoring processes with regard to remuneration and the responsibility and competencies of the Supervisory Board of Rabobank, as the main supervisory body within the organisation. The Supervisory Board has the ultimate supervisory function with regard to the design and implementation of the Group Remuneration Policy and is responsible for its approval after adoption by the Executive Board. For any material exception of the Group Remuneration Policy, the approval of the Supervisory Board is mandatory. The Supervisory Board had 17 meetings in 2015. The decisions of the Supervisory Board concerning remuneration are prepared by the HR Committee, a standing committee of the Supervisory Board. In performing its duties, the HR Committee is supported by Rabobank Group Monitoring Committee (MC RG), which operates at group level and in which the various monitoring functions (HR, Compliance, Control, Risk Management) are represented.

To secure the proper implementation of the Group Remuneration Policy, including the involvement of the monitoring functions, Monitoring Committees also have been established at the level of group entities and subsidiaries. These Monitoring Committees report to the local Supervisory Boards, and to the MC RG.

### 11.2.3 Content

The Group Remuneration Policy contains specific provisions for (1) all employees, (2) staff in monitoring functions and (3) Identified Staff.

#### 11.2.3.1 Remuneration rules for all employees

The remuneration of all employees are subject to a number of rules and prohibitions. Thus, for example, guaranteed bonuses are prohibited and there will be no reward for failure.

The Executive Board is authorized to reclaim, either in whole or in part, the variable pay which has already been paid to both employees and former employees ('claw back'), if:

- the payment was made based on incorrect or misleading information regarding the achievement of performance targets which formed the basis of the variable pay or concerning the circumstances on which the variable pay was made dependent;
- it concerns fraudulent actions by the employee in question;
- it concerns participation in or responsibility for conduct that have led to considerable loss and/or damage to the reputation of Rabobank Group and/or the subsidiary or group entity; and/or
- the employee did not meet applicable standards regarding ability and correct conduct.

### 11.2.3.2 Remuneration rules for monitoring functions

The remuneration of employees in a control role, referred to as monitoring functions (HR, Control, Risk Management, Compliance, Legal and Internal Audit), is bound by strict conditions. This ensures their independence with regard to their monitoring role. For monitoring functions the following requirements are applicable:

- the amount of the fixed pay of employees in a monitoring function will be sufficient to guarantee that Rabobank Group can attract qualified and experienced employees;
- in the allocation between fixed and variable pay, fixed pay is preferred and variable pay, if any, is always less than 50% of fixed pay;
- objectives for awarding variable pay are predominantly function-related. Financial criteria are not based on the financial results of the entity being monitored by the employee in the monitoring function;
- variable pay is only paid to employees in monitoring functions when at least 50% of the specific job-related targets were met, so as to emphasize the appropriate performance of the functional role.

### 11.2.3.3 Remuneration rules for Identified Staff

A group of positions is indicated as Identified Staff positions: employees in these positions may have a material influence on the risk profile of Rabobank. Within Rabobank Group the main risks are credit, market and operational risks. Following EBA guidelines, Rabobank identified material risktakers based on qualitative and quantitative criteria, including the 0.3% highest paid employees.

The group of 406 Identified Staff positions identified in 2015 is composed as follows:

Executive Board of Rabobank Group	6
Supervisory Board of Rabobank Group	9
Based on qualitative criteria	285
Based on quantitative criteria	71
Analysis of same remuneration brackets	35

The category 'qualitative criteria' include Senior management, the heads of material Business Units and the staff reporting directly to them, employees who are responsible for specific credit risks or product approvals, and traders with authority for transactions with significant risks.

The category 'quantitative criteria' include the 0.3% highest paid employees, if they are not already included in the category 'qualitative criteria'. After the initial analysis, employees falling in the same remuneration brackets as the employees covered by the qualitative criteria have been scrutinized, leading to the identification of another 35 Identified Staff positions.

Strict remuneration regulations apply to the group of Identified Staff. Any variable remuneration awarded to these employees, is based on the outcome of a mix of performance objectives, with objectives at group level (20%), business level (minimum 20%) and individual level (minimum 20%). In 2015 the objectives at group level related to the ROIC of Rabobank Group and customer satisfaction Group-wide. In total, no more than 50% of the objectives have a financial nature.

The distribution between Group, group entity and individual targets described above, involves a minimum requirement applicable for each Identified Staff employee who receives variable remuneration. The final weighting of these targets per employee depends on the function and activities of the employee. Therefore, the applicable Monitoring Committee will monitor the quality and distribution at the individual level in order to ensure that there is an appropriate balance which does not induce undesirable incentives.

Due to the different ways in which variable remuneration is determined within Rabobank Group, the way in which the Performance Management framework is elaborated may differ between the subsidiaries and group entities. Also when a bonus pool approach is used, the required distribution of performance objectives will also be accounted for.

Performance management objectives are set, taking strategic and year plans into account. Targets for Identified Staff at group level are set top-down. Any deviation from the above must be fully described and then approved by the Supervisory Board in accordance with the exceptions procedure.

In 2013 Rabobank stopped paying of variable pay completely for the members of the executive board without offering any compensation in fixed pay or otherwise. For most Executives, variable pay was stopped in 2014. Payment of variable remuneration to other Identified Staff takes place over a period long enough to adequately take risks, related to the underlying business activities, into account. Therefore, a significant proportion of at least 50% of the variable remuneration is conditional and deferred for all Identified Staff, with the exception of Identified Staff working in Leasing in de US, where 40% of the variable remuneration is conditional and deferred. The deferred part of the variable pay vests for all Identified Staff three years after the end of the relevant performance period, provided that (i) the participant is still employed by Rabobank Group at that time, and (ii) the ex-post evaluation does not give cause to adjust the deferred part of the variable pay (malus).

With respect to the application of malus the following assessment framework is applied to all Identified Staff:

- proof of material errors by the employee;
- award of the variable pay on the basis of incorrect, misleading information or as a result of fraudulent conduct by the relevant employee;
- participation in or responsibility for conduct that has led to considerable loss and/or damage to the reputation of Rabobank Group;
- proof of the employee not meeting the applicable standards with respect to ability and correct conduct;
- overall financial performance. The minimum requirement is that after award and payment of variable pay, Rabobank's Core Tier 1 capital ratio must be at or above the threshold laid down under the applicable legislation (Basel). If and to the extent that this minimum requirement is not met, variable pay will not be awarded or paid (in full);
- a significant breach in risk management;
- a significant negative change in the Core Tier 1 capital of Rabobank.

50% of both the direct part and the deferred part of the variable pay of Identified Staff, is awarded in cash (cash component). The other 50% is awarded in the form of an instrument (instrument component), i.e. the Deferred Remuneration Note (DRN). The value of a DRN is linked to the price of a Rabobank Certificate, registered at NYSE Euronext. Rabobank offers no fixed or variable pay in the form of options or shareholding rights to employees.

Table 61 discloses the remuneration awarded to Identified Staff relating to 2015.

**Table 61: Remuneration Identified Staff relating to 2015**

In thousands of euros <sup>1</sup>	Executive Board		Retail, incl. RN		Wholesale		Leasing		Real Estate	
	Direct	Deferred and conditional	Direct	Deferred and conditional	Direct	Deferred and conditional	Direct	Deferred and conditional	Direct	Deferred and conditional
<b>Fixed Remuneration</b>										
Cash based	6,399	-	30,694	-	67,157	-	14,181	-	6,063	-
<b>Variable remuneration</b>										
Cash based	-	-	81	99	5,302	6,520	744	582	150	150
Instruments	-	-	81	99	5,302	6,520	744	582	150	150

<sup>1</sup> Calculations to EUR are based on the average exchange rates Jan-Oct 2015. The DRN price is based on the average closing rates of Rabobank Certificates of 1-5 February 2016 of 110.64% (EUR 27.66).

For all Identified Staff variable pay is no more than 100% of fixed pay, where 171 Identified Staff received no variable pay at all. The members of the supervisory board was paid 1.0 in cash, in the form of a fixed fee. As the supervisory board receives no variable pay this category Identified Staff is not included in tables 61-64.

In 2015 no buy outs were awarded to Identified Staff. Severance payments were agreed upon for 10 Identified Staff for the total amount of EUR 3.1, with the highest being EUR 0.7. 8 Identified Staff earned a total remuneration (including pension contributions) between EUR 1.0 and 1.5.

Table 62 discloses the actual payments to Identified Staff.

Distinction is made between the direct payments of the cash based direct variable pay relating to 2015, and the amounts that are payable from former years (i.e. direct instruments, relating to 2014, that have been held for one year, the deferred cash relating to 2012 that has been deferred for three years and the deferred instruments relating to 2011 that have been deferred for three years and a holding period of one year).

**Table 62: Actual payments to Identified Staff**

	(former) Executive Board		Retail, incl. RN		Wholesale		Leasing		Real Estate	
In thousands of euros <sup>1</sup>	from 2015	from former years	from 2015	from former years	from 2015	from former years	from 2015	from former years	from 2015	from former years
Cash based	-	-	81	271	5,302	2,865	744	748	150	39
Instruments	-	230	-	836	-	9,644	-	1,332	-	329

Table 63 shows the amounts of malus (withdrawal of conditional amounts) and claw back (withdrawal of unconditional, but not yet paid amounts) Rabobank applied to Identified Staff members in 2015.

**Table 63: Malus and claw back**

	(former) Executive Board		Retail, incl. RN		Wholesale		Leasing		Real Estate	
In thousands of euros <sup>1</sup>	Malus	Claw back	Malus	Claw back	Malus	Claw back	Malus	Claw back	Malus	Claw back
Cash based	-	-	-	-	54	51	-	-	30	-
Instruments	-	-	-	-	56	54	-	-	33	-

Table 64 shows the outstanding deferred compensation for Identified Staff. Vested amounts are unconditional, but subject to a holding period of one year. The unvested amounts are conditional, and may be subject to malus in the future.

**Table 64: Total amount of outstanding deferred compensation for Identified Staff**

	(former) Executive Board		Retail, incl. RN		Wholesale		Leasing		Real Estate	
In thousands of euros <sup>1</sup>	Vested	Unvested	Vested	Unvested	Vested	Unvested	Vested	Unvested	Vested	Unvested
Cash based	-	5	-	438	74	15,250	-	1,975	-	195
Instruments	-	6	418	486	8,899	13,242	1,694	2,113	199	198

## Exceptions to the Group Remuneration Policy

The Supervisory Board has agreed to an arrangement for employees in France, which applies in 2015 also to 2 Identified Staff. The arrangement implies that a small part of their variable pay is not subject to the Identified Staff deferral policy and paid out in cash.

<sup>1</sup> Calculations to EUR are based on the average exchange rates Jan-Oct 2015. The DRN price is based on the average closing rates of Rabobank Certificates of 1-5 February 2016 of 110.64% (EUR 27.66).

## 12. Global systemically important banks - 12 indicators

The Basel Committee published a document in July 2013 titled 'Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement'. This document cites 12 indicators based on which banks can be classified as systemically important on a global scale. The document indicates that banks with a leverage ratio exposure exceeding 200 billion have to disclose at least these 12 indicators.

The size indicators as at 31 December 2015 will be available online in April 2016 on [www.rabobank.com/annualreports](http://www.rabobank.com/annualreports).

# 13. Declaration Executive Board

The Executive Board of Rabobank declares that the risk management arrangements of Rabobank are adequate and assures that the risk management systems put in place are adequate to Rabobank's profile and strategy.

## Executive Board

W. Draijer, *Chairman*

B.C. Brouwers, *CFO*

W. Draijer a.i., *CRO*

B.J. Marttin

R.J. Dekker

H. Nagel

J.L. van Nieuwenhuizen

# 14. Appendices

## 14.1 Transitional own funds disclosure template

<b>C 01.00 – TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE (CA1)</b>		
Amount x 1,000		Transition
1	OWN FUNDS	49,455,299
1.1	<b>TIER 1 CAPITAL</b>	35,052,113
1.1.1	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>28,754,271</b>
1.1.1.1	<b>Capital instruments eligible as CET1 Capital</b>	<b>5,924,034</b>
1.1.1.1.1	Paid up capital instruments	5,948,869
1.1.1.1.1*	Of which: Capital instrumentssubscribed by public authorities in emergency situations	
1.1.1.1.2*	Memorandum item: Capital instruments not eligible	
1.1.1.1.3	Share premium	
1.1.1.1.4	(-) Own CET1 instruments	
1.1.1.1.4.1	(-) Direct holdings of CET1 instruments	
1.1.1.1.4.2	(-) Indirect holdings of CET1 instruments	
1.1.1.1.4.3	(-) Synthetic holdings of CET1 instruments	
1.1.1.1.5	(-) Actual or contingent obligations to purchase own CET1 instruments	(24,835)
1.1.1.2	<b>Retained earnings</b>	<b>25,355,947</b>
1.1.1.2.1	Previous years retained earnings	24,476,273
1.1.1.2.2	Profit or loss eligible	879,674
1.1.1.2.2.1	Profit or loss attributable to owners of the parent	2,138,651
1.1.1.2.2.2	(-) Part of interim or year-end profit not eligible	(1,258,977)
1.1.1.3	<b>Accumulated other comprehensive income</b>	<b>221,736</b>
1.1.1.4	<b>Other reserves</b>	<b>1,621</b>
1.1.1.5	<b>Funds for general banking risk</b>	-
1.1.1.6	<b>Transitional adjustments due to grandfathered CET1 Capital instruments</b>	-
1.1.1.7	<b>Minority interest given recognition in CET1 capital</b>	<b>22,646</b>
1.1.1.8	<b>Transitional adjustments due to additional minority interests</b>	<b>253,069</b>
1.1.1.9	<b>Adjustments to CET1 due to prudential filters</b>	<b>(1,013,943)</b>
1.1.1.9.1	(-) Increases in equity resulting from securitised assets	
1.1.1.9.2	Cash flow hedge reserve	39,040
1.1.1.9.3	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	(748,583)
1.1.1.9.4	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(104,400)
1.1.1.9.5	(-) Value adjustments due to the requirements for prudent valuation	(200,000)
1.1.1.10	<b>(-) Goodwill</b>	<b>(904,592)</b>
1.1.1.10.1	(-) Goodwill accounted for as intangible asset	(904,592)
1.1.1.10.2	(-) Goodwill included in the valuation of significant investments	
1.1.1.10.3	Deferred tax liabilities associated to goodwill	-
1.1.1.11	<b>(-) Other intangible assets</b>	<b>(588,334)</b>
1.1.1.11.1	(-) Other intangible assets gross amount	(1,582)
1.1.1.11.2	Deferred tax liabilities associated to other intangible assets	-
1.1.1.12	<b>(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities</b>	<b>(934,804)</b>
1.1.1.13	<b>(-) IRB shortfall of credit risk adjustments to expected losses</b>	<b>(1,789,044)</b>
1.1.1.14	<b>(-)Defined benefit pension fund assets</b>	<b>(6,519)</b>
1.1.1.14.1	(-)Defined benefit pension fund assets gross amount	(6,519)
1.1.1.14.2	Deferred tax liabilities associated to defined benefit pension fund assets	-
1.1.1.14.3	Defined benefit pension fund assets which the institution has an unrestricted ability to use	
1.1.1.15	<b>(-) Reciprocal cross holdings in CET1 Capital</b>	-
1.1.1.16	<b>(-) Excess of deduction from AT1 items over AT1 Capital</b>	-
1.1.1.17	<b>(-) Qualifying holdings outside the financial sector which can alternatively be subject to a 1.250% risk weight</b>	-
1.1.1.18	<b>(-) Securitisation positions which can alternatively be subject to a 1.250% risk weight</b>	<b>(51,447)</b>
1.1.1.19	<b>(-) Free deliveries which can alternatively be subject to a 1.250% risk weight</b>	-
1.1.1.20	<b>(-) Positions in a basket for which an institution cannot determine the risk weight under the IRB approach, and can alternatively be subject to a 1.250% risk weight</b>	-



1.1.1.21	(-) Equity exposures under an internal models approach which can alternatively be subject to a 1.250% risk weight	-
1.1.1.22	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-
1.1.1.23	(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	-
1.1.1.24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	(407,125)
1.1.1.25	(-) Amount exceeding the 17.65% threshold	(317,191)
1.1.1.26	Other transitional adjustments to CET1 Capital	2,988,217
1.1.1.27	(-) Additional deductions of CET1 Capital due to Article 3 CRR	
1.1.1.28	CET1 capital elements or deductions - other	
1.1.2	ADDITIONAL TIER 1 CAPITAL	6,297,842
1.1.2.1	Capital instruments eligible as AT1 Capital	1,414,493
1.1.2.1.1	Paid up capital instruments	1,487,942
1.1.2.1.2*	Memorandum item: Capital instruments not eligible	7,645,196
1.1.2.1.3	Share premium	
1.1.2.1.4	(-) Own AT1 instruments	-
1.1.2.1.4.1	(-) Direct holdings of AT1 instruments	
1.1.2.1.4.2	(-) Indirect holdings of AT1 instruments	
1.1.2.1.4.3	(-) Synthetic holdings of AT1 instruments	
1.1.2.1.5	(-) Actual or contingent obligations to purchase own AT1 instruments	(73,449)
1.1.2.2	Transitional adjustments due to grandfathered AT1 Capital instruments	6,372,666
1.1.2.3	Instruments issued by subsidiaries that are given recognition in AT1 Capital	4,853
1.1.2.4	Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	-
1.1.2.5	(-) Reciprocal cross holdings in AT1 Capital	
1.1.2.6	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	
1.1.2.7	(-) AT1 instruments of financial sector entities where the institution has a significant investment	(2,309)
1.1.2.8	(-) Excess of deduction from T2 items over T2 Capital	
1.1.2.9	Other transitional adjustments to AT1 Capital	(1,491,861)
1.1.2.10	Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)	
1.1.2.11	(-) Additional deductions of AT1 Capital due to Article 3 CRR	
1.1.2.12	AT1 capital elements or deductions - other	
1.2	TIER 2 CAPITAL	14,403,186
1.2.1	Capital instruments and subordinated loans eligible as T2 Capital	14,992,821
1.2.1.1	Paid up capital instruments and subordinated loans	15,078,220
1.3.1.2*	Memorandum item: Capital instruments and subordinated loans not eligible	
1.2.1.3	Share premium	
1.2.1.4	(-) Own T2 instruments	-
1.2.1.4.1	(-) Direct holdings of T2 instruments	
1.2.1.4.2	(-) Indirect holdings of T2 instruments	
1.2.1.4.3	(-) Synthetic holdings of T2 instruments	
1.2.1.5	(-) Actual or contingent obligations to purchase own T2 instruments	(85,399)
1.2.2	Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans	-
1.2.3	Instruments issued by subsidiaries that are given recognition in T2 Capital	6,470
1.2.4	Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	0
1.2.5	IRB Excess of provisions over expected losses eligible	
1.2.6	SA General credit risk adjustments	
1.2.7	(-) Reciprocal cross holdings in T2 Capital	
1.2.8	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	
1.2.9	(-) T2 instruments of financial sector entities where the institution has a significant investment	-
1.2.10	Other transitional adjustments to T2 Capital	(596,105)
1.2.11	Excess of deduction from T2 items over T2 Capital (deducted in AT1)	
1.2.12	(-) Additional deductions of T2 Capital due to Article 3 CRR	
1.2.13	T2 capital elements or deductions - other	

## 14.2 Own funds requirements

<b>C 02.00 - OWN FUNDS REQUIREMENTS (CA2)</b>		
<i>Amount x 1,000</i>		
<b>1</b>	<b>Total risk exposure amount</b>	213,091,666
1*	Of which: Investment firms under Article 90 paragraph 2 and Article 93 of CRR	
1**	Of which: Investment firms under Article 91 paragraph 1 and 2 and Article 92 of CRR	
<b>1.1</b>	<b>Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries</b>	183,631,895
1.1.1	Standardised approach (SA)	18,729,786
1.1.1.1	SA exposure classes excluding securitisation positions	18,729,786
1.1.1.1.01	Central governments or central banks	3,734,420
1.1.1.1.02	Regional governments or local authorities	
1.1.1.1.03	Public sector entities	
1.1.1.1.04	Multilateral Development Banks	
1.1.1.1.05	International Organisations	
1.1.1.1.06	Institutions	137,186
1.1.1.1.07	Corporates	8,444,938
1.1.1.1.08	Retail	3,130,264
1.1.1.1.09	Secured by mortgages on immovable property	2,334,515
1.1.1.1.10	Exposures in default	893,564
1.1.1.1.11	Items associated with particular high risk	54,898
1.1.1.1.12	Covered bonds	
1.1.1.1.13	Claims on institutions and corporates with a short-term credit assessment	
1.1.1.1.14	Collective investments undertakings (CIU)	
1.1.1.1.15	Equity	
1.1.1.1.16	Other items	
1.1.1.2	Securitisation positions SA	
1.1.1.2*	of which: resecuritisation	
1.1.2	Internal ratings based Approach (IRB)	164,839,609
1.1.2.1	IRB approaches when neither own estimates of LGD nor Conversion Factors are used	
1.1.2.1.01	Central governments and central banks	
1.1.2.1.02	Institutions	
1.1.2.1.03	Corporates - SME	
1.1.2.1.04	Corporates - Specialised Lending	
1.1.2.1.05	Corporates - Other	
1.1.2.2	IRB approaches when own estimates of LGD and/or Conversion Factors are used	134,129,841
1.1.2.2.01	Central governments and central banks	1,109,257
1.1.2.2.02	Institutions	6,637,154
1.1.2.2.03	Corporates - SME	31,028,101
1.1.2.2.04	Corporates - Specialised Lending	9,572,346
1.1.2.2.05	Corporates - Other	44,681,129
1.1.2.2.06	Retail - Secured by real estate SME	6,014,213
1.1.2.2.07	Retail - Secured by real estate non-SME	26,178,387
1.1.2.2.08	Retail - Qualifying revolving	
1.1.2.2.09	Retail - Other SME	6,742,072
1.1.2.2.10	Retail - Other non-SME	2,167,181
1.1.2.3	Equity IRB	13,465,083
1.1.2.4	Securitisation positions IRB	2,218,935
1.1.2.4*	Of which: resecuritisation	185,734
1.1.2.5	Other non credit-obligation assets	15,025,751
1.1.3	Risk exposure amount for contributions to the default fund of a CCP	62,500
<b>1.2</b>	<b>Total risk exposure amount for settlement/delivery</b>	
1.2.1	Settlement/delivery risk in the non-Trading book	
1.2.2	Settlement/delivery risk in the Trading book	
<b>1.3</b>	<b>Total risk exposure amount for position, foreign exchange and commodities risks</b>	3,260,440
1.3.1	Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA)	432,691
1.3.1.1	Traded debt instruments	38,883
1.3.1.2	Equity	
1.3.1.3	Foreign Exchange	
1.3.1.4	Commodities	393,807
1.3.2	Risk exposure amount for Position, foreign exchange and commodities risks under internal models (IM)	2,827,750

1.4	Total risk exposure amount for operational risk (opr)	24,511,401
1.4.1	OpR Basic indicator approach (BIA)	
1.4.2	OpR Standardised (STA)/Alternative Standardised (ASA) approaches	
1.4.3	OpR Advanced measurement approaches (AMA)	24,511,401
1.5	Additional risk exposure amount due to fixed overheads	
1.6	Total risk exposure amount for credit valuation adjustment	1,687,929
1.6.1	Advanced method	1,687,929
1.6.2	Standardised method	
1.6.3	Based on OEM	
1.7	Total risk exposure amount related to large exposures in the trading book	
1.8	Other risk exposure amounts	
1.8.2	Of which: Additional stricter prudential requirements based on Art 458	
1.8.2*	Of which: requirements for large exposures	
1.8.2**	Of which: due to modified risk weights for targeting asset bubbles in the residential and commercial property	
1.8.2***	Of which: due to intra financial sector exposures	
1.8.3	Of which: Additional stricter prudential requirements based on Art 459	
1.8.4	Of which: Additional risk exposure amount due to Article 3 CRR	

Table 64

Capital instruments main features template			Capital instruments main features template		
1	Issuer	Rabobank Nederland	19	Existence of a dividend stopper	No
2	Unique identifier	XS1002121454	20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
3	Governing law(s) of the instrument	Governed by laws of the Netherlands	20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Regulatory treatment			21	Existence of step up or other incentive to redeem	No
4	Transitional CRR rules	Common Equity Tier 1	22	Non-cumulative or cumulative	Non-cumulative
5	Post-transitional CRR rules	Common Equity Tier 1	23	Convertible or non-convertible	
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Consolidated and subconsolidated	24	If convertible, conversion trigger(s)	
7	Instrument type (types to be specified by each jurisdiction)	CET1 instruments as published on EBA list	25	If convertible, fully or partially	
8	Amount recognised in regulatory capital (as of most recent reporting date)	5,949	26	If convertible, conversion rate	
9	Nominal amount of instrument	5,949	27	If convertible, mandatory or optional conversion	
9a	Issue price	25 (not in millions)	28	If convertible, specify instrument type convertible into	
9b	Redemption price	n/a	29	If convertible, specify issuer of instrument it converts into	
10	Accounting classification	Shareholders Equity	30	Write-down features	
11	Original date of issuance	24/01/2014	31	If write-down, write-down triggers(s)	
12	Perpetual or dated	Perpetual	32	If write-down, full or partial	
13	Original maturity date	No maturity	33	If write-down, permanent or temporary	
14	Issuer call subject to prior supervisory approval	n/a	34	If temporary write-down, description of write-up mechanism	
15	Optional call date, contingent call dates and redemption amount	n/a	35	Position in subordinated hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to Additional Tier 1
16	Subsequent call dates, if applicable	n/a	36	Non-compliant transitioned features	
Coupon/dividends			37	If yes, specify non-compliant features	Floating, with floor
17	Fixed or floating dividend/coupon	Floating, with floor			
18	Coupon rate and any related index	RabobankNederland intends to make payments on each Rabobank Participation on every Intended Payment Due Date (as defined below) beginning on the first Intended Payment Due Date following the Listing of an amount equal to the higher of: (1) €0.40625; and(2) the three-month arithmetical average (rounded to two decimal places) on an annual basis of the effective return on the most recent Reference Loan (as defined below) (or, if there is no Reference Loan, the most recent Alternative Reference Loan (as defined below)) for the previous Calculation Period (as defined below) immediately preceding the Intended Payment Period (as defined below), plus 1.5%, calculated based on a nominal value of €25 divided by four.			

**Capital instruments main features template**

1	Issuer	Rabobank Capital Funding Trust III	Rabobank Capital Funding Trust IV	RABOBANK NEDERLAND	RABOBANK NEDERLAND	RABOBANK NEDERLAND
2	Unique identifier	US749769AA35 (144a) XS0203891840 (REGS)	XS0203783286 (144A) XS0203782551 (REGS)	NZRBOD000150	XS0368541032	CH0043174397
3	Governing law(s) of the instrument	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands
Regulatory treatment						
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Consolidated & subconsolidated	Consolidated & subconsolidated	Consolidated & subconsolidated	Consolidated & subconsolidated	Consolidated & subconsolidated
7	Instrument type (types to be specified by each jurisdiction)	Perpetual non-cumulative Fixed to reset rate Additional Tier 1 notes	Perpetual non-cumulative Fixed to reset rate Additional Tier 1 notes	Perpetual non-cumulative Capital Securities	Perpetual non-cumulative Capital Securities	Perpetual non-cumulative Capital Securities
8	Amount recognised in regulatory capital (as of most recent reporting date)	656	475	472	313	215
9	Nominal amount of instrument	USD 1500mln	GBP 350mln	NZD 900mln	GBP 250mln	CHF 350mln
9a	Issue price	100	100	100	100	100
9b	Redemption price	100	100	100	100	100
10	Accounting classification	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity
11	Original date of issuance	14/10/2004	18/10/2004	08/10/2007	10/06/2008	27/06/2008
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	21/10/2016; Tax and Regulatory call; 100%	31/12/2019; Tax and Regulatory call; 100%	08/10/2017; Tax and Regulatory call; 100%	10/06/2038; Tax and Regulatory call; 100%	27/06/2018; Tax and Regulatory call; 100%
16	Subsequent call dates, if applicable	Quarterly	Semi-Annually	Quarterly	Semi-Annually	Semi-Annually
	<a href="#">Coupon/dividends</a>					
17	Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Floating	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	5.254% (fixed)	5.556% (fixed)	1 yr NZD swaprate + 76 bps	6.91	5.50
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary: Required (partial or full) unless not permitted to the extent that NL banking regulations prohibits. Dividend pusher if distributions are being made on junior or other Tier 1 instruments (partial or full)	Partially discretionary: Required (partial or full) unless not permitted to the extent that NL banking regulations prohibits. Dividend pusher if distributions are being made on junior or other Tier 1 instruments (partial or full)	Partially discretionary: Required if the issuer makes payments on junior/pari passu securities or redeems, repurchases or otherwise acquires junior securities in the 12 months preceding the relevant Interest Payment Date, unless it is prohibited.		
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Interest is prohibited if the relevant Solvency Rules prohibit payments on junior or pari passu securities. All other interest is payable at the Issuer's discretion, but subject to dividend pusher (for junior and pari passu instruments).				
21	Existence of step up or other incentive to redeem	"	Partially discretionary: Required if the issuer makes payments on junior/pari passu securities or redeems, repurchases or otherwise acquires junior securities in the 12 months preceding the relevant Interest Payment Date, unless it is prohibited.			

						Not CRR eligible	Issuance 2015	Total amount recognised in RC
RABOBANK NEDERLAND	RABOBANK NEDERLAND	RABO CAPITAL SECURITIES	RABOBANK NEDERLAND	RABOBANK NEDERLAND	RABOBANK NEDERLAND		RABOBANK NEDERLAND	
XS0376667266	XS0413527523	NZRCSEP001C3	XS0431744282 (Regs) US749770AQ67 (144a)	XS0583302996	XS0703303262		XS1171914515	
Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands		Governed by laws of the Netherlands	
Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1		Additional Tier 1	
Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible		Eligible	
Consolidated & subconsolidated	Consolidated & subconsolidated	Consolidated & subconsolidated	Consolidated & subconsolidated	Consolidated & subconsolidated	Consolidated & subconsolidated		Consolidated & subconsolidated	
Perpetual non-cumulative Capital Securities	Perpetual non-cumulative Capital Securities	Perpetual non-cumulative Capital Securities	Perpetual non-cumulative Capital Securities	Perpetual non-cumulative Capital Securities	Perpetual non-cumulative Capital Securities		Perpetual non-cumulative Capital Securities	
60	500	122	1,994	1,425	1,413	(1,273)	1,488	7,861
ILS 323mln	EUR 500mln	NZD 280mln	USD 2868 mln	USD 2000	USD 2000		EUR 1500	
100	100	100	100	100	100		100	
100	100	100	100	100	100		100	
Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity		Shareholders Equity	
14/07/2008	27/02/2009	27/05/2009	04/06/2009	26/01/2011	09/11/2011		15/01/2015	
Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual		Perpetual	
No maturity	No maturity	No maturity	No maturity	No maturity	No maturity		No maturity	
Yes	Yes	Yes	Yes	Yes	Yes		Yes	
14/07/2018; Tax and Regulatory call; 100%	27/02/2019; Tax and Regulatory call; 100%	18/06/2019; Tax and Regulatory call; 100%	30/06/2019; Tax and Regulatory call; 100%	26/07/2016; Tax and Regulatory call; 100%	29/06/2017; Tax and Regulatory call; 100%		29-6-2020; Tax and Regulatory Call; 100%	
Every 5 year	Quarterly	Quarterly	Quarterly	Any time	Any time		Semi-annually	
Fixed	Fixed to floating	Floating	Fixed to floating	Fixed	Fixed		Fixed	
4.15	9.94 (fixed)	Applicable five year swap rate + 3.75%	11% (fixed)	8.375	8.40		5.50	
No	No	No	No	Yes	No		No	
							Full discretion to cancel interest payments. Any interest payment may not exceed distributable items on issuer levels and could be restricted by MDA.	
							Fully discretionary	
							No	

22	Non-cumulative or cumulative	Interest is prohibited if the relevant Solvency Rules prohibit payments on junior or pari passu securities. All other interest is payable at the Issuer's discretion, but subject to dividend pusher (for junior and pari passu instruments).	
23	Convertible or non-convertible	"	Partially discretionary: Required if the issuer makes payments on junior/pari passu securities or redeems, repurchases or otherwise acquires junior securities in the 12 months preceding the relevant Interest Payment Date, unless it is prohibited.
24	If convertible, conversion trigger(s)	Interest is prohibited if the relevant Solvency Rules prohibit payments on junior or pari passu securities. All other interest is payable at the Issuer's discretion, but subject to dividend pusher (for junior and pari passu instruments).	
25	If convertible, fully or partially	"	Partially discretionary: Required if the issuer makes payments on junior/pari passu securities or redeems, repurchases or otherwise acquires junior securities in the 12 months preceding the relevant Interest Payment Date, unless it is prohibited.
26	If convertible, conversion rate	Interest is prohibited if the relevant Solvency Rules prohibit payments on junior or pari passu securities. All other interest is payable at the Issuer's discretion, but subject to dividend pusher (for junior and pari passu instruments).	
27	If convertible, mandatory or optional conversion	"	Partially discretionary: Required if the issuer makes payments on junior/pari passu securities or redeems, repurchases or otherwise acquires junior securities in the 12 months preceding the relevant Interest Payment Date, unless it is prohibited.
28	If convertible, specify instrument type convertible into	Interest is prohibited if the relevant Solvency Rules prohibit payments on junior or pari passu securities. All other interest is payable at the Issuer's discretion, but subject to dividend pusher (for junior and pari passu instruments).	
29	If convertible, specify issuer of instrument it converts into	"	Partially discretionary: Required if the issuer makes payments on junior/pari passu securities or redeems, repurchases or otherwise acquires junior securities in the 12 months preceding the relevant Interest Payment Date, unless it is prohibited.
30	Write-down features	Interest is prohibited if the relevant Solvency Rules prohibit payments on junior or pari passu securities. All other interest is payable at the Issuer's discretion, but subject to dividend pusher (for junior and pari passu instruments).	

	Noncumulative
	Non-convertible
	Yes



31	If write-down, write-down triggers(s)	"	Partially discretionary: Required if the issuer makes payments on junior/pari passu securities or redeems, repurchases or otherwise acquires junior securities in the 12 months preceding the relevant Interest Payment Date, unless it is prohibited.			
32	If write-down, full or partial	Interest is prohibited if the relevant Solvency Rules prohibit payments on junior or pari passu securities. All other interest is payable at the Issuer's discretion, but subject to dividend pusher (for junior and pari passu instruments).				
33	If write-down, permanent or temporary	"	Interest will be payable at the sole discretion of the issuer, except when payments on instruments exceed Distributable items, to the extent that applicable Solvency rules prohibit making payments or, if an Interest Cancellation Event has occurred or could occur in the three following years such Interest Payment Date. Dividend Stopper for is not distribution is paid on this instrument.	Full discretion to cancel interest payments. Any interest payment may not exceed distributable items.		
34	If temporary write-down, description of write-up mechanism	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
35	Position in subordinated hierarchy in liquidation (specify instrument type immediately senior to instrument)	Yes	Yes	No	No	Yes
36	Non-compliant transitioned features	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
37	If yes, specify non-compliant features	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

7% CET  
(contractual) or  
PONV (statutory)

In partial or in full

Temporary

Partially  
discretionary

Partially  
discretionary

Partially  
discretionary

Partially  
discretionary

Partially  
discretionary

Fully  
discretionary

Fully  
discretionary

Yes

Yes

No

Yes

No

No

Subordinated  
to Tier 2  
instruments

Noncumulative

Noncumulative

Noncumulative

Noncumulative

Noncumulative

Noncumulative

No

Non-convertible

Non-convertible

Non-convertible

Non-convertible

Non-convertible

Non-convertible

Fixed

**Capital instruments main features template**

1	Issuer	RABOBANK NEDERLAND	RABOBANK NEDERLAND	RABOBANK NEDERLAND	RABOBANK NEDERLAND	RABOBANK NEDERLAND	RABOBANK NEDERLAND	RABOBANK NEDERLAND	RABOBANK NEDERLAND
2	Unique identifier	XS0429484891	XS0557252417	XS0826634874	XS0827563452	US21685WDF14	XS0954910146	US21684AAA43	US21684AAB26
3	Governing law(s) of the instrument	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands	Governed by laws of the Netherlands
Regulatory treatment									
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Consolidated and sub-consolidated	Consolidated and sub-consolidated	Consolidated and sub-consolidated	Consolidated and sub-consolidated	Consolidated and sub-consolidated	Consolidated and sub-consolidated	Consolidated and sub-consolidated	Consolidated and sub-consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Notes	Subordinated Notes	Subordinated Notes	Subordinated Notes	Subordinated Notes	Subordinated Notes	Subordinated Notes	Subordinated Notes
8	Amount recognised in regulatory capital ( as of most recent reporting date)	675	965	994	674	1,370	990	1,589	1,120
9	Nominal amount of instrument	EUR 1 billion	EUR 1 billion	EUR 1 billion	GBP 500mIn	USD 1.5 billion	EUR 1 billion	USD 1.75 billion	EUR 1.25 billion
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100	100	100	100	100	100	100	100
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	12/05/2009	02/11/2010	04/09/2012	04/09/2012	02/11/2012	17/07/2013	25/11/2013	25/11/2013
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	20/05/2019	09/11/2020	14/09/2022	14/09/2027	09/11/2022	25/07/2023	01/12/2023	01/12/2043
14	Issuer call subject to prior supervisory approval	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
15	Optional call date, contingent call dates and redemption amount	Not applicable, Tax and Regulatory Call, 100%	Not applicable, Tax and Regulatory Call, 100%	Not applicable, Tax and Regulatory Call, 100%	Not applicable, Tax and Regulatory Call, 100%	Not applicable, Tax and Regulatory Call, 100%	Not applicable, Tax and Regulatory Call, 100%	Not applicable, Tax and Regulatory Call, 100%	Not applicable, Tax and Regulatory Call, 100%
16	Subsequent call dates, if applicable	<a href="#">Coupon/dividends</a>							
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	5.875%	3.75%	4.13%	5.25%	3.95%	3.88%	4.63%	5.75%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Non-cumulative or cumulative	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
23	Convertible or non-convertible	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
24	If convertible, conversion trigger(s)								
25	If convertible, fully or partially								
26	If convertible, conversion rate								
27	If convertible, mandatory or optional conversion								
28	If convertible, specify instrument type convertible into								
29	If convertible, specify issuer of instrument it converts into								
30	Write-down features								
31	If write-down, write-down triggers(s)								
32	If write-down, full or partial								
33	If write-down, permanent or temporary								
34	If temporary write-down, description of write-up mechanism								
35	Position in subordinated hierarchy in liquidation (specify instrument type immediately senior to instrument)								
36	Non-compliant transitioned features								
37	If yes, specify non-compliant features								

[illegible]

## 14.3 List of abbreviations

ABCP	Asset Backed Commercial Paper	ECB	European Central Bank
AC	Audit and Compliance Committee	EC	Economic Capital
AFS	Available For Sale	EDTF	Enhanced Disclosure Task Force
IRB	Advanced Internal Ratings Based	EIB	European Investment Bank
ALM	Asset Liability Management	EL	Expected Loss
ALCO	Asset Liability Committee	ETP	Exchange Traded Products
AMA	Advanced Measurement Approach	FED	Federal Reserve Bank
AQR	Asset Quality Review	FSB	Financial Stability Board
AT1	Additional Tier 1	GFM	Global Financial Markets
BCBS	Basel Committee on Banking Supervision	GIC	Guaranteed Investment Contracts
BCVA	Bilateral Credit Value Adjustment	GLAC	Gone concern Loss Absorbing Capital
BOE	Bank of England	GSIB	Global Systemic Important Bank
BPV	Basis Point Value	GIIPS	Greece, Italy, Ireland, Portugal, Spain
BRRD	Bank Recovery and Resolution Directive	HQLA	High Quality Liquid Assets
CAD	Capital Adequacy Directive	IAA	Internal Assessment Approach
CBA	Confidence Band Approach	latR	Income at Risk
CCP	Central Counterparties	IBNR	Incurred But Not Reported
CDS	Credit Default Swap	ICAAP	Internal Capital Adequacy Assessment Process
CET1	Common Equity Tier 1	ICFM	Investment Committee Financial Markets
CFO	Chief Financial Officer	IFRS	International Financial Reporting Standards
CLC	Country Limits Committee	ILAAP	Internal Liquidity Adequacy Assessment Process
CPM	Credit Portfolio Management	IMA	Internal Method Approach
CRD	Capital Requirements Directive	IMM	Internal Model Method
CRO	Chief Risk Officer	IRB	Internal Ratings Based
CRD IV	Capital Requirements Directive IV	IRC	Incremental Risk Charge
CRR	Capital Requirements Regulation	ISDA	International Swaps and Derivatives Association
CSA	Credit Support Annex	LCR	Liquidity Coverage Ratio
CVA	Credit Value Adjustment	LGD	Loss Given Default
DDOS	Distributed Denial of Services	LGTE	Loss Given Transfer Event
DLL	De Lage Landen	LTV	Loan to Value
DNB	De Nederlandsche Bank	LQR	Loan Quality Classification
DRN	Deferred Remuneration Note	MCRG	Monitoring Committee Rabobank Group
DSIB	Domestic Systemically Important Bank	MGC	Model Governance Committee
EAD	Exposure at Default	MREL	Minimum Required Eligible Liabilities
EATE	Exposure at Transfer Event	MTM	Mark to Market
EatR	Equity at Risk	NBFI	Non-Banking Financial Institution
ECAI	External Credit Assessment Institution	NFR	Non-Financial Risk

NHG	Nationale Hypotheek Garantie
NSFR	Net Stable Funding Ratio
ORM	Operational Risk Management
OTC	Over The Counter
P&L	Profit and Loss
PFE	Potential Future Exposure
PD	Probability of Default
PFE	Potential Future Exposure
PTA	Platform Taxateurs & Accountants
PRA	Probability of Transfer Event
RAROC	Risk Adjusted Return On Capital
RAS	Risk Appetite Statement
RC	Regulatory Capital
RC	Risk Committee
RMBS	Residential Mortgage Backed Securities
RMC	Risk Management Committee
RM	Risk Management
RM FM	Risk Management Financial Markets
RM FMA	Risk Management Financial Markets Advisory
RN	Rabobank Nederland
ROC	Regulatory Oversight Committee
RRR	Rabobank Risk Rating
RWA	Risk Weighted Assets
RWEA	Risk Weighted Exposure Amount
RWS	Risk Weights for Securitisations
SIFI	Systemically Important Financial Institution
S&P	Standard and Poor's
SREP	Supervisory Review and Evaluation Process
SSM	Single Supervisory Mechanism
SPV	Special Purpose Vehicle
SVaR	Stressed Value at Risk
TLAC	Total Loss Absorbing Capacity
TPS	Trust Preferred Securities
TRS	Total Return Swap
UL	Unexpected Loss
VaR	Value at Risk

## 14.4 Enhanced Disclosure Task Force (EDTF) Index

Recom- mendation	Description	Capital Adequacy and Risk Management Report 2015	Annual Report 2015	Consolidated Financial Statements 2015
<b>General recommendations</b>				
1	Present all related risk information together in any particular report. Where this is not practicable, provide an index or an aid to navigation to help users locate risk disclosures within the bank's reports.	Appendix 14		
2	Define the bank's risk terminology and risk measures and present key parameter values used.	See paragraph 4		
3	Describe and discuss top and emerging risks, incorporating relevant information in the bank's external reports on a timely basis. This should include quantitative disclosures, if possible, and a discussion of any changes in those risk exposures during the reporting period.	See paragraph 4.1		
4	Once the applicable rules are finalised, outline plans to meet each new key regulatory ratio, e.g. the net stable funding ratio, liquidity coverage ratio and leverage ratio and, once the applicable rules are in force, provide such key ratios.	See paragraph 4.3	See page 17	
<b>Risk governance and risk management strategies/business model</b>				
5	Summarise prominently the bank's risk management organisation, processes and key functions.	See paragraph 4.2		
6	Provide a description of the bank's risk culture, and how procedures and strategies are applied to support the culture.	See paragraph 4.1	See page 86	
7	Describe the key risks that arise from the bank's business models and activities, the bank's risk appetite in the context of its business models and how the bank manages such risks. This is to enable users to understand how business activities are reflected in the bank's risk measures and how those risk measures relate to line items in the balance sheet and income statement.	See paragraph 4.1	See page 86	
8	Describe the use of stress testing within the bank's risk governance and capital frameworks. Stress testing disclosures should provide a narrative overview of the bank's internal stress testing process and governance.	See paragraph 4.4.2		
<b>Capital adequacy and risk-weighted assets</b>				
9	Provide minimum Pillar 1 capital requirements, including capital surcharges for G-SIBs and the application of counter-cyclical and capital conservation buffers or the minimum internal ratio established by management.	See paragraph 5.4		
10	Summarise information contained in the composition of capital templates adopted by the Basel Committee to provide an overview of the main components of capital, including capital instruments and regulatory adjustments. A reconciliation of the accounting balance sheet to the regulatory balance sheet should be disclosed.	See paragraph 5.1		
11	Present a flow statement of movements since the prior reporting date in regulatory capital, including changes in common equity tier 1, tier 1 and tier 2 capital.	See paragraph 5.1	See page 21	
12	Qualitatively and quantitatively discuss capital planning within a more general discussion of management's strategic planning, including a description of management's view of the required or targeted level of capital and how this will be established.	See paragraph 5.2	See page 17	
13	Provide granular information to explain how risk-weighted assets (RWAs) relate to business activities and related risks.	See paragraph 6.2		
14	Present a table showing the capital requirements for each method used for calculating RWAs for credit risk, including counterparty credit risk, for each Basel asset class as well as for major portfolios within those classes. For market risk and operational risk, present a table showing the capital requirements for each method used for calculating them. Disclosures should be accompanied by additional information about significant models used, e.g. data periods, downturn parameter thresholds and methodology for calculating loss given default (LGD).	See paragraph 5.2		
15	Tabulate credit risk in the banking book showing average probability of default (PD) and LGD as well as exposure at default (EAD), total RWAs and RWA density for Basel asset classes and major portfolios within the Basel asset classes at a suitable level of granularity based on internal ratings grades. For non-retail banking book credit portfolios, internal ratings grades and PD bands should be mapped against external credit ratings and the number of PD bands presented should match the number of notch-specific ratings used by credit rating agencies.	See paragraph 6.2		
16	Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type.	See paragraph 5.2		
17	Provide a narrative putting Basel Pillar 3 back-testing requirements into context, including how the bank has assessed model performance and validated its models against default and loss.	See paragraph 6.2		
<b>Liquidity</b>				
18	Describe how the bank manages its potential liquidity needs and provide a quantitative analysis of the components of the liquidity reserve held to meet these needs, ideally by providing averages as well as period-end balances. The description should be complemented by an explanation of possible limitations on the use of the liquidity reserve maintained in any material subsidiary or currency.	See paragraph 10	See page 96 and 97	



<i>Recom- mendation</i>	<i>Description</i>	<i>Capital Adequacy and Risk Management Report 2015</i>	<i>Annual Report 2015</i>	<i>Consolidated Financial Statements 2015</i>
<b>Funding</b>				
19	Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories, including collateral received that can be rehypothecated or otherwise redeployed. This is to facilitate an understanding of available and unrestricted assets to support potential funding and collateral needs.	See paragraph 10.2	See page 100	
20	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date. Present separately (i) senior unsecured borrowing (ii) senior secured borrowing (separately for covered bonds and repos) and (iii) subordinated borrowing. Banks should provide a narrative discussion of management's approach to determining the behavioural characteristics of financial assets and liabilities.		See page 99	See paragraph 4.6
21	Discuss the bank's funding strategy, including key sources and any funding concentrations, to enable effective insight into available funding sources, reliance on wholesale funding, any geographical or currency risks and changes in those sources over time.	See paragraph 10.2	See page 98	
<b>Market risk</b>				
22	Provide information that facilitates users' understanding of the linkages between line items in the balance sheet and the income statement with positions included in the traded market risk disclosures (using the bank's primary risk management measures such as Value at Risk (VaR)) and non-traded market risk disclosures such as risk factor sensitivities, economic value and earnings scenarios and/or sensitivities.	See paragraph 9	See page 93	
23	Provide further qualitative and quantitative breakdowns of significant trading and nontrading market risk factors that may be relevant to the bank's portfolios beyond interest rates, foreign exchange, commodity and equity measures.		See page 93	
24	Provide qualitative and quantitative disclosures that describe significant market risk measurement model limitations, assumptions, validation procedures, use of proxies, changes in risk measures and models through time and descriptions of the reasons for back-testing exceptions, and how these results are used to enhance the parameters of the model.		See page 93	
25	Provide a description of the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures and parameters, such as VaR, earnings or economic value scenario results, through methods such as stress tests, expected shortfall, economic capital, scenario analysis, stressed VaR or other alternative approaches. The disclosure should discuss how market liquidity horizons are considered and applied within such measures.	See paragraph 9.1.1		
<b>Credit risk</b>				
26	Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations. This should include a quantitative summary of aggregate credit risk exposures that reconciles to the balance sheet, including detailed tables for both retail and corporate portfolios that segments them by relevant factors. The disclosure should also incorporate credit risk likely to arise from off-balance sheet commitments by type.	See paragraph 6.2.1		
27	Describe the policies for identifying impaired or non-performing loans, including how the bank defines impaired or non-performing, restructured and returned-to-performing (cured) loans as well as explanations of loan forbearance policies.	See paragraph 6.2.2	See page 87	
28	Provide a reconciliation of the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan impairments. Disclosures should include an explanation of the effects of loan acquisitions on ratio trends, and qualitative and quantitative information about restructured loans.	See paragraph 6.2.2 and 6.2.3		See section 11
29	Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivatives transactions. This should quantify notional derivatives exposure, including whether derivatives are over-the-counter (OTC) or traded on recognised exchanges. Where the derivatives are OTC, the disclosure should quantify how much is settled by central counterparties and how much is not, as well as provide a description of collateral agreements.	See paragraph 6.3		
30	Provide qualitative information on credit risk mitigation, including collateral held for all sources of credit risk and quantitative information where meaningful. Collateral disclosures should be sufficiently detailed to allow an assessment of the quality of collateral. Disclosures should also discuss the use of mitigants to manage credit risk arising from market risk exposures (i.e. the management of the impact of market risk on derivatives counterparty risk) and single name concentrations.	See paragraph 6.2		See paragraph 4.4.1 and 4.4.4
<b>Other risks</b>				
31	Describe 'other risk' types based on management's classifications and discuss how each one is identified, governed, measured and managed. In addition to risks such as operational risk, reputational risk, fraud risk and legal risk, it may be relevant to include topical risks such as business continuity, regulatory compliance, technology, and outsourcing.	See paragraph 8.1	See page 100	
32	Discuss publicly known risk events related to other risks, including operational, regulatory compliance and legal risks, where material or potentially material loss events have occurred. Such disclosures should concentrate on the effect on the business, the lessons learned and the resulting changes to risk processes already implemented or in progress.	See paragraph 8.2		See paragraph 4.10

## 14.5 Entities in scope of CRD IV

Besides the local cooperative Rabobanks in the Netherlands and the central organisation Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., the following entities are consolidated.

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
20/20 Franchisee Funding LLC	New York	100
<b>A</b>		
ACC Financial Services Limited	Dublin	100
ACC Investments Limited	Dublin	100
ACC Loan Management Limited	Dublin	100
Acrux Limited	St. Heler	100
Activa Weert C.V.	Utrecht	n/a
Adriana De Groote Energie Nederland B.V.	Utrecht	100
Affitto Energie Nederland B.V.	Utrecht	100
AG Acceptance Corporation	Cedar Falls	100
AGCO Capital Argentina S.A.	Buenos Aires	51
AGCO Finance AG	Schlieren	51
AGCO Finance B.V.	Eindhoven	51
AGCO Finance Canada Ltd	Regina	51
AGCO Finance GmbH	Langenhagen	51
AGCO Finance GmbH Landmaschinenleasing	Vienna	51
AGCO Finance Limited	Kenilworth	51
AGCO Finance Limited	Dublin	51
AGCO Finance Limited	Auckland	51
AGCO Finance LLC	Moscow	51
AGCO Finance LLC	Duluth	51
AGCO Finance N.V.	Machelen	51
AGCO Finance Pty Limited	Sydney	51
AGCO Finance S.N.C.	Beauvais	51
AGCO Finance Sp. z o.o.	Warsaw	51
Akoon Energie Nederland B.V.	Utrecht	100
ALLCO-DLL Solar Trust	The Hague	100
Almere I B.V.	The Hague	100
Alpha Management B.V.	Hoevelaken	100
Aluguer Energie Nederland B.V.	Utrecht	100
AM-DLL Solar Trust	Wilmington	100
Amiens Clos Pressac	Levallois Perret	75
Amsterdam ODE II B.V.	Hoevelaken	100
Aqualis B.V.	Utrecht	100
Asset Management Participations III B.V.	Hoevelaken	100
Athlon Beheer International B.V.	Eindhoven	100
Athlon Beheer Nederland B.V.	Eindhoven	100
Athlon Car Lease Belgium N.V.	Machelen	100
Athlon Car Lease International B.V.	Eindhoven	100
Athlon Car Lease International S.L.	Barcelona	100
Athlon Car Lease Italy S.r.l.	Rome	100
Athlon Car Lease Nederland B.V.	Eindhoven	100
Athlon Car Lease Polska Sp. z o.o.	Warsaw	100
Athlon Car Lease Portugal LDA	Lisboa	100
Athlon Car Lease Rental Services B.V.	Eindhoven	100
Athlon Car Lease Rental Services Belgium N.V.	Machelen	100
Athlon Car Lease S.A.S.	Le Bourget	100
Athlon Car Lease Spain, S.A.	Madrid	100
Athlon Car Rent Germany GmbH & Co. KG	Düsseldorf	100
Athlon France S.A.S.	Le Bourget	100
Athlon Germany GmbH	Düsseldorf	100
Athlon Mobility Consultancy B.V.	Eindhoven	100
Athlon Mobility Consultancy N.V.	Machelen	100

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
Athlon Rental Germany GmbH	Düsseldorf	100
Athlon Sweden AB	Stockholm	100
Athlon Switzerland AG	Schlieren	100
AVANDO HOLDINGS N.V.	Willemstad	100
<b>B</b>		
B&F Real Estate Investments B.V.	Hoevelaken	100
B&F Rietveld Investments B.V.	Hoevelaken	100
B.V. Bewaarbedrijf Schretlen & Co.	Amsterdam	100
B.V. Exploitatie Maatschappij Gemaatschappelijk Eigendom E.G.E. XXXII	Amsterdam	100
B.V. Het Pakhuis	Utrecht	100
B.V. Vastgoedmij. Ilex VI	Utrecht	100
B.V. Vastgoedmij. Ilex VIII	Utrecht	100
B.V. Vastgoedmij. Ilex X	Utrecht	100
B.V. Vastgoedmij. Ilex XII	Hoevelaken	100
Baie de Juan	Nice	100
BAIRNSDALE HOLDINGS N.V.	Willemstad	100
Banco De Lage Landen Brasil S.A.	Porto Alegre	73
Banco Rabobank International Brasil S.A.	Sao Paulo	100
Basalt B.V.	Amsterdam	100
BBT 2011-1 Trust (Tax Exempt Pool Series 2011)	New York	100
BBT 2012-1 Trust (Tax Exempt Pool Series 2012)	New York	100
BBT 2014-1 Trust (Tax Exempt Pool Series 2014)	New York	100
Beheer- En Beleggingsmaatschappij Maranta B.V.	Utrecht	100
Beheer- En Beleggingsmaatschappij Mobaco B.V.	Utrecht	100
Beheer- En Beleggingsmaatschappij Zofri B.V.	Utrecht	95
Berggierslanden Ontwikkeling Beheer B.V.	Hoevelaken	100
Berggierslanden Ontwikkelingsbedrijf C.V.	Hoevelaken	100
Besancon les jardins de la City	Lyon	100
Besancon PierreLouis	Levallois Perret	63
BEST 2010 B.V.	Amsterdam	100
Beta N.V.	Amsterdam	100
BGZ Leasing Sp. z o.o.	Warsaw	100
Bignon Orvault	Levallois Perret	60
Black Draught Investments	Dublin	100
Black Liquid Investments (Ireland) Limited	Dublin	100
BMO Berlage Deelnemingen B.V.	The Hague	100
BMO Berlage Houdstermaatschappij B.V.	The Hague	100
Bodemgoed B.V.	Utrecht	100
BOF A B.V.	Utrecht	100
BOR Grundbesitz GmbH	Berlin	100
Bouw- en Exploitatie Mij. 'Grosland II' B.V.	Amsterdam	100
Bouwfonds Asset Management Deutschland GmbH	Berlin	100
Bouwfonds Bovenkamp B.V.	Hoevelaken	100
Bouwfonds Burggooi B.V.	Hoevelaken	100
Bouwfonds Buschl Objectgesellschaft GmbH & Co. KG	Munich	88
Bouwfonds CIF Deutschland GmbH	Berlin	100
Bouwfonds City München GmbH & Co. KG	München	95
Bouwfonds City München Verwaltungs GmbH	München	100
Bouwfonds Deutsches Wohnen I B.V.	Hoevelaken	100
Bouwfonds Deutsches Wohnen II B.V.	Hoevelaken	100
Bouwfonds Deutschland GmbH & Co. Projektentwicklungs KG	Düsseldorf	100
Bouwfonds Deutschland Verwaltungs GmbH	Düsseldorf	100
Bouwfonds Development B.V.	Hoevelaken	100
Bouwfonds Duitsland B.V.	Hoevelaken	100
Bouwfonds Eifelplatz Köln GmbH	Köln	100
Bouwfonds Fondsverwaltung GmbH	Berlin	100
Bouwfonds Fondsverwaltungs II GmbH	Berlin	100
Bouwfonds Fund Management Beheer B.V.	Hoevelaken	100
Bouwfonds Germany Residential Fund VI C.V.	Hoevelaken	100
Bouwfonds Germany Residential Fund VI GmbH & Co. KG	Berlin	100

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
Bouwfonds Germany Residential Institutional Fund C.V.	Hoevelaken	100
Bouwfonds Germany Residential Value Added Fund C.V.	Hoevelaken	100
Bouwfonds Grondexploitatie Tholen Stad B.V.	Hoevelaken	100
Bouwfonds Hamburg GmbH	Hamburg	100
Bouwfonds Homburger Landstraße Verwaltungs GmbH	Düsseldorf	100
Bouwfonds IM Financial Services B.V.	Hoevelaken	100
Bouwfonds IM Institutional Investments B.V.	Hoevelaken	100
Bouwfonds Immobilienentwicklung GmbH	München	100
Bouwfonds Immobilienentwicklungs GmbH & Co. B.V.O KG	Frankfurt am Main	100
Bouwfonds International Real Estate Fund Services Luxembourg SARL	Luxembourg	100
Bouwfonds Investment Management B.V.	Hoevelaken	100
Bouwfonds Investment Management Deutschland GmbH	Berlin	100
Bouwfonds Investment Management France SAS	Paris	100
Bouwfonds Investments B.V.	Hoevelaken	100
Bouwfonds Mab Development SA	Paris	100
Bouwfondss MAB Participations B.V.	Hoevelaken	100
Bouwfonds Marignan Immobilier SAS	Levallois Perret	100
Bouwfonds Modernes Bonn GmbH	Köln	100
Bouwfonds Objekt Verwaltungs GmbH	Berlin	100
Bouwfonds Ontwikkeling B.V.	Zwolle	100
Bouwfonds Ontwikkeling Limburg B.V.	Heerlen	100
Bouwfonds Ontwikkeling Participaties IV B.V.	Hoevelaken	100
Bouwfonds Participations B.V.	Hoevelaken	100
Bouwfonds Participations IV B.V.	Hoevelaken	100
Bouwfonds Participations X B.V.	Hoevelaken	100
Bouwfonds Participations XV B.V.	Hoevelaken	100
Bouwfonds Polderweg B.V.	Hoevelaken	100
Bouwfonds Private Dutch Parking Fund II Verwaltung GmbH	Berlin	100
Bouwfonds Private Dutch Parking Fund I Verwaltungs GmbH	Berlin	100
Bouwfonds Property Development B.V.	Amersfoort	100
Bouwfonds Property Development Denmark A/S	Copenhagen	100
Bouwfonds Property Development Meyboom N.V.	Brussel	100
Bouwfonds Property Development Spain SL	Madrid	100
Bouwfonds Real Estate Services B.V.	Hoevelaken	100
Bouwfonds Schwabing GmbH	München	100
Bouwfonds Seasons GP LLC	San Diego	100
Bouwfonds Seasons LP	Washington	98
Bouwfonds Solar 01 GmbH & Co. KG	Berlin	100
Bouwfonds Solar Verwaltungs GmbH	Berlin	100
Bouwfonds Spol sro	Jihlava	100
Bouwfonds Studentenwoningen I B.V.	Hoevelaken	100
Bouwfonds Treuhand und Verwaltungs GmbH	Berlin	100
Bouwfonds U.S. Residential Fund GP LLC	Wilmington	100
Bouwfonds US Investments B.V.	Hoevelaken	100
Bouwfonds US Investments II B.V.	Hoevelaken	100
Bouwfonds US Multifamily Fund GP B.V.	Hoevelaken	100
Bouwfonds US Multifamily Fund I C.V.	Hoevelaken	100
Bouwfonds Woningbouw N.V.	Elsene	100
Bouwfondss MAB Participations B.V.	Hoevelaken	100
BPD België B.V.	Hoevelaken	100
BPD Belgium N.V.	Brussel	100
BPD Denemarken B.V.	Amersfoort	100
BPD France SNC	Levallois Perret	100
BPD Frankrijk B.V.	Hoevelaken	100
BPD Residential N.V.	Wilrijk	100
BPD Spanje B.V.	Amersfoort	100
BPD Tsjechië B.V.	Amersfoort	100
Bron Allee Buissonnières	Lyon	70
Brummelhuis Bouwcoördinatie B.V.	Oldenzaal	100
BSE-DLL Solar Trust	Wilmington	100
Buschl Verwaltung GmbH	München	88

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
<b>C</b>		
Capelle Makelaars B.V.	Amsterdam	95
Capital Asset Finance Limited	Watford	100
Capital Management B.V.	Amsterdam	100
Carciofo Energie Nederland B.V.	Utrecht	100
Cargobull Commercial Solutions S.L.U.	Madrid	51
Cargobull Finance A/S	Padborg	51
Cargobull Finance AB	Stockholm	51
Cargobull Finance Financial and Servicing Kft.	Bicske	51
Cargobull Finance GmbH	Wals-Siezenheim	51
Cargobull Finance GmbH	Düsseldorf	51
Cargobull Finance Holding B.V.	Eindhoven	51
Cargobull Finance Limited	Watford	51
Cargobull Finance S.A.S.	Le Bourget	51
Cargobull Finance S.P.A. Con Socio Unico	Milan	51
Cargobull Finance S.R.L.	Ciorogarla	51
Cargobull Finance Sp. z o.o.	Warsaw	51
CBS Capital Inc.	Mississauga	51
CCRB Dublin Finance	Dublin	100
Cetriolo Energie Nederland B.V.	Utrecht	100
Chatillon LeClerc	Levallois Perret	80
Chaville Salengro	Levallois Perret	75
Clichy Paymal	Levallois Perret	51
Clos Rivage de Quesnoy	Levallois Perret	100
Consortium de Dijken B.V.	Zwolle	59
Cours LaFayette	Lyon	70
Cransfort Limited	Dublin	100
<b>D</b>		
D' Chaves 5/9 S.A.	Lisbon	100
Daalsetunnel B.V.	Utrecht	100
De Curie Beheer B.V.	Hoevelaken	100
De Lage Landen (China) Co. Ltd.	Shanghai	100
De Lage Landen (China) Factoring Co. Ltd.	Shanghai	100
De Lage Landen AB	Stockholm	100
De Lage Landen America Holdings B.V.	Eindhoven	100
De Lage Landen Asia Participations B.V.	Eindhoven	100
De Lage Landen Austria GmbH	Vienna	100
De Lage Landen Chile S.A.	Santiago	100
De Lage Landen China Participations B.V.	Eindhoven	100
De Lage Landen Co., Ltd	Seoul	100
De Lage Landen Commercial Finance Inc.	Oakville	100
De Lage Landen Contract Holdings, LLC	Wilmington	100
De Lage Landen Corporate Finance B.V.	Eindhoven	100
De Lage Landen Cross-Border Finance LLC	Wayne	100
De Lage Landen Dealerlease B.V.	Eindhoven	100
De Lage Landen Erste Vorratsgesellschaft mbH	Düsseldorf	100
De Lage Landen Europe Participations B.V.	Eindhoven	100
De Lage Landen Facilities B.V.	Eindhoven	100
De Lage Landen Faktoring Anonim Şirketi	Istanbul	100
De Lage Landen Finance Limited Liability Company	Seoul	100
De Lage Landen Finance LLC	Wilmington	100
De Lage Landen Finance LLC	Johnston	100
De Lage Landen Finance Zrt.	Budapest	100
De Lage Landen Financial Services B.V.	Eindhoven	100
De Lage Landen Financial Services Canada Inc.	Oakville	100
De Lage Landen Financial Services Inc.	Wayne	100
De Lage Landen Financial Services India Private Limited	Mumbai	100
De Lage Landen Financiering B.V.	Eindhoven	100

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
De Lage Landen Finans AB	Stockholm	100
De Lage Landen Finansal Kiralama Anonim Şirketi	Istanbul	100
De Lage Landen France S.A.S.	Le Bourget	100
De Lage Landen International B.V.	Eindhoven	100
De Lage Landen Ireland Company	Dublin	100
De Lage Landen KK	Tokyo	100
De Lage Landen Leasing AG	Schlieren	100
De Lage Landen Leasing Company	Dublin	100
De Lage Landen Leasing GmbH	Düsseldorf	100
De Lage Landen Leasing Kft.	Budapest	100
De Lage Landen Leasing Limited	Watford	100
De Lage Landen Leasing N.V.	Machelen	100
De Lage Landen Leasing Polska S.A.	Warsaw	100
De Lage Landen Leasing Polska S.A.	Warsaw	100
De Lage Landen Leasing S.A.S.	Le Bourget	100
De Lage Landen Limited	Watford	100
De Lage Landen Limited	Auckland	100
De Lage Landen Liquid Investments Limited	Dublin	100
De Lage Landen Materials Handling B.V.	Eindhoven	100
De Lage Landen Materials Handling Ltd.	Watford	100
De Lage Landen Materials Handling S.A.S.	Le Bourget	100
De Lage Landen Participações Limitada	Porto Alegre	73
De Lage Landen Pte. Limited	Singapore	100
De Lage Landen Pty Limited	Sydney	100
De Lage Landen Public Finance LLC	Wayne	100
De Lage Landen Re Limited	Dublin	100
De Lage Landen Remarketing Solutions B.V.	Eindhoven	100
De Lage Landen Renting Solutions, S.L.U.	Madrid	100
De Lage Landen South Africa (Proprietary) Limited	Tokai	100
De Lage Landen Special Asset Leasing B.V.	Eindhoven	100
De Lage Landen Trade Finance B.V.	Eindhoven	100
De Lage Landen U.S. Participations Limited Liability Company B.V.	Wilmington	100
De Lage Landen U.S.A. Inc.	Wilmington	100
De Lage Landen Vendorlease B.V.	Eindhoven	100
De Lage Landen, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada	Mexico City	100
De Rotterdam Beheer B.V.	Rotterdam	100
De Rotterdam C.V.	Rotterdam	100
De Rotterdam Hotel Beheer B.V.	Rotterdam	100
De Rotterdam II C.V.	Rotterdam	100
De Wilde Projektmanagement B.V.	Eindhoven	100
Dhuis Gambetta	Levallois Perret	75
Dijon Faubourg St. Pierre	Lyon	100
DLL GP Limited	Oakville	100
DLL Polska Participations Sp. z o.o.	Warsaw	100
DLL U.S. Holding Company L.P.	Wilmington	100
D'Loule 112 126 S.A.	Lisbon	100
DNF Participations B.V.	Hoevelaken	100
DOMUS Bestuur B.V.	Hoevelaken	100
Domus Rosny SARL	Paris	100
Dutch Greentech B.V.	Amsterdam	86
<b>E</b>		
Eclairage Energie Nederland B.V.	Utrecht	100
ENVIMI B.V.	Utrecht	100
Epsilon Management B.V.	Amsterdam	100
Eureka Guillaies	Levallois Perret	100
Eurl Marignan Val d'Albian	Levallois Perret	100

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
<b>F</b>		
Facturis B.V.	Breukelen	67
Facturis Group B.V.	Breukelen	67
Facturis HR B.V.	Breukelen	67
Facturis Media B.V.	Breukelen	67
Facturis Payment B.V.	Breukelen	67
FARM Europe Fund Management B.V.	Amsterdam	100
Fermage Energie Nederland B.V.	Utrecht	100
FGH Assurantien B.V.	Utrecht	100
FGH Bank N.V.	Utrecht	100
FGH Vastgoed Expertise B.V.	Utrecht	100
Fideaal B.V.	Eindhoven	100
Finstrad N.V.	Antwerpen	100
First Part Dieu	Lyon	51
Flagpole Investments Limited	Dublin	100
Fontaines Parc Saint Louis	Lyon	60
Fontenay Aubert Vincennes	Levallois Perret	65
French 75 GmbH	Hamburg	100
Friesland Lease B.V.	Drachten	51
Friesland Zekerheden Maatschappij Holding N.V.	Utrecht	100
Friesland Zekerheden Maatschappij N.V.	Utrecht	100
Frontier C.V.	Utrecht	n/a
<b>G</b>		
G.B.F. Bouw- en Exploitiemaatschappij B.V.	Utrecht	100
Gamma N.V.	Amsterdam	100
Garenne Rue Sartoris (LA)	Levallois Perret	70
Germany Residential Fund II Managing Director B.V.	Hoevelaken	100
Germany Residential Fund III Managing Director B.V.	Hoevelaken	100
Germany Residential Fund IV Managing Director B.V.	Hoevelaken	100
Germany Residential Fund Managing Director B.V.	Hoevelaken	100
Germany Residential Fund V Managing Director B.V.	Hoevelaken	100
Germany Residential Fund VI Management B.V.	Hoevelaken	100
Germany Residential Fund VI Management GmbH	Berlin	100
Germany Residential Fund VI Managing Director B.V.	Hoevelaken	100
Gilde IT Fund B.V.	Utrecht	100
Gilde IT Fund II B.V.	Utrecht	100
Gilde Strategic Situations B.V.	Utrecht	100
Gosmore Investments	Dublin	100
GR VAF General Partner B.V.	Hoevelaken	100
GR VAF Holding B.V.	Hoevelaken	100
GR VAF Investments I B.V.	Hoevelaken	100
GR VAF Investments III B.V.	Hoevelaken	100
GR VAF Investments IV B.V.	Hoevelaken	100
GR VAF Investments V B.V.	Hoevelaken	100
GR VAF Investments VI B.V.	Hoevelaken	100
GR VAF Investments VII B.V.	Hoevelaken	100
GR VAF Investments VIII B.V.	Hoevelaken	100
GR VAF Investments X B.V.	Hoevelaken	100
GRAINCORP POOLS PTY LIMITED	Sydney	100
Green I B.V.	Utrecht	100
Green II B.V.	Utrecht	100
Green III B.V.	Utrecht	100
Green IV B.V.	Utrecht	100
Green V B.V.	Utrecht	100
Green VI B.V.	Utrecht	100
Grenoble le Siecle d'Or	Lyon	100
GRIF General Partner B.V.	Hoevelaken	100
GRIF Holding B.V.	Hoevelaken	100



<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
GRIF Investments III B.V.	Hoevelaken	100
GRIF Investments IV B.V.	Hoevelaken	100
GRIF Investments V B.V.	Hoevelaken	100
GRIF Investments VI B.V.	Hoevelaken	100
GRIF Investments VIII B.V.	Hoevelaken	100
GRIF Investments IX B.V.	Hoevelaken	100
GRIF Investments XIII B.V.	Hoevelaken	100
GRIF Investments XIV B.V.	Hoevelaken	100
GRIF Investments XIX B.V.	Hoevelaken	100
GRIF Investments XX B.V.	Hoevelaken	100
GRIF Investments XXI B.V.	Hoevelaken	100
GRIF Limited Partner I B.V.	Hoevelaken	100
GRIF Limited Partner II B.V.	Hoevelaken	100
Groen Management B.V.	Utrecht	100
Grootevast C.V.	Utrecht	n/a
Group Gamma B.V.	Hoevelaken	100
Group Zèta B.V.	Hoevelaken	100
<b>H</b>		
Harcourt Street Investments	Dublin	100
Hardwareweg O.G. C.V.	Utrecht	n/a
Haruku Energie Nederland B.V.	Utrecht	100
Harvest Funding LLC	Delaware	100
Highway 2015-I B.V.	Amsterdam	n/a
Hoevelaken Real Estate Participations B.V.	Hoevelaken	100
Hoevelaken Real Estate Participations III B.V.	Hoevelaken	100
HSB Vastgoed Holding B.V.	Hoevelaken	100
HSB Vastgoed II B.V.	Hoevelaken	100
HSB Vastgoed IV B.V.	Hoevelaken	100
HSB Vastgoed V B.V.	Hoevelaken	100
HSB Vastgoed VII B.V.	Hoevelaken	100
HSB Vastgoed VIII B.V.	Hoevelaken	100
<b>I</b>		
Imahahu Energie Nederland B.V.	Utrecht	100
Interleasing Luxembourg S.A.	Windhof	100
Investir B.V.	Utrecht	100
Investment & Management Services B.V.	Utrecht	100
IPB Holding B.V.	Utrecht	100
<b>J</b>		
Jadebra Energie Nederland B.V.	Utrecht	100
Jardins St. Dominique	Levallois Perret	100
Jlot Garibaldi Lyon 7	Lyon	70
Jungheinrich Finance Limited	Watford	100
<b>K</b>		
Kloosterlanden C.V.	Utrecht	n/a
KP Investments 1 B.V.	Hoevelaken	100
KP Investments GmbH	Frankfurt am Main	100
KPI Investments France SARL	Paris	100
Kryptoned NW B.V.	Hoevelaken	100
Kryptovast I B.V.	Utrecht	100
Kryptovast III B.V.	Utrecht	100
Kryptovast IV B.V.	Utrecht	100
Kullor Energie Nederland B.V.	Utrecht	100

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
<b>L</b>		
La Citta Meubile B.V.	Rotterdam	100
Laagland Participaties B.V.	Lelystad	95
Land van Matena V.O.F.	Hoevelaken	100
LEAP Warehouse Trust No. 1	Sydney	n/a
Leasette Energie Nederland B.V.	Utrecht	100
Les Longeres Magny	Levallois Perret	91
Lille les Jardins de Molinel	Levallois Perret	80
Lille Villas Inkermann	Lille Cedex	80
Limited Liability Company Cargobull Finance	Moscow	51
Limited Liability Company De Lage Landen Leasing	Moscow	100
LINKD B.V.	Amsterdam	95
Lyon 8eme Avenue	Lyon	80
Lyon Islands	Lyon	90
Lyon le Sarraïl	Lyon	80
<b>M</b>		
MAB Development Deutschland GmbH	Frankfurt am Main	100
MAB Development Group B.V.	The Hague	100
MAB Development Nederland B.V.	The Hague	100
MAB Development Outlet Center B.V.	The Hague	100
MAB Fellenoord B.V.	The Hague	100
MAB Paris Batigliones	Paris	100
MAB Participations S.A.	Paris	100
Mab Seriho B.V.	The Hague	100
MAB Vastgoed een B.V.	The Hague	100
MAB Vastgoed twee B.V.	The Hague	100
MAB Vastgoed drie B.V.	Rotterdam	100
MABOG Vastgoed I B.V.	The Hague	100
Mahindra Finance USA LLC	Johnston	51
Maine Angers	Levallois Perret	60
Makelaardij Onroerend Goed Van Der Linden B.V.	Almere	95
Makelaardij Van Der Linden Projecten B.V.	Almere	95
Maple Ficfi Multimercado	Sao Paulo	100
Marignan C.P.I.	Levallois Perret	100
Marignan Elysee S.N.C.	Levallois Perret	100
Marignan Habitat S.N.C.	Levallois Perret	100
Marignan Lotissements	Lyon	100
Marignan Montparnasse S.N.C.	Levallois Perret	100
Marignan Residences	Marseille	75
Marignan Résidences S.N.C.	Levallois Perret	100
Meander OG C.V.	Utrecht	n/a
Melkmarkt Ontwikkeling B.V.	Zwolle	100
Menton Villa Farnese	Nice	75
MKB Vastgoedplan B.V.	Utrecht	100
Molana Energie Nederland B.V.	Utrecht	100
Montpellier Pic St. Loup	Marseille	70
Move Invest C.V.	Utrecht	n/a
MP2-DLL Solar Trust	Wilmington	100
Multifleet G.I.E.	Le Bourget	50
MYORDER B.V.	Groningen	95
<b>N</b>		
N.V. Bouwfonds Brussel	Schilde	100
N.V. Handelmaatschappij 'Het Zuiden'	Eindhoven	100
N.V.M. Hypotheekshop Midned B.V.	Lelystad	95
Nalahia Energie Nederland B.V.	Utrecht	100
Nantes Beaupaire	Nantes	100
Nassau Credit Management Services B.V.	Breukelen	67

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
NCT Beheer B.V.	Utrecht	100
New Chinatown Amsterdam C.V.	The Hague	100
New ChinaTown Beheer B.V.	The Hague	100
Nice Chapelle St. Pierre	Nice	100
Nice Corniche Fleurie	Nice	100
Nieuw Amsterdam Receivables Corporation B.V.	Amsterdam	100
Nouvelle Arcen en Velden Grondexploitatie B.V.	Heerlen	100
NSE-DLL Solar Trust	Wilmington	100
Nuenen West B.V.	Nuenen	100
NWK 1, INC	Roseville	100
NWK 2, INC	Roseville	100
<b>O</b>		
OAK FUNDO DE INVESTIMENTO MULTIMERCADO	Sao Paulo	100
Objektgesellschaft Saarstrasse Wohnbau mbH	München	100
Objektgesellschaft Schwere-Reiter-Strasse Gewerbebau mbH	München	100
OBVION N.V.	Heerlen	100
ODE Beheer B.V.	The Hague	100
ODE Bestuur B.V.	The Hague	100
Onderlinge Waarborgmaatschappij Rabobanken B.A.	Eindhoven	n/a
Ontwikkelings- en Exploitatie Maatschappij Almere-Haven B.V.	Utrecht	100
Ontwikkelingscombinatie Hart van 's-Gravenzande B.V.	Utrecht	100
Ontwikkelingscombinatie Westlandse Zoom Bestuur B.V.	Delft	100
Ontwikkelingscombinatie Westlandse Zoom C.V.	Delft	100
Ontwikkelingsmaatschappij BWB M-O B.V.	Hoevelaken	100
Ontwikkelingsmaatschappij BWB N-O B.V.	Hoevelaken	100
Ontwikkelingsmaatschappij BWB N-W B.V.	Hoevelaken	100
Ontwikkelingsmaatschappij BWB Z B.V.	Arnhem	100
Ontwikkelingsmaatschappij BWB Z-W B.V.	Hoevelaken	100
Ontwikkelingsmaatschappij Cavelot B.V.	Heerlen	75
Ontwikkelingsmaatschappij Zeister Lyceumkwartier B.V.	Amersfoort	100
Oosterdokseiland Ontwikkeling Amsterdam C.V.	The Hague	100
Orbay B.V.	's Hertogenbosch	100
Orvault les Peintres	Nantes	80
Oullins le Clos Fleury	Lyon	55
<b>P</b>		
PalaisQuartier Asset management GmbH	Frankfurt am Main	100
PalaisQuartier GmbH & Co. KG	Frankfurt am Main	100
PalaisQuartier Verwaltungs GmbH	Frankfurt am Main	100
Pandios C.V.A.	Antwerpen	100
Parc de Bussy	Levallois Perret	80
Participatie I B.V.	Amsterdam	100
Participatiemaatschappij Wateringse Veld II B.V.	Hoevelaken	100
Pepino Energie Nederland B.V.	Utrecht	100
Perreux Recourat	Levallois Perret	60
Persephone C.V.	Utrecht	n/a
Philips Medical Capital LLC	Wayne	60
Pomum Energie Nederland B.V.	Utrecht	100
Primary Investment Management B.V.	Amsterdam	100
Princenhage C.V.	Utrecht	n/a
Project Holland Beheer B.V.	Amsterdam	50
Project SPV 10 GmbH	Frankfurt am Main	100
Proleg	Marseille	50
PT Aditirta Suryasentosa	Central Jakarta	95
PT Antariksabuana Citanagara	Central Jakarta	95
PT Antarindo Optima	Central Jakarta	95
PT Bank Rabobank International Indonesia	Jakarta	98

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
<b>R</b>		
Rabo Agrifinance Inc.	St. Louis	100
Rabo Australia Limited	Sydney	100
Rabo Bouwfonds CIF General Partner B.V.	Hoevelaken	100
Rabo Bouwfonds Holding N.V.	Utrecht	100
Rabo Capital II B.V.	Amsterdam	100
Rabo Capital Securities Limited	Wellington	100
Rabo Capital Services Inc.	New York	100
Rabo Development B.V.	Utrecht	100
Rabo Eigen Steen Holding B.V.	Hoevelaken	100
Rabo Eigen Steen I N.V.	Hoevelaken	100
Rabo Eigen Steen Value Fonds B.V.	Hoevelaken	100
Rabo Equipment Finance Limited	Sydney	100
Rabo Equity Advisors Private Limited	New Dehli	51
Rabo Equity Management Company Limited	Port Louis	51
Rabo Farm Europe Investments	Amsterdam	100
Rabo Feeder I B.V.	Amsterdam	100
Rabo Feeder IIA B.V.	Amsterdam	100
Rabo Finance B.V.	Utrecht	100
Rabo Financieringsmaatschappij B.V.	Eindhoven	100
Rabo Groen Bank N.V.	Utrecht	100
Rabo Herverzekeringsmaatschappij N.V.	Utrecht	100
Rabo Holdings (UK) Limited	London	100
Rabo India Finance Limited	Gurgaon	100
Rabo India Securities Private Limited	MUMBAI	100
Rabo International Advisory Services (RIAS) B.V.	Utrecht	100
Rabo Investments B.V.	Utrecht	100
Rabo Krediet Maatschappij B.V.	Eindhoven	100
Rabo Merchant Bank N.V.	Utrecht	100
Rabo Mobiel B.V.	Utrecht	100
Rabo Participaties B.V.	Utrecht	100
Rabo Pensionsgesellschaft mbH	Frankfurt am Main	100
Rabo Project Equity B.V.	Amsterdam	100
Rabo Securities Canada Inc.	Toronto	100
Rabo Securities USA Inc.	New York	100
Rabo Servicios Y Asesorías Ltda.	Santiago de Chile	100
Rabo Support Services Inc.	New York	100
Rabo Trading Germany GmbH	Frankfurt am Main	100
Rabo Trading Netherlands B.V.	Utrecht	100
Rabo UK Group Holdings Unlimited	London	100
Rabo Vastgoedgroep Holding N.V.	Hoevelaken	100
Rabo Ventures B.V.	Amsterdam	100
Rabobank Anonim Sirketi	Istanbul	100
Rabobank Australia Limited	Sydney	100
Rabobank Capital Funding III LLC	Delaware	100
Rabobank Capital Funding Trust III	New York	100
Rabobank Capital Funding Trust IV	New York	100
Rabofinance Chile S.A.	Santiago de Chile	100
Rabobank Corporate Trustees I Limited	London	100
Rabobank Corporate Trustees II Limited	London	100
Rabobank Curacao N.V.	Willemstad	100
Rabobank International Holding B.V.	Utrecht	100
Rabobank Ireland Plc	Dublin	100
Rabobank National Association	Roseville	100
Rabobank Nederland Participatiemaatschappij B.V.	Utrecht	100
Rabobank New Zealand Limited	Wellington	100
Rabobank Rembrandt F&O B.V.	Amsterdam	51
Rabobank Trading S.A.	Sao Paulo	100
Rabofinance Chile S.A.	Santiago de Chile	100
Rabohypotheekbank N.V.	Utrecht	100

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
Raboinvestments Chile S.A.	Santiago de Chile	100
Rabotoren B.V.	Almere	100
Raiffeisenhypotheekbank N.V.	Utrecht	100
RB Alabama Holdings LLC	New York	100
RB Indio Holdings LLC	New York	100
RB Terra Lago Holdings LLC	New York	100
RBE Holdings LLC	New York	100
RBPS III Inc.	Georgetown	100
Rebermen SCI	Lyon	51
Red Liquid Finance	Dublin	100
Residential Property Disposition Fund I B.V.	Hoevelaken	100
RI Acquisition Finance Grootbedrijf B.V.	Utrecht	100
RI Corporate Finance B.V.	Utrecht	100
RI Investments Holdings B.V.	Utrecht	100
RI Leveraged Finance B.V.	Utrecht	100
RI Luxembourg Finance S.A.R.L.	Luxembourg	100
RI Project Finance B.V.	Utrecht	100
RI Structured Finance B.V.	Utrecht	100
RI-GD Investments Ltd.	Dublin	100
Rio Partners B.V.	Utrecht	100
RLAFF B.V.	Utrecht	100
Roden Vastgoed C.V.	Utrecht	-
Rohomoni Energie Nederland B.V.	Utrecht	100
Romijn Energie Nederland B.V.	Utrecht	100
Rotterdam Cool B.V.	Rotterdam	100
Rotterdam Cool Opstal B.V.	Den Haag	100
Rotterdam I B.V.	Rotterdam	100
R-RED III SOCIEDAD LIMITADA	Santa Cruz	100
Rueil Republique	Levallois Perret	60
RV II B.V.	Amsterdam	99
<b>S</b>		
Sablon	Lyon	80
Saharamco B.V.	Amsterdam	100
SARL Residence La Tournelle	Levallois Perret	80
SARTORIS II	Levallois Perret	90
SCCV Petrus Promotion 5	Levallois Perret	50
Scheepvaart-maatschappij Fokko B.V.	Utrecht	100
Schretlen & Co. N.V.	Amsterdam	100
Schretlen Estate Management Services B.V.	Amsterdam	100
SCI Eaubonne Gabriel Perie	Levallois Perret	100
SCI Eaubonne Voltaire	Levallois Perret	100
SCI Gif Fleury	Levallois Perret	80
SCI LE MILLESIME	Levallois Perret	51
SCI Villeurbane Galtier	Lyon	70
SE DLL Solar Trust	Wilmington	100
Securities Silver B.V.	Hoevelaken	100
Simart les Chesnay	Levallois Perret	60
Sofimari	Levallois Perret	80
Soft Commodity Trading Pty Limited	Sydney	100
Solanum Energie Nederland B.V.	Utrecht	100
Special Asset Equity Holdings Series LLC	New York	100
Special Asset Holdings Inc.	New York	100
Special Lease Systems (SLS) B.V.	Eindhoven	100
St. Laurent Topaze	Nice	n/a
St. Pierre Clamart	Levallois Perret	n/a
St. Pierre Lyon 9eme	Lyon	n/a
St. Raphael Riviere	Levallois Perret	n/a
STAK Securities Silver	Hoevelaken	n/a
Stichting Administratiekantoor Beta	Amsterdam	n/a
Stichting Administratiekantoor Gamma	Hoevelaken	n/a

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
Stichting administratiekantoor IEF Management Epsilon	Amsterdam	n/a
Stichting Administratiekantoor Participatie I	Hoevelaken	n/a
Stichting administratiekantoor Zeta	Amsterdam	n/a
Stichting Holding HIGHWAY 2015-I	Amsterdam	n/a
Stichting Holding STORM 2010-III	Amsterdam	n/a
Stichting Holding STORM 2010-IV	Amsterdam	n/a
Stichting Holding STORM 2011-I	Amsterdam	n/a
Stichting Holding STORM 2011-III	Amsterdam	n/a
Stichting Holding STORM 2011-IV	Amsterdam	n/a
Stichting Holding STORM 2012-I	Amsterdam	n/a
Stichting Holding STORM 2012-II	Amsterdam	n/a
Stichting Holding STORM 2012-III	Amsterdam	n/a
Stichting Holding STORM 2012-IV	Amsterdam	n/a
Stichting Holding STORM 2012-V	Amsterdam	n/a
Stichting Holding STORM 2013-I	Amsterdam	n/a
Stichting Holding STORM 2013-II	Amsterdam	n/a
Stichting Holding STORM 2013-III	Amsterdam	n/a
Stichting Holding STORM 2013-IV	Amsterdam	n/a
Stichting Holding STORM 2014-I	Amsterdam	n/a
Stichting Holding STORM 2014-II	Amsterdam	n/a
Stichting Holding STORM 2014-III	Amsterdam	n/a
Stichting Holding STORM 2015-I	Amsterdam	n/a
Stichting Holding STORM 2015-II	Amsterdam	n/a
Stichting Holding STRONG 2011-I	Amsterdam	n/a
Stichting Holland Homes Oranje II	Amsterdam	n/a
Stichting Mortgage Purchasing Company Holland Homes	Amsterdam	n/a
Stichting Security Trustee HIGHWAY 2015-I	Amsterdam	n/a
Stichting Security Trustee Storm 2010-III	Amsterdam	n/a
Stichting Security Trustee Storm 2010-IV	Amsterdam	n/a
Stichting Security Trustee Storm 2011-I	Amsterdam	n/a
Stichting Security Trustee Storm 2011-III	Amsterdam	n/a
Stichting Security Trustee Storm 2011-IV	Amsterdam	n/a
Stichting Security Trustee Storm 2012-I	Amsterdam	n/a
Stichting Security Trustee Storm 2012-II	Amsterdam	n/a
Stichting Security Trustee Storm 2012-III	Amsterdam	n/a
Stichting Security Trustee Storm 2012-IV	Amsterdam	n/a
Stichting Security Trustee Storm 2012-V	Amsterdam	n/a
Stichting Security Trustee Storm 2013-I	Amsterdam	n/a
Stichting Security Trustee Storm 2013-II	Amsterdam	n/a
Stichting Security Trustee Storm 2013-III	Amsterdam	n/a
Stichting Security Trustee Storm 2013-IV	Amsterdam	n/a
Stichting Security Trustee Storm 2014-I	Amsterdam	n/a
Stichting Security Trustee Storm 2014-II	Amsterdam	n/a
Stichting Security Trustee Storm 2014-III	Amsterdam	n/a
Stichting Security Trustee STORM 2015-I	Amsterdam	n/a
Stichting Security Trustee STORM 2015-II	Amsterdam	n/a
Stichting Security Trustee STRONG 2011-I	Amsterdam	n/a
STORM 2010-III B.V.	Amsterdam	n/a
STORM 2010-IV B.V.	Amsterdam	n/a
STORM 2011-I B.V.	Amsterdam	n/a
STORM 2011-III B.V.	Amsterdam	n/a
STORM 2011-IV B.V.	Amsterdam	n/a
STORM 2012-I B.V.	Amsterdam	n/a
STORM 2012-II B.V.	Amsterdam	n/a
STORM 2012-III B.V.	Amsterdam	n/a
STORM 2012-IV B.V.	Amsterdam	n/a
STORM 2012-V B.V.	Amsterdam	n/a
STORM 2013-I B.V.	Amsterdam	n/a
STORM 2013-II B.V.	Amsterdam	n/a
STORM 2013-III B.V.	Amsterdam	n/a
STORM 2013-IV B.V.	Amsterdam	n/a

<i>Name</i>	<i>Registered office</i>	<i>% capital</i>
STORM 2014-I B.V.	Amsterdam	n/a
STORM 2014-II B.V.	Amsterdam	n/a
STORM 2014-III B.V.	Amsterdam	n/a
STORM 2015-I B.V.	Amsterdam	n/a
STORM 2015-II B.V.	Amsterdam	n/a
STORROW DRIVE N.V.	Willemstad	100
STRONG 2011-I B.V.	Amsterdam	n/a
<b>T</b>		
TE-DLL Solar Trust	Wilmington	100
Thorix Corporation N.V.	Willemstad	100
Ticketserviceprovider B.V.	Breukelen	67
Tournelles de Roissy	Levallois Perret	75
Transveer Beheer B.V.	Utrecht	100
Truckland Lease B.V.	Eindhoven	51
Tullaghought Company	Dublin	100
<b>U</b>		
Ucafleet S.A.S.	Le Bourget	65
Utrecht America Finance Co.	New York	100
Utrecht America Financial Services Corp.	New York	100
Utrecht America Holdings Inc.	New York	100
<b>V</b>		
V.O.F. Assenrade	Amersfoort	n/a
V.O.F. Roo-haen	Zwolle	n/a
Val Albion	Levallois Perret	100
Van der Linden Assurantiën	Almere	95
Van der Linden Bedrijfsmakelaars B.V.	Lelystad	95
Van der Linden Vastgoedmanagement B.V.	Almere	95
Vastgoed Capricorn B.V.	Amsterdam	100
Vastgoed Zèta (Monumenten) B.V.	Amsterdam	100
Vastgoed Zèta (Platinum-Oost) B.V.	Amsterdam	100
Vegetal Energie Nederland B.V.	Utrecht	100
Verdure Energie Nederland B.V.	Utrecht	100
Vestdijk Truck Finance Beheer B.V.	Eindhoven	100
<b>W</b>		
Wiebach C.V.	Utrecht	n/a
Wilma Bouwfonds Bauprojekte GmbH & Co 'An den Teichen' KG	Ratingen	95
Wilma Bouwfonds Bauprojekte Verwaltungs-Gesellschaft mbH	Ratingen	100
Winterhude II Wohbau GmbH & Co. KG	Hamburg	80
Wohnpark Duisburg Biegerhof GmbH	Düsseldorf	100
WVG Winterhude II Verwaltungs GmbH	Hamburg	80
<b>Z</b>		
Zeta B.V.	Amsterdam	100
Zodiac B.V.	Amsterdam	100
Zuidlease B.V.	Sittard	51



# Glossary of terms

## Annual Report 2015 Rabobank Group

<b>Loan impairment charges:</b>	Costs consisting of the amounts added to the loan impairment allowance and charged to the profit and loss account. Loan impairment charges represent the balance of addition, release and earnings after write-offs. Loan impairment charges are generally expressed in basis points of average lending.
<b>Total capital ratio:</b>	Regulatory capital divided by risk-weighted assets.
<b>BPV (basis point value):</b>	BPV represents the absolute loss of the market value of equity if the yield curve as a whole changes in parallel by one basis point.
<b>Cash flow:</b>	Inflows and outflows of cash and cash equivalents.
<b>Common equity tier 1 capital:</b>	This capital is determined based on the regulator's requirements. For Rabobank, this constitutes the sum of retained earnings, Rabobank Certificates, share of non-controlling interests, reserves and transitional provisions, less estimated dividends and deductions.
<b>Common equity tier 1 ratio:</b>	Common equity tier 1 capital related to the risk-weighted assets.
<b>Corporate governance:</b>	The system of rules, practices and processes by which a company is directed and controlled. The term refers to how a company is to be managed effectively, efficiently and soundly and to the management's responsibility to account for its policies to its stakeholders.
<b>Country risk:</b>	With respect to country risk, a distinction is drawn between transfer risk and collective debtor risk. Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in their own country to creditors in other countries. Collective debtor risk is the risk that a large number of debtors in a particular country will all be unable to fulfil their obligations owing to the same cause.
<b>Credit risk:</b>	The risk of loss if the bank's counterparties are unable to meet their loan obligations to the bank.
<b>EAD (Exposure At Default):</b>	The bank's expected exposure in the event and at the time of a counterparty's default.
<b>EatR (Equity at Risk):</b>	Measure indicating the percentage by which the market value of equity will decrease if the yield curve increases (in parallel) by one percentage point.
<b>Economic capital or internal capital requirement:</b>	This refers to the minimum capital buffer required in order to offset all unexpected losses caused by the various risks to which a bank is exposed during a specific time period (one year), assuming a specific reliability interval.

<b>Cost/income ratio:</b>	Operating expenses related to income.
<b>Engagement:</b>	<p>Have a two-way dialogue with key stakeholders, such as our employees, business partners, clients and society to learn and understand the challenges they face, the innovations in the market, and developments in sustainability frames of reference. Engagement contributes to ongoing learning and improvement by enabling Rabobank to:</p> <ul style="list-style-type: none"> <li>• identify and create commercial opportunities;</li> <li>• to identify and appraise risks;</li> <li>• have the opportunity to remedy grievances among the Group's stakeholders;</li> <li>• share our knowledge and networks with our clients to motivate them to deal responsibly with their sustainability issues.</li> </ul>
<b>Equity capital ratio:</b>	Retained earnings and Rabobank Certificates related to risk-weighted assets.
<b>Funding:</b>	Funds used by the bank to finance its lending operations.
<b>Hybrid capital:</b>	Capital including components of equity and liabilities, forming part of the bank's tier 1 capital.
<b>IatR (Income at Risk):</b>	This measure indicates, with some degree of reliability, the maximum loss of interest profit caused by a sharp increase or decline in money market interest rates over the next 12 months.
<b>Impairment:</b>	Reduction in a company's stated capital.
<b>Impaired loans:</b>	Loans for which a provision has been made.
<b>Interest rate risk:</b>	The risk that the bank's financial performance and/or economic value, based on the balance sheet structure, is negatively affected by trends in the money market.
<b>LGD (Loss Given Default):</b>	<p>Estimate of economic loss in the event of default on the part of the debtor.</p> <p>The LGD is expressed as a percentage of the EAD.</p>
<b>Liquidity risk:</b>	The risk that a bank will not be able to fulfil all its payment and repayment obligations on time, as well as the risk that it will at some time be unable to fund increases in assets at a reasonable price, if at all.
<b>Loan-to-deposit ratio:</b>	Ratio of lending due to customers.
<b>Market risk:</b>	Risk related to value changes in the trading portfolio due to price changes in the market which affect factors such as interest rates, shares, credit spreads, currencies and certain types of goods.
<b>Operational risk:</b>	The probability of loss caused by inadequate or deficient internal processes, people or systems, or by external events.

<b>PD (Probability of Default):</b>	The likelihood that a counterparty will default within one year.
<b>Qualifying capital:</b>	Capital determined based on the regulator's requirements. For Rabobank, this represents the sum of the tier 1 capital, subordinated debts and share of non-controlling interests less transitional provisions.
<b>RAROC (Risk Adjusted Return On Capital):</b>	Risk-based profitability measurement framework which ensures that earnings and risks can be consistently weighted against each other.
<b>Regulatory capital or external capital requirement:</b>	The total capital classified by the regulator as risk-bearing capital, consisting of the tier 1 and tier 2 capital.
<b>Return on tier 1 capital:</b>	Net profit related to the tier 1 capital as at 31 December of the previous financial year.
<b>Risk-weighted assets:</b>	The assets of a financial institution multiplied by a weighting factor, set by the regulatory authorities, reflecting the relative risk related to these assets. The minimum capital requirement is calculated based on the risk-weighted assets.
<b>Sector policy:</b>	Policy related to specific socially and environmentally sensitive industries and chains.
<b>Solvency:</b>	A company's ability to meet its financial obligations.
<b>Sustainability:</b>	We define sustainability as the quality of not being harmful to people, communities, environment or depleting natural resources, and thereby supporting long-term ecological balance.
<b>Sustainability assessment:</b>	In the sustainability analysis sustainability related risks assessed in relation to the strategy and primary business activities of the client. These can, apart from being client specific, also be related to the country or sector of the client.
<b>Sustainability risk:</b>	<p>The likelihood of a business client causing, contributing to or being linked to adverse social, environmental, or governance impacts.</p> <p>Material sustainability risks: environmental, social and/or governmental risks that, if not properly mitigated:</p> <ul style="list-style-type: none"> <li>• can have a negative impact on environment and people and/or;</li> <li>• have a negative impact on the clients credit risk profile caused by direct (e.g. fines) or indirect (e.g. loss of market share, loss of operating license) financial damage for the client;</li> <li>• can cause reputational risks for Rabobank.</li> </ul>
<b>Sustainable development:</b>	Sustainable development is development which meets the needs of the current generations without compromising the ability of future generations to meet their own needs (United Nations Brundtland Commission Report, 1987).
<b>Tier 1 capital:</b>	This capital is determined based on the regulator's requirements. For Rabobank, this represents the sum of the common equity tier 1 capital, grandfathered instruments and share of non-controlling interests less transitional provisions and deductions.

**Tier 1 ratio:**

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

**Transfer risk:**

Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in their own country to creditors in other countries.

**Value at Risk (VaR):**

Value at Risk (VaR) is used in calculating market risk, indicating the maximum loss to be incurred for a given confidence level and horizon and based on 'normal' market conditions and on one year of historical market trends. For day-to-day control, a confidence level of 97.5% and 1-day horizon are applied.

# Colophon

## Published by

Rabobank

Communications & Corporate Affairs

## About the Rabobank Annual Report and Annual Review

Rabobank has integrated both the financial information and the key corporate social responsibility reporting information in the Annual Report 2015 and the Annual Review 2015.

The Annual Report 2015 is based on, among other things, the financial statements and other information about Rabobank as required under Part 9 of Book 2 of the Dutch Civil Code.

As required by law, these reports have been/will be filed at the offices of the Trade Registry under number 30.046.259 after the adoption of the financial statements of Rabobank Nederland by the Annual General Meeting. The Annual General Meeting is scheduled for 20 April 2016.

An independent auditor's report has been issued for the financial statements of Rabobank Nederland, as required under Article 2:393, Paragraph 5 of the Dutch Civil Code. This report takes the form of an unqualified opinion. In its report, the external auditor has not emphasised any specific matters. The section 'Report of the Supervisory Board' does not form part of the statutory Annual Report.

This Annual Report has been prepared in accordance with the G4 Guidelines of the Global Reporting Initiative, based on the comprehensive option. The contents of Rabobank's reporting on corporate social responsibility have been full verified by KPMG Sustainability, and provided with an assurance report classified as having a reasonable degree of certainty. The section of the Annual Report that deals with corporate social responsibility forms an integral part of the Annual Report.

## Annual Reporting

In 2016, Rabobank is publishing the following documents as part of its annual reporting, both in English and in Dutch:

- Annual Report 2015 - Jaarverslag 2015
- Annual Review 2015 - Jaaroverzicht 2015

- Consolidated Financial Statements 2015 - Geconsolideerde jaarrekening 2015
- Financial Statements 2015 - Jaarrekening 2015
- Capital Adequacy and Risk Management Report 2015/Pillar 3 (only in English)
- Interim Report 2016 - Halfjaarverslag 2016

The Annual Report 2015, the Annual Review 2015 and the Capital Adequacy and Risk Management Report (Pillar 3) will be available online at [www.rabobank.com](http://www.rabobank.com) from 16 March 2016. The printed version of the Annual Report 2015 and the Financial Statements 2015 will also be available from 22 March 2016.

Rabobank's annual reporting is available online at the corporate website: [www.rabobank.com/annualreports](http://www.rabobank.com/annualreports) and [www.rabobank.com/jaarverslagen](http://www.rabobank.com/jaarverslagen).

In the event of differences in content between the online version and the printed version, the content of the online version will always prevail. Please note that the Annual Report is an uncertified translation of the Dutch Annual Report for convenience only. In the event of any ambiguity, the Dutch text will prevail.

## Materials used

Rabobank uses environmentally-friendly materials when printing this document.

## Contact

Rabobank has exercised the utmost care in the preparation of this Annual Report. If you have questions or suggestions on how we can improve our reporting, please send them by email to [jaarverslagen@rabobank.nl](mailto:jaarverslagen@rabobank.nl)

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